



Economic Development Corporation of the City of Detroit

**CODE EDC 19-02-02-309**

**APPROVAL OF MINUTES OF JANUARY 22, 2019 MEETING**

RESOLVED, that the minutes of the Regular meeting of January 22, 2019 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 Economic Development Corporation.

February 26, 2019

**ECONOMIC DEVELOPMENT CORPORATION  
BOARD OF DIRECTORS REGULAR MEETING  
TUESDAY, JANUARY 22, 2019 – 8:30 A.M.**

**BOARD MEMBERS PRESENT:** Marsha Bruhn  
Linda Forte  
Damon Hodge  
Kwaku Osei  
Matthew Roling  
Thomas Stallworth

**BOARD MEMBERS ABSENT:** Kimberly Clayson  
Maurice Cox (Ex-Officio)  
Chris Jackson  
John Naglick (Ex-Officio)  
Jonathan Quarles

**SPECIAL DIRECTORS  
PRESENT:** None

**SPECIAL DIRECTORS  
ABSENT:** Marvin Thomas (I-94 Industrial Park Project)

**OTHERS PRESENT:** Pierre Batton (DEGC/EDC)  
Cleveland Dailey (DEGC/EDC)  
Gay Hilger (DEGC/EDC)  
Malinda Jensen (DEGC/EDC)  
Paul Kako (DEGC/EDC)  
Jennifer Kanalos (DEGC/EDC)  
Glen Long, Jr. (DEGC/EDC)  
Rebecca Navin (DEGC/EDC)  
Mariangela Pledl (DEGC/EDC)



Economic Development Corporation of the City of Detroit

**MINUTES OF THE ECONOMIC DEVELOPMENT CORPORATION  
BOARD OF DIRECTORS REGULAR MEETING  
TUESDAY, JANUARY 22, 2019  
DETROIT ECONOMIC GROWTH CORPORATION  
500 GRISWOLD, SUITE 2200  
8:30 A.M.**

**CALL TO ORDER**

Noting that a quorum was present, Chair Forte called the Regular meeting of the Economic Development Corporation Board of Directors to order at 8:41 a.m.

**GENERAL**

**Approval of Minutes**

Ms. Forte asked if there were any additions, deletions or corrections to the minutes of the December 18, 2018 Regular Board meeting. Hearing none, the Board took the following action:

On a motion by Mr. Roling, seconded by Mr. Osei, Resolution Code EDC 19-01-02-308 was unanimously approved.

**Receipt of Treasurer's Reports**

Ms. Shovan reviewed the Treasurer's Report of Receipts and Disbursements for the month of December 2018. Mr. Long responded to questions.

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

On a motion by Mr. Roling, seconded by Mr. Hodge, Resolution Code EDC 19-01-03-235 was unanimously approved.

**PROJECTS**

Ms. Forte informed that Project Item No. 1 requires an additional Board member present for a quorum, and that she would go back to it when a quorum was achieved.

**Julian C. Madison Building, LLC – Casino Loan Program/Resident Fund – Loan Modification**

Ms. Hundley advised that the Julian C. Madison Building, ("JCMB") is a 62,128 sq. ft., office building located at 1420 Washington Boulevard. The historic 7-story building was

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built in 1909. Julian C. Madison purchased the building and an adjacent parking lot in 1987, partially with funds from the Downtown Development Authority. The building has been and is one of the main anchors of viability along Washington Boulevard for almost 30 years. It remains one of the few buildings owned by an African American woman in Downtown Detroit.

The JCMB is managed by Julian C. Madison Building, LLC ("JCMB, LLC") with its sole member being Sharon Madison. She is a 3<sup>rd</sup> generation businesswoman in a company started by her grandfather, Robert Madison. She has also served the people of Detroit by participating on numerous governing boards such as the Downtown Development Authority, Detroit Economic Growth Corporation and the National Women's Business Council. Her vision for the JCMB involved creating a physical legacy to the pioneering entrepreneurial spirit of her grandfather and father.

