

City of Detroit



Downtown Development Authority

500 Griswold, Suite 2200, 22nd Floor

Detroit, Michigan 48226

Phone: 313 963 2940

Fax: 313 963 8839

CODE DDA 18-09-02-612

APPROVAL OF MINUTES OF AUGUST 22, 2018

RESOLVED, that the minutes of the Regular meeting of August 22, 2018 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.

September 26, 2018

City of Detroit



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**DOWNTOWN DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS REGULAR MEETING
WEDESDAY, AUGUST 22, 2018 – 3:00 P.M.**

BOARD MEMBERS PRESENT:

Ehrlich Crain
Melvin Hollowell
Richard Hosey
James Jenkins
Tom Lewand (Mayor's Representative)
David Massaron
John Naglick
Steve Ogden

BOARD MEMBERS ABSENT:

Marvin Beatty
Charles Beckham
Austin Black
David Blaszkiewicz
Sonya Delley

OTHERS PRESENT:

Gay Hilger (DEGC/DDA)
Malinda Jensen (DEGC/DDA)
Paul Kako (DEGC/DDA)
Steve Kantor (Hilltop Securities)
John Lauve (Citizen)
Glen Long, Jr. (DEGC/DDA)
Rebecca Navin (DEGC/DDA)

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**MINUTES OF THE DOWNTOWN DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS REGULAR MEETING
WEDNESDAY, AUGUST 22, 2018
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 3:09 p.m.

Approval of Minutes

Mr. Lewand questioned whether there were any additions, deletions or corrections to the minutes of the August 8, 2018 Regular Board meeting. Hearing none, the Board took the following action:

On a motion by Mr. Jenkins, seconded by Mr. Naglick, Resolution Code DDA 18-08-02-611 was unanimously approved.

PROJECTS

Proposed Amended and Restated Parking Lease Agreement for Parking Facilities Located at 150 Michigan Avenue

Ms. Navin informed that we need 10 Board members in the room to achieve a two-thirds vote, excluding Mr. Hosey who is an interested party in this transaction. We do not have the required super quorum today, so the item was tabled until the next meeting.

Catalyst Development Project: Events Center Project – Underwriter Selection for 2018 Bonds

Mr. Long reported that as the Board is aware, the DDA has undertaken the financing and development of a "catalyst development project" (as defined in Act 197), including the development of the Little Caesars Arena (the "LCA"). In December 2014, the DDA and the Michigan Strategic Fund issued tax-exempt bonds of \$250,000,000.00 (the "2014A Bonds") to finance a portion of the development costs of the LCA and in August 2017, the DDA issued tax-exempt bonds of \$36,000,000.00 (the "2017 Bonds" and together with the 2014A Bonds, the "Outstanding Bonds") for additional development costs to assist with the relocation of the Detroit Pistons to the LCA.

Under the transaction structure for both the 2014A Bonds and the 2017 Bonds, the Outstanding Bonds are subject to mandatory remarketing or refinancing prior to January 1, 2019. For this reason, DDA staff issued a request for proposals from several financial institutions for underwriting

services to issue refunding/remarking bonds to purchase and replace the 2014A Bonds and the 2017 Bonds (the "2018 Bonds"), prior to their mandatory tender date of January 1, 2019. DDA staff received nine proposals to provide underwriting services for the 2018 Bonds and, based on consultation with the DDA's financial advisor Hilltop Securities ("Hilltop"), elected to interview four potential underwriters: Bank of America Merrill Lynch, JP Morgan Chase, Jefferies, and UBS.

In reviewing the proposals, DDA staff and its financial advisor Hilltop Securities ("Hilltop") considered what transaction structure would yield the lowest interest rate for the transaction. Based on the responses, it was determined that another short-term interest period would yield a lower interest rate than a 30-year fixed rate period. In addition, although an investment grade rating from a rating agency could also lead to a lower interest rate, based on the recommendation of Hilltop, it does not appear likely that the 2018 Bonds would receive an investment grade rating at this time. However, given the current pipeline for continued revenue growth in the downtown development area, an investment grade rating would be more likely in 3-4 years. Finally, given the perceived interest from current holders of the Outstanding Bonds and other high yield investors, DDA staff and Hilltop believe that a public sale rather than a private offering will create competition for the 2018 Bonds, which can also help lower the interest rate.

