



**DOWNTOWN DEVELOPMENT AUTHORITY  
BOARD OF DIRECTORS REGULAR MEETING  
WEDNESDAY, JUNE 26, 2019 – 3:00 P.M.**

**BOARD MEMBERS PRESENT:**

Austin Black  
Ehrlich Crain  
Charity Dean  
Sonya Delley  
Melvin Hollowell  
Richard Hosey  
James Jenkins  
Thomas Lewand  
John Naglick

**BOARD MEMBERS ABSENT:**

Marvin Beatty  
David Blaszkiewicz  
David Massaron  
Steve Ogden

**OTHERS PRESENT:**

Dennis Archer, Jr. (Gotham Capital Partners)  
Gay Hilger (DEGC/DDA)  
Jennifer Kanalos (DEGC/DDA)  
Glen Long, Jr. (DEGC/DDA)  
Rebecca Navin (DEGC/DDA)  
Bunia Parker (Gotham Capital Partners)  
Sarah Pavelko (DEGC/DDA)  
Ben Smith (Gotham Capital Partners)



**MINUTES OF THE DOWNTOWN DEVELOPMENT AUTHORITY  
BOARD OF DIRECTORS REGULAR MEETING  
WEDNESDAY, JUNE 26, 2019  
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 3:05 p.m.

**Approval of Minutes**

Mr. Lewand asked if there were any additions, deletions or corrections to the minutes of the June 12, 2019 Regular Board meeting. Hearing none, the Board took the following action:

On a motion by Mr. Hollowell, seconded by Mr. Black, Resolution Code DDA 19-06-02-618 was unanimously approved.

**Receipt of Treasurer's Report for May 2019**

Mr. Naglick deferred the Treasurer's Report to Mr. Long. Mr. Long reviewed the Treasurer's Report of Receipts and Disbursements for the Month of May 2019. With there be no questions, the Board took the following action:

On a motion by Mr. Hollowell, seconded by Mr. Hosey, Resolution Code DDA 19-06-03-498 was unanimously approved.

**PROJECTS**

**Paradise Valley: Amendment to the Development Agreement for 1407 & 1427 Randolph**

Ms. Pavelko advised that in April 2017, the City of Detroit Downtown Development Authority (the "DDA") entered into a development agreement (the "Agreement") with Gotham Capital Partners, LLC (the "Developer") for the redevelopment of properties located at 1407 & 1427 Randolph (the "Properties"). The proposed redevelopment of the Properties by the Developer is a result of Developer's response to a Request for Proposals issued by DDA staff to renovate the Properties into a mixed-use facility with office and retail (the "Project").

Following the execution of the Agreement, Developer intended to proceed with the Project as required under the Agreement. However, due to a lawsuit filed against the DDA by a tenant located in the Properties, the Project was delayed. In October 2018, the DDA was dismissed from the lawsuit, but the nearly 3-year delay resulted in additional costs due to rising construction pricing and the loss of one large tenant. As a result, this has affected the financial viability of the



Project and the Developer has requested a reduction in the price of the Properties and an extension to the closing schedule under the Agreement.

Based on the underwriting, evaluating the Project and the increasing cost of renovating historic structures, as well as the proposed returns to the Developer, DDA staff is requesting the approval of certain revised terms to the Agreement (the "Revised Terms"), including a \$326,000 reduction in the purchase price from \$976,000 to \$600,000 and an extension to the date of Closing to September 31, 2019. In addition, the developer will receive a development credit of \$150,000, associated with the additional legal fees incurred by the Developer as a result of the lawsuits referenced herein. This credit will be predicated on the Developer completing the project in a timely manner or revert into a loan. The Revised Terms were included in Exhibit A included in the Board material.

Ms. Pavelko advised that there was an error in the resolution and that the closing date should be October 31, 2019.

Ms. Pavelko noted that in the Finance Committee meeting, three additional items were discussed that will be included in the resolution. The Committee discussed whether or not October 31 was sufficient time to close on the project and meet the conditions to close, but the Committee also expressed moving this project forward as soon as possible and wanted to add that no further amendments would be made or entertained by the DDA Board. The suggestion in order to accommodate the October 31 closing date was to eliminate the requirement of a historic district review prior to closing. The historic district review will still be a requirement for them to get their building permits. Also requested was periodic construction inspections/audits of the facility.

A resolution was included in the Board material, which will be amended to include the Finance Committee's recommendations.