The building has housed various office tenants through the years. The City of Detroit occupied the majority of the floors in the building from 2000 until 2013. The tenants were Detroit Water & Sewage ("DWS") and Detroit Transportation Company for the People Mover ("DTC"). In 2010 DWS moved out of the property and in 2013 DTC moved out. These tenants represented 80% of the rentable space of the building. The moves took place in the middle of the economic financial downturn and Detroit's bankruptcy, thus creating major challenges and changes for the property. Sharon Madison and her family used their own cash to keep the building viable. Madison overcame these challenges and in 2013 sought relief and financing from Invest Detroit. The financing from Invest Detroit provided funds to initiate several building performance improvements. The improvements would reestablish the viability of the building, thus ultimately restoring it to its best use and generating cash flow. Madison also engaged the services of Avison Young Real Estate Brokers to attract new tenants. Most of the current leases were signed in 2015 and 2016, significant tenants have been added, resulting in significant lease income.

Although the building has been updated, further revitalization was needed to be that entrepreneurial hub that attracts a diverse tenant base. Total restoration, revitalization and full lease capacity is the goal. Major needs for the building include, but are not limited to, energy efficiencies and tenant and common-area improvements.

In 2017 the Economic Development Corporation ("EDC") and Invest Detroit were approached to provide financial assistance for the restoration and revitalization of JCMB. In January 2017, EDC approved a loan in the amount of \$750,000.00. The interest rate was 6% with a 20-year amortization. The loan matures in 2020. Invest Detroit also approved an additional loan in the amount of \$700,000.00 with a maturity date of 2020. The EDC and Invest Detroit share a mortgage lien on the building and share a personal guaranty from Sharon Madison. The outstanding balance of the EDC loan is \$579,250.78. The total outstanding balance of both Invest Detroit loans is \$1,369,189.00. JCMB, LLC is current in remitting loan payments and required loan documentation.

In November 2018, EDC and Invest Detroit were approached by JCMB, LLC with a request that involved sharing the lien position with a third party. Sharon Madison has an outstanding pending federal tax liability. She has also procured a viable cash flow tenant that requires additional buildout space and is also in need of further financing that will complete the remaining unfinished building space.

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A commitment has been secured from Main Street and First Independence banks. They will originate a \$2M loan to finance the tax liability, the buildout of 9300 sf tenant space for GSA/Census Bureau and complete the remaining building unfinished space. The banks are requesting to share our mortgage lien. Conditions of Invest Detroit and EDC sharing the mortgage lien position with Main Street Bank and First Independence Bank will be subject to the following: an inter-creditor agreement between the lending group, excess cash flow recapture above DSC 1.25x split 50%/50% between JCMB, LLC and lending group, (lending groups portion will be split prorata) and an assignment of Sharon's membership interest in JCMB, LLC.

Sharon Madison, in maintaining the building and her family legacy, has experienced substantial hardship over the past years. At a time when most property owners were vacating downtown through bankruptcy, foreclosure and short sales, she stood firm and maintained the property ownership. She has funded operating expenses with minimum rental revenue, provided buildout to sign new tenants and sought and received financial assistance to revamp an aging building. Some of those revamps include new plumbing, heating, air condition systems and energy efficient windows. The property is now a functional modern building that is attractive to lease. Some current tenants are Level One Bank, Bamboo Detroit and Duo Security. In 1<sup>st</sup> quarter 2019 the US Census will be moving in. The building is currently 90% leased and rental income projections are at \$1.3M for 2019. A recent appraisal valued the building at \$10,500,000.00. JCMB, LLC will also work with Invest Detroit, Main Street and other financial institutions to refinance debt at maturity.

Staff believes the following factors support the \$2M loan transaction: first, the strength and tenacity of Sharon Madison that enabled her to keep her family's legacy, second, increased occupancy of the building, including the GSA/Census tenant for the next two years, third, positive momentum of new tenants, fourth, current tenants using the building for additional services, fifth, additional cash flow, sixth, appraised value of the building and seventh, refinancing of debt to pay-off the EDC loan.

Please find below sources and uses for the \$2M Mainstreet & First Independence Bank funds:

Sources

Bank Mortgage Loan 1	\$1,600,000
Bank Mortgage Loan 2	400,000
<b>TOTAL</b>	<b>\$2,000,000</b>

Uses

First Independence Bank	65,000
Tax Debt	1,155,000
Census Bureau Buildout	400,000
Other Tenant Improvements	350,000
Bank Fees & Closing Costs	<u>30,000</u>
<b>TOTAL</b>	<b>\$2,000,000</b>

The EDC Finance Committee has reviewed the proposed terms and has recommended approval of the transaction.

