



**DOWNTOWN DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS REGULAR MEETING
WEDNESDAY, JANUARY 12, 2022 – 3:30 P.M.**

BOARD MEMBERS PRESENT: Marvin Beatty
Austin Black
David Blaszkiewicz
James Jenkins
Melvin Hollowell
Richard Hosey
John Naglick
Steve Ogden
Donald Rencher
Nicole Sherard-Freeman

BOARD MEMBER ABSENT: Charles Beckham
Ehrlich Crain
Kimberly Rustem

OTHERS PRESENT: Margarita Berry (DEGC/DDA)
Kenyetta Bridges (DEGC/DDA)
Cora Capler (DEGC/DDA)
Tom Goss (Bagley Development Group LLC)
Gay Hilger (DEGC/DDA)
David Hollowell (DEGC/DDA)
Kevin Johnson (DEGC/DDA)
TaQuinda Johnson (Public)
Paul Kako (DEGC/DDA)
Glen Long (DEGC/DDA)
Lexi Mabry (DEGC/DDA)
Emmett Moten (Bagley Development Group LLC)
Rebecca Navin (DEGC/DDA)
Roy Roberts (Bagley Development Group LLC)
Ed Saenz (Olympia Development of Michigan)
Nevan Shokar (DEGC/DDA)



**MINUTES OF THE DOWNTOWN DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS REGULAR MEETING
WEDNESDAY, JANUARY 12, 2022
500 GRISWOLD, SUITE 2200, DETROIT, MI – 3:30 P.M.**

GENERAL

Call to Order

Ms. Sherard-Freeman, Chair's Representative, called the regular meeting of the Downtown Development Authority Board of Directors to order at 3:32 p.m. Roll call was conducted, and a quorum was established.

Approval of Minutes

Ms. Sherard-Freeman asked if there were any additions, deletions, or corrections to the minutes of the December 15, 2021 Regular Board meeting. Hearing none, the Board took the following action:

Mr. Beatty made a motion approving the December 15, 2021 minutes, as written. Mr. Hollowell seconded the motion. All were in favor with none opposed. DDA Resolution Code 22-01-02-642 was unanimously approved.

PROJECTS

Amended Loan Terms for Proposed DDA Loan to Bagley Development Group LLC

Mr. Howell introduced himself and advised that a member of the Development team, Mr. Emmett Moten was joining by telephone. Bagley Development Group, LLC, (the "Developer") is the development team formed in 2015 led by Emmet Moten and Richard Hosey. The Developer is seeking to redevelop the United Artists Building located at 150 Bagley into a mixed-use commercial development. (the "Project"). The Project will consist of 148 residential units, of which 20% or 30 units will be income restricted for residents with incomes at or below 80% of the Area Median Income ("AMI"), with affordable unit rental rates inclusive of utilities. The Project will also feature approximately 10,500 square feet of ground floor retail. The development team is committed to reaching out to Detroit-based and minority owned businesses who are looking for brick and mortar locations. The total development costs are estimated to be \$73 million.

To facilitate the development, on July 8, 2020, the Downtown Development Authority ("DDA") approved a \$2.5 million loan (the "DDA Loan") from the DDA Housing/Office/Retail Development and Absorption Fund (the "DDA Loan Fund"). The approval also included approval for the DDA to service a \$5 million loan from the Michigan



Strategic Fund. The Project is also receiving loans from the U.S. Department of Housing and Urban Development and the City of Detroit’s Community Development Block Grant (“CDBG”) funds, and equity from the sale of historic tax credits.

Since the original approval, with lingering effects of the ongoing pandemic, hard construction and labor costs have increased significantly. In an effort to mitigate these increases, various Project participants have modified their participation: rental payments under Developer’s 70-year ground lease for the property were restructured, Developer omitted its developer fee from the Project budget, the Michigan Strategic Fund approved an additional \$2 million in loan funds, and the City of Detroit Housing and Revitalization Department agreed to seek additional funding of \$1 million from next year’s CDBG allocation (the “Additional CDBG Loan”). In order to help close the remaining gap, the Developer has requested \$6 million of additional funding from the DDA, \$4.6 million of which would be an increase to the loan to the Developer and \$1.4 million of which would be a loan to its managing member.