DDA staff and Hilltop reviewed the proposals and attended the underwriter interviews. DDA staff concurs with Hilltop's recommendation to select Jefferies as the underwriter for the 2018 Bonds. Jefferies has proposed a public sale of the 2018 Bonds, on an unrated basis, with initial 4-year period and the option to call the 2018 Bonds earlier should we determine that the market merits an earlier remarketing. It has estimated an initial interest rate of 4%. The primary contact at Jefferies also extensively involved in the issuance of the Outstanding Bonds, which we believe will create efficiencies with this transaction. Hilltop has provided its recommendation detailing the advantages of this proposed selection, which was included as **Exhibit A**.

DDA staff seeks approval of Jefferies as the underwriter for the 2018 Bonds. A resolution was included in the Board material for consideration.

Mr. Naglick added that the Finance Committee met and had a good long discussion about this and unanimously supports the recommendations made by Hilltop Securities.

Mr. Long introduced Mr. Kantor of Hilltop Securities who explained the rationale for going with a short-term bond and the selection of Jefferies and responded to Board members' questions.

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

On a motion by Mr. Hollowell, seconded by Mr. Ogden, Resolution Code DDA 18-08-123-66 was unanimously approved.

Paradise Valley Business & Entertainment District: Approval of Additional Fees for Bankruptcy Counsel for Lotus Industries Bankruptcy

Ms. Navin advised that in May 2018, the DDA Board of Directors approved engagement of the firm of Stevenson and Bullock PLC ("Firm") to act as DDA's bankruptcy counsel in the Chapter 7 bankruptcy of the DDA's former tenant Lotus Industries (the "Bankruptcy Case"). At the time of said approval, the board set a cap of \$50,000 on additional fees by the Firm. Pursuant to the delegation of authority approved by the board in December 2017 (DDA 17-12-01-437), DDA staff authorized fees of approximately \$12,250 through July 2018 in excess of the aforementioned cap. The engagement is not yet complete, and staff seeks authority to expend up to \$15,000 in additional fees.

As the board may recall, in June 2018, the Board also approved a settlement with the Chapter 7 trustee in the Bankruptcy Case. Negotiation of the settlement agreement was more extensive than expected; however, the agreement has been finalized and is expected to be filed with the

bankruptcy court this week. In the event that there are no objections to the filing, we expect little additional work by the Firm. In the event that there are objections to the filing, additional court appearances, motions and other legal services will be required. With this in mind, the Firm has estimated an additional \$2,500 - \$15,000 in fees through the end of the Bankruptcy Case.

A resolution seeking authority for up to \$15,000 in additional fees was included for the Board's consideration.

Mr. Lewand stated that he would like to see the resolution amended to increase the additional fees to \$25,000 and explained that he felt that reasonable given the complication of the bankruptcy.

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

On a motion by Mr. Hollowell, seconded by Mr. Naglick, Resolution Code DDA 18-08-110-46, was unanimously approved, as amended.

ADMINISTRATION

PUBLIC COMMENT

Mr. Lewand called for public comment and advised that they would be given two minutes.

Mr. John Lauve of Holly, Michigan stated the following:

"Nothing's happened with the baseball deal. One of the things they do is that they say we gave away so many tickets. The obligation is so many children. They don't even list the number of children that receive tickets because they cover this whole thing up and that is how they operate at Illitchland baseball. The obligation is to provide tickets to children of low income families. I don't know why you keep giving Ilitch a free pass. Because the team is losing, is that what it is? They failed to meet their time obligation on developing the Woodward property next to the arena. There is no penalty to extent it. If you extend an obligation, you usually collect some more money. But you don't need money or tickets, just forget about it. And they opened the Wayne State University school of corruption. It is on city owned land at one time. Now it is owned by Ilitch and they gave them a lease for the new school that they contributed to. The problem is that they didn't pay the whole bill. They stuck the University with the rest of the bill to build a building with their requirements. That is how they work. What does it do for the kids? Oh, they get a new building, but what's their problem. Their problem is their cost in tuition. So, they got a new building. Big deal. They still haven't provided the kind of education that they want [inaudible]."

Mr. Lewand thanked Mr. Lauve for his comments.

