



**DOWNTOWN DEVELOPMENT AUTHORITY
FINANCE COMMITTEE MEETING
WEDNESDAY, MAY 8, 2024 – 2:15 P.M.**

COMMITTEE MEMBERS PRESENT: Melvin Hollowell
John Naglick
Steve Ogden

COMMITTEE MEMBERS ABSENT: David Blaszkiewicz

OTHERS PRESENT:

Jennifer Kanalos (DEGC/DDA)
Glen Long, Jr. (DEGC/DDA)
Rebecca Navin (DEGC/DDA)
Nasri Sobh (DEGC/DDA)
Sierra Spencer (DEGC/DDA)
Kelly Shovan (DEGC/DDA)
Jarrod Smith (Dykema)
Kayla MacEwen (Masterson Advisors LLC)
Steven Kantor (Masterson Advisors LLC)
Adam Lorbert



**MINUTES OF THE DOWNTOWN DEVELOPMENT AUTHORITY
FINANCE COMMITTEE MEETING
WEDNESDAY, MAY 8, 2024
DETROIT ECONOMIC GROWTH CORPORATION
500 GRISWOLD, SUITE 2200 – 2:15 P.M.**

GENERAL

Call to Order

Chairperson Naglick called the Finance Committee meeting of the Downtown Development Authority Board of Directors to order at 2:36 p.m. A 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 February 14, 2024, Finance Committee meeting. Hearing none, the Committee took the following action:

Mr. Hollowell made a motion approving the February 14, 2024, minutes, as written. Mr. Ogden supported the motion. All were in favor with no opposition, and the February 14, 2024, minutes were unanimously approved.

PROJECTS

CATALYST DEVELOPMENT PROJECT – RATING AGENCY CONTRACTS FOR 2024 BONDS

Mr. Long stated that as the DDA Finance Committee (the “Committee”) is aware, the DDA has undertaken the financing and development of a “catalyst development project” (as defined in the DDA Act), 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. The 2014A Bonds and the 2017 Bonds were subject to a mandatory remarketing prior to January 1, 2019, so in 2018, the DDA issued the following refunding bonds: 1) \$287,425,000 Tax Increment Revenue Refunding Bonds, Series 2018A (Catalyst Development Project) and 2) \$24,105,000 Subordinate Tax Increment Revenue Refunding Bonds, Series 2018B (together, the “2018 Bonds”). In order to achieve interest rate and/or other savings, DDA intends to issue its remarketing/refunding bonds (“2024 Bonds”) pursuant to an amended Trust Indenture to refinance the 2018 Bonds on or prior to July 1, 2024,



to reduce debt service costs and eliminate certain restrictive covenants applicable to the 2018 Bonds.

In order to achieve more favorable interest rates and other terms for the 2024 Bonds, DDA's Municipal Bond Advisors recommend seeking updated credit ratings from at least 2 agencies. Kroll Bond Rating Agency, LLC ("Kroll"), the agency that currently rates the 2018 Bonds, proposes an \$80,000 fee for the rating, plus \$5,000 annual fee for ongoing surveillance post-bond issuance. S&P Global Ratings ("S&P") proposes a minimum \$50,000 for a non-published indicative rating (with each additional hypothetical scenario at \$7,500). In addition, we estimate a published rating, if elected by DDA, to cost approximately \$150,000.

Accordingly, DDA staff seeks the Committee's recommendation to the DDA Board for approval to execute contracts with Kroll for \$80,000 plus the cost of annual surveillance and S&P for an amount not to exceed \$200,000, plus the cost of annual surveillance.

Mr. Naglick stated that the City of Detroit uses S&P and Moody's Ratings and explained that S&P has rating methodologies that speak more to capture districts. The two analysts from S&P, John Souter and Randy Lehman, do a great job and maintain a good relationship with the City. Mr. Naglick added that the rating is indicative meaning that the ratings are shared prior to being published.

Mr. Naglick called for further discussion.

Hearing none, Mr. Naglick called for a motion to recommend approval of the Catalyst Development Project – Rating Agency Contracts for 2024 Bonds to the DDA Board.

Mr. Hollowell made a motion to recommend approval of the Catalyst Development Project – Rating Agency Contracts for 2024 Bonds. Mr. Ogden seconded the motion. All were in favor with no opposition.