A resolution was included for the Board's consideration.

Ms. Forte informed that she is on the Board of Directors of First Independence National Bank and would be abstaining from voting.

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

On a motion by Mr. Hodge, seconded by Mr. Osei, Resolution Code EDC 19-01-74-42 was approved, with Ms. Forte abstaining.

## **ADMINISTRATION**

### **Appointment of Finance Committee Member**

Ms. Jensen stated that a discussion took place at the January 15, 2019 EDC Finance Committee meeting regarding filling the vacancy that exists on the Committee. The Committee recommended that Mr. Damon Hodge be asked to serve. Mr. Hodge was contacted and welcomed the opportunity to serve on this committee. A resolution was included in the Board material for approval.

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

On a motion by Mr. Osei, seconded by Ms. Bruhn, Resolution Code EDC 19-01-01-203 was unanimously approved.

## **PROJECTS**

Ms. Forte advised that a quorum was now present for Project Item No. 1.

### **I-94 Industrial Park Project: Sale of 9.017 Acres to Flex-N-Gate Detroit, LLC**

Mr. Jordan reported that Flex-N-Gate Detroit, LLC ("Flex-N-Gate"), an automotive manufacturing company, has completed building its current industrial manufacturing facility of approximately 450,000 sf and investment of approximately \$160M within I-94 Industrial Park. Due to increased manufacturing demand, it expects to expand the facility by up to an additional 323,500 sf (the "Intended Expansion"). Although the Intended Expansion will be located on land already owned by Flex-N-Gate, Flex-N-Gate has requested to purchase additional land of 9.017 acres (392,800 sf) for employee parking to support the Intended Expansion ("Project"), as depicted in **Exhibit A** ("Property") included in the Board material. Flex-N-Gate expects investment in the Project will be approximately \$40 Million and expects to create 100 to 150 additional jobs.

The EDC Staff has negotiated a term sheet with Flex-N-Gate pursuant to which the EDC would sell the Property to Flex-N-Gate for a consideration of approximately \$785,600 (\$2.00 per sf) minus a site preparation credit of \$707,040 (\$1.80 per sf), which is consistent

with the 2016 transaction between EDC and Flex-N-Gate. The proposed term sheet was included as **Exhibit B** ("Term Sheet").

Staff requested the Board's approval to execute the Term Sheet in substantially the form of **Exhibit B** and to negotiate, execute and consummate a Development Agreement consistent with the terms and conditions described in the Term Sheet.

A resolution was included for the Board's consideration.

Subsequent to a discussion, the Board took the following action.

On a motion by Mr. Stallworth, seconded by Mr. Hodge, Resolution Code EDC 19-01-12-53 was unanimously approved.

### **OTHER MATTERS**

Ms. Forte asked for a moment of silence in remembrance of Bill Ritsema, longtime EDC Board and Finance Committee member, who recently passed.

Mr. Osei stated that he wasn't sure if this was the right forum, but there is a Chair of the Singularity University Future of Work, which has a lead sponsor in the Ford Foundation, that is planning on doing a major conference in either Detroit or Columbus, Ohio. Mr. Osei volunteered to help the Chair make contacts in Detroit and asked if he could have someone from DEGC connect with him. Ms. Jensen asked Mr. Osei to send to her information on the conference and she will put him in touch with the appropriate person.

### **PUBLIC COMMENT**

### **ADJOURNMENT**

With there being no further business to come before the Board, Ms. Forte adjourned the meeting at 9:06 a.m.



Economic Development Corporation of the City of Detroit **CODE EDC 19-01-02-308**

**APPROVAL OF MINUTES OF DECEMBER 18, 2018 MEETING**

RESOLVED, that the minutes of the Regular meeting of December 18, 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 Economic Development Corporation.

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Economic Development Corporation of the City of Detroit CODE EDC 19-01-03-235

**ACCEPTANCE OF TREASURER'S REPORT FOR DECEMBER 2018**

RESOLVED, that the Treasurer's Report of Receipts and Disbursements for the period ending December 31, 2018, as presented at this meeting, is hereby in all respects accepted as action of the Economic Development Corporation.