Under the DDA Loan Fund, loans of up to \$2,000,000 are available for housing projects and loans of up to \$1,000,000 are available for retail projects; however, the DDA Plan permits the Board of Directors to waive or modify the requirements and guidelines of the DDA Loan Fund, as individual circumstances warrant and/or to approve the reallocation of funds from other Plan Table 3 line items, as authorized by Section 408.1 of the Plan.

The DDA Finance Committee has reviewed and recommends to the Board approval of (i) the Amended Loan terms as outlined below and (ii) the waiver of the DDA Loan Fund and reallocation of reallocation of funds from other Plan Table 3 line items, as authorized by Section 408.1 of the Plan, as necessary to fund the DDA Loan.

The proposed modified terms of the DDA Loan (the “Amended Loan Terms”), Project sources and uses, and cash flow illustrating debt service for the Project is as follows.

**AMENDED AND RESTATED LOAN TERMS
UNITED ARTISTS BUILDING - 150 BAGLEY**

Borrower Name:	Bagley Development Group, LLC (“Developer”) 150 Bagley Managing Member, LLC (“Managing Member”)
Loan Amounts:	\$7,100,000 to Developer (“DDA Developer Note”) \$1,400,000 to Managing Member (“DDA MM Note”) \$7,000,000 to Developer using MSF funding (“MSF Developer Note”)



Interest Rate:	DDA Developer Note and DDA MM Note: 1.5% MSF Developer Note: 3.0%
Fee:	1% of the total loan amount due at closing. Additional fees to be applied and paid throughout the term of the loan for servicing the MSF Developer Note.
Term:	Shall match that of the senior lender, anticipated to be 508 months
Repayment:	Monthly interest only payments for 28 months (period to match interest only period of HUD Loan), followed by semi-annual principal and interest payments equal to 65% of Distributable Cash Flow as determined by HUD (following payments operating expenses, preferred returns to the HTC investor, lease payments and senior loan) for up to 480 months (cash flow to be split on a pro rata basis with the MSF). Additional principal and interest payments from each of the following (split on a pro rata basis with the MSF): 100% of reimbursement payments paid to Borrower by the City from the additional CDBG loan (the "CDBG Reimbursements"); 100% of funds from first scheduled release of Project reserves, anticipated in 2024; and 65% of funds from second scheduled release of Project reserves, anticipated in 2028 (collectively, (the "Additional Payment Proceeds").
Security:	DDA Developer Note and MSF Developer Note to share a pari-passu subordinated lien position on all business assets, Assignment of Leases and Rents, Subordinated Leasehold Mortgage on the property. DDA MM Note to be secured by an assignment of Managing Member's membership interest in Developer, which assignment will be subordinate to Project bridge lender until Project is placed in service under NPS Part 3 guidelines.



Guaranty

A Guaranty of the individuals affiliated with the Borrower. The amount guaranteed will be reduced by the percentage of Additional Payment Proceeds actually realized over the aggregate anticipated amount of Additional Payment Proceeds, being \$3,834,478.

Eligible Uses:

Demolition, alteration, rehabilitation, and improvement, additional machinery, equipment or fixtures for the project, architectural and engineering or similar fees.

Disbursement:

Owner equity contributions are first, followed by a pro rata split between Michigan Strategic Fund (CRP) and DDA loan funds, followed by senior lender. The DDA loan will be funded through multiple disbursements following closing.

Conditions:

Satisfactory review and acceptance of standard due diligence items. Binding commitments for all project loans. Approval by MSF of amended loan terms. Borrower will provide itemized schedule and use of funds. Execution of mutually acceptable loan documents.