Mr. Hollowell advised that there was a full presentation to the Finance Committee, which thoroughly discussed this project and recommends approval with the changes noted by Ms. Pavelko. He added that this is Gotham Capital Partners and is an incredibly important project in Paradise Valley. The group, Capital Partners, and their key people are here today. The project dates back to April 2017 when there was a development agreement approved. It has been three years and the Board may not be aware that there have been several lawsuits and that has caused the delay. We have been making very substantial progress on the lawsuits and DDA and DEGC are no longer involved. As it relates to the fairness of the project, the Board did take similar action on 311 Grand River on the extension and loan amount. The key group will remain the same, however, if there is more than a 10 percent ownership change in the partners, DDA approval is required, which is a good safe harbor provision in place from a legal standpoint. Also, the developer has made representation, which we believe to be true, that financing is in place. City approvals are required by closing.

In summary the transaction includes the following:

1. A reduction of \$376,000 in purchase price from the original \$976,000 to \$600,000.
2. There is an extension to close by October 31, 2019.



3. The development credit is \$150,000 that is structured as a forgivable loan at the time of completion in 12 months. If there is no such completion in 12 months, that credit becomes a hard debt to be paid.
4. This will be the only extension to the Development Agreement. If it is not done in 12 months, there are consequences.
5. There will be periodic construction inspections/audits to be comfortable that the developer is on task and on schedule.
6. The developer can close and begin interior work/demolition while PDD and Historic District approvals are sought.

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

On a motion by Mr. Hollowell, seconded by Mr. Naglick, Resolution Code DDA 19-06-110-51 was unanimously approved, as amended.

## **ADMINISTRATION**

### **Adoption of DDA Budget for FY 2019-2020**

Ms. Kanalos reported that on May 22, 2019, the DDA Board authorized staff to submit the DDA budget for FY 2019-2020 to City Council for approval. The Budget was approved on June 11, 2019 by the Detroit City Council as submitted. Therefore, the DDA Board of Directors is requested to adopt the budget as approved by City Council.

With there being no questions or discussion, the Board took the following action:

On a motion by Mr. Hollowell, seconded by Ms. Delley, Resolution Code DDA 19-06-18-70 was unanimously approved.

## **PUBLIC COMMENT**

### **ADJOURNMENT**

With there being no other business to be brought before the Board, on a motion by Mr. Hollowell, seconded by Ms. Delley, Mr. Lewand adjourned the meeting at 3:25 p.m.



**CODE DDA 19-06-110-51**  
**(Amended at Table)**

**PARADISE VALLEY BUSINESS & ENTERTAINMENT DISTRICT: AMENDMENT TO DEVELOPMENT AGREEMENT 1407 and 1427 RANDOLPH**

**WHEREAS**, In April 2017, The City of Detroit Downtown Development Authority (the “DDA”) entered into a development agreement (the “Agreement”) with Gotham Capital Partners, LLC (the “Developer”) for the redevelopment of properties located at 1407 & 1427 Randolph (the “Properties”); and

**WHEREAS**, Developer has experienced delays in completing the redevelopment of the Properties in accordance with the Agreement; and

**WHEREAS**, such delays resulted in additional costs due to rising construction pricing and the loss of one large tenant at the Properties, both of which have affected the financial viability of the project; and

**WHEREAS**, the Developer has requested a reduction in the price of the Properties and an extension to the closing schedule under the Agreement; and

**WHEREAS**, DDA staff have determined that a \$376,000 reduction in the purchase price, an extension to the date of closing to October 31, 2019, and the issuance of a development credit of \$150,000 to be necessary to complete the redevelopment of the Properties; and

**WHEREAS**, DDA staff is seeking this Board’s approval to execute an amendment to the Agreement (an “Amendment”) in accordance with the terms contained herein and the revised terms attached hereto as Exhibit A (the “Revised Terms”); and

**WHEREAS**, the DDA Finance Committee has reviewed the Revised Terms and recommends its approval to the Board of Directors; and

**WHEREAS**, the DDA Board has determined that approval of the Revised Terms is in the best interests of the DDA.

**NOW, THEREFORE, BE IT RESOLVED**, that the DDA Board of Directors hereby approves the Revised Terms.

**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 the Amendment in accordance with the Revised Terms and other modifications to the Agreement as deemed appropriate by such Authorized Agents and counsel which are not inconsistent with this resolution and do not alter the substance of the Revised Terms



**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 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.

June 26, 2019



**CODE DDA 19-06-18-70**

**BUDGET: FY 2019-2020**

**WHEREAS**, the Downtown Development Authority (the “DDA”) Board of Directors, at its May 22, 2019 meeting, adopted a resolution authorizing staff to submit DDA’s budget for FY 2019-2020 (the “Budget”) to the City Council for approval; and

**WHEREAS**, City Council subsequently approved the DDA’s Budget on June 11, 2019.

**NOW, THEREFORE, BE IT RESOLVED**, that the DDA Board of Directors hereby adopts the DDA Budget for FY 2019-2020 (Exhibit A) as approved by City Council of the City of Detroit.

June 12, 2019 (Withdrawn)  
June 26, 2019