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**I-94 PROJECT PLAN: Sale Of 9.017 Acres to Flex-N-Gate Detroit, LLC**

**WHEREAS**, Flex-N-Gate Detroit, LLC (“Flex-N-Gate”), an automotive manufacturing company that recently completed a 450,000 sf manufacturing facility in the I-94 Industrial Park has proposed to purchase approximately 9.017 acres (392,800 sf) of vacant land as depicted on the attached **Exhibit A** (“Property”) for parking to support its proposed 323,500 sf expansion of its existing facility (“Project”); and

**WHEREAS**, the EDC Staff has negotiated a term sheet with Flex-N-Gate the proposed form of which is attached hereto as **Exhibit B** (the “Term Sheet”), pursuant to which the EDC would sell the Property to Flex-N-Gate for a consideration of approximately \$785,600 (\$2.00 per sf) minus a site preparation credit of \$707,040 (\$1.80 per sf); and

**WHEREAS**, Staff is seeking the Board’s approval to execute the Term Sheet in substantially the form attached as **Exhibit B** and to negotiate, execute and consummate a Development Agreement consistent with the terms and conditions described in the Term Sheet; and

**WHEREAS**, the Board of Directors has determined that the terms of the proposed transaction as described in the Term Sheet are reasonable and consistent with the EDC’s project plan for the I-94 Industrial Park and its statutory purposes.

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Directors of the EDC hereby authorizes the execution of the Term Sheet, substantially in the form attached as **Exhibit B**, and the negotiation and execution of a Development Agreement, upon the terms and conditions set forth in the Term Sheet, together with such terms and conditions deemed reasonable by EDC’s counsel and Authorized Agents.

**BE IT FURTHER RESOLVED** that the EDC Board of Directors hereby authorizes any two of the Officers or any two of the designated Authorized Agents or any combination thereof to execute any and all documents and take any and all actions necessary or appropriate to implement the provisions and intent of this resolution.

**BE IT FINALLY RESOVLED** that all of the acts and transactions of any officer or authorized agent of the EDC, in the name of the EDC and on behalf of the EDC, 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.

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Economic Development Corporation of the City of Detroit

CODE EDC 19-01-74-42

**CASINO LOAN PROGRAM/RESIDENT FUND – JULIAN C. MADISON BUILDING, LLC**  
**LOAN MODIFICATION**

**WHEREAS**, in 2017 the Economic Development Corporation (“EDC”) approved a loan in the amount of \$750,000.00 to JCMB, LLC (the “Borrower”) to provide financial assistance for the restoration and revitalization of the Julian C. Madison Building (“JCMB”); and

**WHEREAS**, as collateral, the EDC, along with Invest Detroit, share a mortgage lien on the JCMB and have a personal guaranty from the Borrower’s principal, Sharon Madison; and

**WHEREAS**, in order for the Borrower to secure a \$2 million loan from Main Street and First Independence Banks (collectively, the “Banks”) to reduce tax liabilities and further renovate the JCMB, in November 2018, the EDC and Invest Detroit were approached by the Borrower with a request to share its mortgage lien position with the Banks; and

**WHEREAS**, conditions of the EDC sharing the mortgage lien position with the Banks will be subject to the following: an inter-creditor agreement between the lending group, excess cash flow recapture above DSC 1.25x split 50%/50% between the Borrower and lending group (lending groups portion will be split prorated), and an assignment of Sharon Madison’s membership interest in the Borrower; and

**WHEREAS**, the EDC Finance Committee has reviewed this transaction and recommends its approval to the Board of Directors.

**NOW, THEREFORE, BE IT RESOLVED**, that the EDC Board of Directors hereby approves the transaction as detailed above.

**BE IT FURTHER RESOLVED**, that the EDC 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 EDC.

**BE IT FINALLY RESOLVED**, that all of the acts and transactions of any Officer or Authorized Agent of the EDC, in the name and on behalf of the EDC, 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.

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Economic Development Corporation of the City of Detroit

CODE EDC 19-01-01-203

**ADMINISTRATION: APPOINTMENT OF FINANCE COMMITTEE MEMBER**

RESOLVED, that Damon Hodge is hereby appointed to serve on the Finance Committee of the Economic Development Corporation of the City of Detroit:

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