SOURCES AND USES OF PROJECT CAPITAL

	Cost	%
Sources		
HUD 221D4 A Loan	\$ 36,119,667.00	49%
HUD 221D4 B Loan	\$ 6,192,733.00	8%
CDBG	\$ 3,000,000.00	4%
Developer/HTC Equity	\$ 12,864,554.00	17%
DDA/MSF	\$ 15,500,000.00	21%
<hr/>		
Total Sources of Project Capital	\$73,676,954.00	100%
Use of Funds		
Hard Costs		
Site Improvements (ROW, landscaping, fencing, site lighting,	\$355,763.57	1%
Demolition	\$4,761,797.82	8%
Structures	\$41,007,051.56	68%
Builder Overhead/Profit/General		
Requirements/Temp Facilities	\$8,191,408.26	14%
Permits/Tap Fees/Bond/Bost Certification	\$929,356.79	2%
Construction Contingency	\$5,222,741.00	9%
<hr/>		
Subtotal Hard Costs	\$60,468,119.00	82%
Soft Costs		
Architectural & Engineering/Professional Fees	\$2,676,253.00	4%
FF&E	\$1,124,629.00	2%
Loan Fees	\$1,974,195.00	3%
Construction Interest, Taxes, and Insurance	\$3,077,866.00	4%
Title Work	\$50,000.00	0%
Operating/Replacement Reserves	\$4,055,892.00	6%
Soft Cost Contingency	\$250,000.00	0%
Developer Fee	\$0.00	0%
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Subtotal Soft Costs	\$13,208,835.00	18%
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Total Uses of Project Capital	\$73,676,954.00	100%



Debt Service Analysis

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Gross Income	\$ 2,683,699.83	\$ 3,979,921.70	\$ 4,059,520.13	\$ 4,140,710.53	\$ 4,223,524.74
Total Expenses	\$ (1,104,780.00)	\$ (1,279,320.10)	\$ (1,331,816.82)	\$ (1,361,442.28)	\$ (1,391,764.82)
Net Operating Income	\$ 1,578,919.83	\$ 2,700,601.60	\$ 2,727,703.31	\$ 2,779,268.25	\$ 2,831,759.92
Debt Service					
HUD Loan A (Term 480 Months @ 3.09%)	\$ (1,116,097.71)	\$ (1,574,199.10)	\$ (1,574,199.10)	\$ (1,574,199.10)	\$ (1,574,199.10)
HUD Loan B (Term 144 Months @ 3.09%)	\$ (191,355.45)	\$ (618,294.78)	\$ (618,294.78)	\$ (618,294.78)	\$ (618,294.78)
Total HUD Debt Service	\$ (1,307,453.16)	\$ (2,192,493.88)	\$ (2,192,493.88)	\$ (2,192,493.88)	\$ (2,192,493.88)
Leveraged Cash Flow	\$ 271,466.67	\$ 508,107.71	\$ 535,209.42	\$ 586,774.37	\$ 639,266.03
Total Debt Service Coverage Ratio	1.21	1.23	1.24	1.27	1.29
Priority Return HTC	\$ (97,100.00)	\$ (345,337.00)	\$ (233,148.00)	\$ (271,229.00)	\$ (280,019.00)
Additional CDBG (\$1M)		\$ 1,000,000.00			
1st Release of Reserves CDBG		\$ 2,177,306.00			\$ (13,869.00)
Surplus Cash Flow	\$ 174,366.67	\$ 162,770.71	\$ 302,061.42	\$ 315,545.37	\$ 345,378.03
DDA/MEDC (65%)	\$ 113,338.34	\$ 3,283,106.96	\$ 196,339.93	\$ 205,104.49	\$ 224,495.72
Cash Available to Developers (35%)	\$ 61,028.33	\$ 92,070.00	\$ 105,721.50	\$ 110,440.88	\$ 120,882.31



Ms. Sherard-Freeman called for questions/discussion.