OTHER MATTERS

ADJOURNMENT

With there being no other business to be brought before the Board, Mr. Lewand adjourned the meeting at 3:30 p.m.

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CODE DDA 18-08-02-611

APPROVAL OF MINUTES OF AUGUST 8, 2018

RESOLVED, that the minutes of the Regular meeting of August 8, 2018 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.

August 22, 2018

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CODE DDA 18-08-123-66

**CATALYST DEVELOPMENT PROJECT: EVENTS CENTER PROJECT--
UNDERWRITER SELECTION FOR 2018 BONDS**

WHEREAS, the DDA has undertaken the financing and development of a "catalyst development project" (as defined in Act 197), including the Little Caesars Arena (the "Events Center"), along with the December, 2014 issuance of tax-exempt bonds of \$250,000,000 (the "2014A Bonds") and the August, 2017 issuance of tax-exempt bonds of \$36,000,000 (the "2017 Bonds"), to finance the construction of the Events Center; and

WHEREAS, under the transaction structure for both the 2014A Bonds and the 2017 Bonds, the bonds are subject to mandatory remarketing or refinancing prior to January 1, 2019 (the "Tender Date"); and

WHEREAS, the DDA intends to refund the 2014A Bonds and 2017 Bonds prior to the Tender Date with a new bond series that will replace the 2014A Bonds and the 2017 Bonds (the "2018 Bonds"); and

WHEREAS, in July 2018, the DDA, through its financial advisor Hilltop Securities ("Hilltop"), solicited proposals from several financial institutions for proposals for the issuance of the 2018 Bonds; and

WHEREAS, Hilltop recommended the selection of Jefferies to serve as underwriter for the issuance of the 2018 Bonds, which recommendation is attached hereto as Exhibit A; and

WHEREAS, upon review of Hilltop's recommendation, the DDA Board has determined that the selection of Jefferies for the underwriter for the 2018 Bonds is consistent with the DDA's statutory purposes and otherwise in the best interests of the DDA and the Events Center Project.

NOW THEREFORE BE IT RESOLVED that the DDA Board hereby approves the selection of Jefferies as the underwriter of the 2018 Bonds, provided that final underwriting terms, bond authorizing resolutions and material transaction documents will be subject to further review and approval by the DDA Board.

BE IT FURTHER RESOLVED that the DDA Board hereby authorizes any two of its Officers or any two of its Authorized Agents or one Officer and any one Authorized Agent to take any other actions and execute any documents necessary or appropriate to implement the provisions and intent of this resolution.

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.

August 22, 2018

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CODE DDA 18-08-110-46
(Amended at the Table)

**PARADISE VALLEY BUSINESS & ENTERTAINMENT DISTRICT: APPROVAL OF
ADDITIONAL FEES FOR BANKRUPTCY COUNSEL FOR LOTUS INDUSTRIES
BANKRUPTCY**

WHEREAS, the DDA and Lotus Industries d/b/a Centre Park Bar ("Lotus") are currently parties to a lease agreement dated August 19, 2013 for the ground floor restaurant space located at 1407 Randolph; and

WHEREAS, in January, 2018, Lotus filed for Chapter 11 bankruptcy protection, which case was converted to a Chapter 11 bankruptcy case upon motion by the DDA; and

WHEREAS, in May, 2018, the DDA Board approved the continued engagement of the firm of Stevenson and Bullock PLC (the "Firm") at a blended rate of \$250 / hour, but at a cap of \$50,000 of additional fees; and

WHEREAS, pursuant to the delegation of authority approved by the board in December, 2017 (DDA 17-12-01-437), DDA staff authorized fees of approximately \$12,250 through July, 2018 in excess of the aforementioned cap; and

WHEREAS, the DDA Board has determined that the approval of additional fees of up to ~~\$15,000~~ \$25,000 for the Firm is in the best interests of the DDA.

NOW, THEREFORE, BE IT RESOLVED, that the DDA Board of Directors hereby approves additional fees of up to ~~\$15,000~~ \$25,000 for the Firm.

BE IT FURTHER RESOLVED that the DDA Board of Directors hereby authorizes any two of its Officers or any two of its Authorized Agents or any one Officer and any one Authorized Agent to negotiate and execute all documents, contracts and papers and take such other 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.

August 22, 2018