



**DOWNTOWN DEVELOPMENT AUTHORITY
FINANCE COMMITTEE MEETING
WEDNESDAY, MARCH 23, 2022 – 2:00 P.M.**

COMMITTEE MEMBERS PRESENT:

David Blaszkiewicz
Melvin Hollowell
John Naglick
Steve Ogden

COMMITTEE MEMBERS ABSENT:

None

OTHERS PRESENT:

Kenyetta Bridges (DEGC/DDA)
Cora Capler (DEGC/DDA)
David Howell (DEGC/DDA)
Jennifer Kanalos (DEGC/DDA)
Paul Kako (DEGC/DDA)
Glen Long (DEGC/DDA)
Ed Saenz (Olympia Development)
Lexi Shaw (DEGC/DDA)
Brian Vosburg (DEGC/DDA)



**MINUTES OF THE DOWNTOWN DEVELOPMENT AUTHORITY
FINANCE COMMITTEE MEETING
WEDNESDAY, MARCH 23, 2022
DETROIT ECONOMIC GROWTH CORPORATION
500 GRISWOLD, SUITE 2200 – 2:00 P.M.**

GENERAL

Call to Order

Chairman Naglick called the Finance Committee meeting of the Downtown Development Authority Board of Directors to order at 2:03p.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 December 22, 2021 Finance Committee meeting. Hearing none, the Committee took the following action:

Mr. Blaszkiewicz made a motion approving the December 22, 2021 minutes, as written. Mr. Ogden supported the motion. All were in favor with no opposition, and the December 22, 2021 minutes were unanimously approved.

Mr. Hollowell joined the meeting at 2:06 pm.

PROJECTS

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

Mr. Howell presented the Amended Loan Terms for the proposed DDA Loan to Bagley Development Group, LLC to the Finance Committee and added that he was pleased to announce that Bagley Development Group, LLC closed on its financing. Mr. Blaszkiewicz stated the closing was on the 6th, that Invest Detroit had contemplated a bridge loan for the project so he may have to recuse himself from the vote but would verify in the interim.

Project Background

Bagley Development Group, LLC, (the “Developer”) is a development team formed in 2015 led by Emmet Moten and Richard Hosey. The Developer is redeveloping 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, 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 approval also included approval for the DDA to service a \$5 million loan from the Michigan Strategic Fund (“MSF”). The Project is also receiving loans from the U.S. Department of Housing and Urban Development (“HUD”) and the City of Detroit’s Community Development Block Grant (“CDBG”) funds, and equity from the sale of historic tax credits.

On January 26, 2022, the DDA approved the Developer’s request to increase the DDA Loan to \$7.1 Million and to make a loan to 150 Bagley Managing Member, LLC, Developer’s managing member, (the “Managing Member”) in the amount of \$1.4 Million. The increase in loan proceeds was made to address the lingering effects of the ongoing pandemic as well as substantial increases in hard and soft construction. The MSF also 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.

Current Status and Developer’s Request

On March 10, 2022, the Developer officially closed on its construction financing, including a HUD insured loan in the amount of \$42.3 million and the DDA and MSF-funded loans totaling \$15.5 million. Construction is expected to commence later this month. The DDA loans contemplate a 28-month interest-only period, to coincide with the Project’s construction and lease-up schedules. The DDA-funded portion of the loans to the Developer and the Managing Member accrues interest at 1.5%. The Developer has made a request to the DDA and MSF that the interest be deferred during this period in order to lower Developer’s out-of-pocket costs. The deferred interest would be added to the principal loan balances of the DDA and MSF loans at the end of the 28-month period, after which principal and interest payment will commence. MSF Staff plans to seek MSF Board Approval for the deferral of interest in September of 2022. If approved, deferral of interest on the DDA-funded portions of the loans would commence immediately.

The DDA Finance Committee was asked to recommend the Amended Loan Terms to the DDA Board of Directors for approval.

Mr. Ogden asked what the interest payment amount would have been if the payment was to be collected in month one. Mr. Howell responded that the interest payment on both loans would have been \$297,000. Mr. Ogden stated that the deferred interest payment would be significant at the back end of the term. Mr. Howell clarified that the deferred



interest payments would be added to the principal balance in the first month of principal and interest payments.

Mr. Naglick asked that if the debt service analysis provided to the Finance Committee included the deferred interest and what would the cash flow look like if the deferment wasn't approved. Mr. Howell responded that the debt services analysis that was included in the minutes from the December 22, 2021 Finance Committee meeting did not contemplate the interest deferral but that he could add the deferral to the debt service analysis and send it out to the Committee. Mr. Naglick responded that even without the interest deferral contemplated in the debt service analysis, that he could understand the need for the deferral. Mr. Naglick added that the debt service analysis shows a positive cash flow, even if the Developer had interest payments, but that it's skinny in terms of cash flow.

Mr. Blaszkiewicz stated that it was encouraging that the Developer has put significantly more money into the project, that there was a significant gap that had to be overcome that wasn't due to just interest but also because of the significant cost increases to construction work. Mr. Blaszkiewicz added that the DDA has reviewed interest deferral requests before both with paying at the end or capitalizing it and paying over the term. Mr. Blaszkiewicz stated that he was supportive of the interest deferral but that the cash flow would probably still be skinny, and that there is no way to avoid it. Mr. Blaszkiewicz acknowledged that the Developer has done everything possible to complete the project, that the Developer closed at on the 6th and has added equity. Mr. Howell added that the Developer would be going before Michigan Strategic Fund for a request of interest deferral in September but may try to get the approval before September.

Mr. Naglick asked if there was a motion. Mr. Hollowell stated that he cannot

Mr. Ogden made a motion to recommend approval to the Board of the DDA Amended Loan Terms for Proposed DDA Loan to Bagley Development Group LLC, as presented. Mr. Blaszkiewicz stated that he received confirmation that he can support the project and seconded the motion. Mr. Hollowell stated that he cannot support the motion as he has an interest in the property. All were in favor with one abstention by Mr. Hollowell.

ADMINISTRATION

None.

OTHER

None.

PUBLIC COMMENT



None.

ADJOURNMENT

With there being no other business to be brought before the Committee, Mr. Ogden made a motion to adjourn the meeting. Mr. Naglick adjourned the meeting at 2:14 p.m.