Mr. Jenkins stated that he is really pleased with the development team of this building which is in a great location and asked the number of stories of the building. Mr. Howell answered that it is 18 stories.

Mr. Ogden stated that as Mr. Howell indicated, the Finance Committee was in support of this project and asked if Mr. Howell had gone through the proforma as discussed at the Finance Committee meeting. Mr. Howell answered that he had not because nothing has changed from their most recent review of the proforma and he is comfortable with that.

Ms. Sherard-Freeman called for remarks from the Finance Committee Chair. Mr. Naglick stated that as Mr. Ogden mentioned, the Finance Committee met, had a lengthy review and discussion of the proposed amended loan terms and has recommended approval to the Board.

Ms. Navin advised that Mr. Hosey is a member of the Board and is also a member of the development team and, therefore, has a pecuniary interest in the project. This will serve as Mr. Hosey's disclosure. Per state law, there is a mandatory seven-day waiting period after the disclosure is made before a vote can be taken by the Board. Ms. Navin reminded the Board that at the next meeting, a super quorum, or two-thirds of the members, excluding Mr. Hosey, must be present to vote on this item.

Mr. Hollowell advised that he will be abstaining from voting on this project when the vote is taken, as he and his law firm have provided counsel on this project. Mr. Hollowell added that he is in full support of the development team and this project.

Ms. Sherard-Freeman acknowledged that Mr. Rencher had joined the meeting.

Mr. Emmett Moten, on behalf of the development team, thanked the DDA for its support. He advised that they have submitted the final package to HUD and are in the portal to close on the project in February. Mr. Goss added that he is pleased to see all entities working together to get the project over the finish line and pledged to hire local contractors and African Americans to do the work. He also thanked the DDA Board for its support.

Resolution Code DDA 21-01-93-34 was tabled for a minimum of seven days to be brought back for a vote at the next Board meeting.



GENERAL

Receipt of Treasurer's Report for November 2021

Mr. Naglick reviewed the Treasurer's Report of Receipts and Disbursements for the Month of November 2021 and responded to questions.

Subsequent to the discussion, Ms. Sherard-Freeman called for a motion.

Mr. Hollowell made a motion approving the November 2021 Treasurer's Report, as presented. Mr. Blaszkiewicz seconded the motion. All were in favor with none opposed. Resolution Code DDA 22-01-03-528 was unanimously approved.

ADMINISTRATION

None.

OTHER BUSINESS

None.

PUBLIC COMMENT

None.

ADJOURNMENT

With there being no further business to be brought before the Board, on a motion by Mr. Jenkins, Ms. Sherard-Freeman adjourned the meeting at 4:02 p.m.



CODE DDA 22-01-02-642

APPROVAL OF MINUTES OF DECEMBER 15, 2021

RESOLVED that the minutes of the Regular meeting of December 15, 2021 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.

January 12, 2022



CODE DDA 22-01-03-528

RECEIPT OF TREASURER'S REPORT FOR NOVEMBER 2021

RESOLVED, that the Treasurer's Report of Receipts and Disbursements for the period ending November 30, 2021, as presented at this meeting, is hereby in all respects received by the Downtown Development Authority.

January 12, 2022



CODE DDA 22-01-93-34
(TABLED)

HOUSING/OFFICE/RETAIL LOAN: AMENDED LOAN TERMS FOR PROPOSED DDA LOAN TO BAGLEY DEVELOPMENT GROUP LLC

WHEREAS, Bagley Development Group, LLC, (the “Developer”) is seeking to redevelop the United Artists Building located at 150 Bagley into a mixed-use commercial development (the “Project”); and

WHEREAS, to facilitate the development, on July 8, 2020, the Downtown Development Authority (“DDA”) approved (i) a \$2.5 million loan (the “DDA Loan”) from the DDA Housing/Office/Retail Development and Absorption Fund (the “DDA Loan Fund”) and (ii) the servicing of a \$5 million loan from the Michigan Strategic Fund (“MSF”); and

WHEREAS, since the original approval, with lingering effects of the ongoing pandemic, hard construction and labor costs have increased significantly and have cause Developer, its lessor and other lenders to modify the terms of their participation, including, but not limited to the approval by MSF of an additional \$2 million in loan funds and the City of Detroit Housing and Revitalization Department agreement to seek additional funding of \$1 million from next year’s CDBG allocation (the “Additional CDBG Loan”); and

WHEREAS, in order to help close the remaining gap, the Developer has requested \$6 million of additional funding from the DDA, \$4.6 million of which would be an increase to the loan to the Developer and \$1.4 million of which would be a loan to its managing member; and

WHEREAS, DDA staff has reviewed the Borrower’s financial documentation and proposes the following amended terms and conditions for the DDA Loan between the Developer and the DDA (the “Amended Loan Terms”):

**AMENDED AND RESTATED LOAN TERMS
UNITED ARTISTS BUILDING - 150 BAGLEY**

Borrower Name: Bagley Development Group, LLC (“Developer”)
150 Bagley Managing Member, LLC (“Managing Member”)

Loan Amounts: \$7,100,000 to Developer (“DDA Developer Note”)
\$1,400,000 to Managing Member (“DDA MM Note”)
\$7,000,000 to Developer using MSF funding (“MSF Developer Note”)



Interest Rate:	DDA Developer Note and DDA MM Note: 1.5% MSF Developer Note: 3.0%
Fee:	1% of the total loan amount due at closing. Additional fees to be applied and paid throughout the term of the loan for servicing the MSF Developer Note.
Term:	Shall match that of the senior lender, anticipated to be 508 months
Repayment:	Monthly interest only payments for 28 months (period to match interest only period of HUD Loan), followed by semi-annual principal and interest payments equal to 65% of Distributable Cash Flow as determined by HUD (following payments operating expenses, preferred returns to the HTC investor, lease payments and senior loan) for up to 480 months (cash flow to be split on a pro rata basis with the MSF). Additional principal and interest payments from each of the following (split on a pro rata basis with the MSF): 100% of reimbursement payments paid to Borrower by the City from the additional CDBG loan (the "CDBG Reimbursements"); 100% of funds from first scheduled release of Project reserves, anticipated in 2024; and 65% of funds from second scheduled release of Project reserves, anticipated in 2028 (collectively, (the "Additional Payment Proceeds").
Security:	DDA Developer Note and MSF Developer Note to share a pari-passu subordinated lien position on all business assets, Assignment of Leases and Rents, Subordinated Leasehold Mortgage on the property. DDA MM Note to be secured by an assignment of Managing Member's membership interest in Developer, which assignment will be subordinate to Project bridge lender until Project is placed in service under NPS Part 3 guidelines.
Guaranty	A Guaranty of the individuals affiliated with the Borrower. The amount guaranteed will be reduced by the percentage of Additional Payment Proceeds actually realized over the aggregate anticipated



amount of Additional Payment Proceeds, being \$3,834,478.

Eligible Uses:

Demolition, alteration, rehabilitation, and improvement, additional machinery, equipment or fixtures for the project, architectural and engineering or similar fees.

Disbursement:

Owner equity contributions are first, followed by a pro rata split between Michigan Strategic Fund (CRP) and DDA loan funds, followed by senior lender. The DDA loan will be funded through multiple disbursements following closing.

Conditions:

Satisfactory review and acceptance of standard due diligence items. Binding commitments for all project loans. Approval by MSF of amended loan terms. Borrower will provide itemized schedule and use of funds. Execution of mutually acceptable loan documents.

; and

WHEREAS, under the DDA Loan Fund, loans of up to \$2,000,000 are available for housing projects and loans of up to \$1,000,000 are available for retail projects; however, the DDA Plan permits the Board of Directors to waive or modify the requirements and guidelines of the DDA Loan Fund, as individual circumstances warrant and/or to approve the reallocation of funds from other Plan Table 3 line items, as authorized by Section 408.1 of the Plan; and

WHEREAS, following presentation of the proposed Amended Loan Terms, the DDA Finance Committee has recommended the Board's approval of (i) the Amended Loan Terms and (ii) the waiver of the DDA Loan Fund and reallocation of funds from other Plan Table 3 line items, as authorized by Section 408.1 of the Plan, as necessary to fund the DDA Loan; and

WHEREAS, the DDA Board of Directors has reviewed the Amended Loan Terms and determined that providing the DDA Loan upon the Amended Loan Terms is in the best interest of the DDA.

NOW, THEREFORE, BE IT, RESOLVED, that the DDA Board of Directors hereby approves (i) the provision of the DDA Loan upon the Amended Loan Terms to Developer; (ii) the execution of an agreement with MSF for the servicing of its loan, consistent with the terms provided herein; and (iii) the waiver of the DDA Loan Fund and reallocation of



funds from other Plan Table 3 line items, as authorized by Section 408.1 of the Plan, as necessary to fund the DDA Loan.

BE IT FURTHER RESOLVED, that any two Officers, or any one of the Officers and any one of the Authorized Agents or any two of the DDA's Authorized Agents, shall hereafter have the authority to negotiate and execute the DDA Loan and the Agreement together with such other terms and conditions that are determined by such Authorized Agents and/or Officers to be customary or appropriate and not inconsistent with this resolution, and to negotiate and execute all other documents, contracts, or papers, and take 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.

January 12, 202 (TABLED)

CITY OF DETROIT BOARD OF ETHICS

PUBLIC SERVANT DISCLOSURE OF INTEREST

Name of Public Servant*: RICHARD HOSEY Date 1/12/2022

Work Address: 300 Riverfront Drive # 22B, Detroit, MI 48226
Street City State Zip Code

Public Servant Work Telephone Number: 832-654-2842

Current Public Servant: Yes No

Position/Elected Office/Title: MEMBER, BOARD OF DIRECTORS OF CITY OF DETROIT DOWNTOWN DEVELOPMENT AUTHORITY ("DDA")

Nature of Authority Exercised: THOSE OF A VOTING BOARD MEMBER OF PUBLIC AUTHORITY

As a City of Detroit Public Servant, I hereby disclose interest* in the following:

Interest in real or personal property (see Sec. 2-6-31, printed on the reverse side), and/or

Interest in City contracts (see Sec. 2-6-32, printed on the reverse side).

The interest is (check one or both): Personal Immediate family member interest

Name of immediate family* member (if applicable): _____

** See the Definitions of Aexercises significant authority, ≅ Aimmediate family, ≅ Aownership interest, ≅ and Apublic servant ≅ on the reverse side of this form.*

Relationship to Public Servant: _____

Describe the particular facts and circumstances that constitute the interest being disclosed, including the authority being exercised and the decision that is relevant:

I HAVE AN INDIRECT MEMBERSHIP INTEREST IN BAGLEY DEVELOPMENT GROUP, LLC AND A DIRECT MEMBERSHIP INTEREST IN BAGLEY MANAGING MEMBER, LLC. THE DDA BOARD IS CONSIDERING A LOAN TO BAGLEY MANAGING MEMBER, LLC AND AMENDMENTS MODIFYING PREVIOUSLY APPROVED TERMS OF A LOAN TO BAGLEY DEVELOPMENT GROUP, LLC.



Signature of Public Servant

Submit Disclosure to: *Detroit City Clerk
200 Coleman A. Young Municipal Center
Detroit, Michigan 48226*

With a copy to: *Your City Department Director or City Agency Head*