CATALYST DEVELOPMENT PROJECT - SELECTION OF FINANCIAL INSTITUTIONS FOR 2024 BONDS

Mr. Long stated that as the DDA Finance Committee (the "Committee") is aware, the DDA has undertaken the financing and development of a "catalyst development project" (as defined in the DDA Act), 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. The 2014A Bonds and the 2017 Bonds were subject to a mandatory remarketing prior to January 1, 2019, so in 2018, the DDA issued the following refunding bonds: 1) \$287,425,000 Tax Increment Revenue Refunding Bonds, Series 2018A (Catalyst Development Project) and 2) \$24,105,000 Subordinate Tax Increment Revenue Refunding Bonds, Series 2018B (together, the "2018 Bonds"). In order to achieve interest rate



and/or other savings, DDA intends to issue its remarketing/refunding bonds (“2024 Bonds”) pursuant to a Trust Indenture dated as of July 1, 2024 to refinance the 2018 Bonds on or prior to July 1, 2024, to reduce debt service costs and eliminate certain restrictive covenants applicable to the 2018 Bonds.

DDA staff issued a request for proposals for underwriting services to issue the 2024 Bonds. DDA staff received seven proposals to provide underwriting services for the 2024 Bonds and elected to interview four potential underwriters: JP Morgan Securities, LLC, Jefferies LLC (“Jefferies”), Siebert Williams Shank (“Siebert”), and Ramirez & Co., Inc. (“Ramirez”).

DDA staff, together with DDA’s financial advisor, Masterson Advisors, LLC (“Masterson”) and bond counsel Dykema reviewed the proposals and attended the underwriter interviews. DDA staff and Masterson recommend the selection of three different firms for the 2024 Bonds for different roles, with Jefferies as the book running manager, and Ramirez and Siebert as co-senior managers. Each of the three firms and/or their primary contacts for the 2024 Bonds, have extensive knowledge of the DDA’s finances and have prior experience with the 2014, 2017 and/or 2018 Bonds.

DDA staff recommended that the Committee recommend to the DDA Board approval of the selection of three different firms for the 2024 Bonds including Jefferies as the book running manager, and Ramirez and Siebert as co-senior managers.

Mr. Ogden asked how the underwriters received the joint venture offer and if the deal would benefit all involved. Mr. Long acknowledged that each company may have wanted the deal for themselves, but each firm agreed to a joint venture. Mr. Long added that the goal is to do what is best for the Authority and through the preliminary work that has been done, he has found that each firm has their strengths that would benefit the DDA and therefore the best choice is to work with all three (3) firms.

Mr. Kantor stated that it is always positive to be invited to the table and while the work has been split into three (3) pieces, the aim is to expand the participation while keeping the venture worthwhile for everyone involved.

Mr. Ogden explained that he asked his previous question for two reasons. One being that the obvious concern is that any of the three (3) firms may be unhappy with the deal. The second being that because the entire job has been split, each firm has a smaller portion and would send their junior partners instead of their principals.

Mr. Long stated that this has not been the case and does not predict that to happen in the future.

Mr. Naglick added that the percentages of the deal show that staff had been mindful of this possibility and explained that the percentages were fair, with sixty percent (60%) going to the book-runner, and twenty percent (20%) going to Siebert and Ramirez. Mr. Naglick added that both Siebert and Ramirez are minority firms and he is pleased that both firms can do work on the bonds.



Mr. Ogden stated he wanted to be sure that each firm had its best partners working on the bonds. Mr. Long stated that during the interviewing process, each firm presented their best partners and now that some preliminary work has begun those individuals have not changed.

Mr. Naglick stated that he is acquainted with the key partners with Siebert and those individuals are also working on this project. Mr. Naglick added that Jefferies was the DDA's previous book-runner and the same individual who had worked on the previous project is working on the current project.

Mr. Hollowell stated that each firm agrees to the deal because it allows their reputation to benefit but there will always be a discussion about having a small percentage and concern that small percentages are all that is achievable. Mr. Hollowell added that the objective goal to expand and bring in minority firms is a worthy goal.

Mr. Naglick responded that Siebert has been able to break out of small percentage deals and does have the ability to do so, but the bonds are specialized and need the strength of each firm.

Mr. Ogden stated for the record that Suzanne Shank, President and CEO of Siebert is on the Board of Directors for Rocket Companies and noted that there is no further connection that would not allow him to vote on the matter.

Mr. Naglick called for a motion to recommend approval of the Catalyst Development Project – Selection of Financial Institutions for 2024 Bonds to the DDA Board.

Mr. Ogden made a motion to recommend approval of the Catalyst Development Project – Selection of Financial Institutions for 2024 Bonds. Mr. Hollowell seconded the motion. All were in favor with no opposition.

ADMINISTRATIVE

DDA BUDGET FOR FY 2024-2025

Ms. Kanalos stated that pursuant to Article 228, Public Act 57 of 2018, DDA staff has prepared the attached DDA budget for FY 2024-25 for review prior to its submission to City Council for approval.

The DDA staff is seeking the DDA Board's approval of the FY 2024-25 budget (Exhibit A) and requested that the Finance Committee review and recommend approval of the FY 2024-25 budget to the Board.

Mr. Naglick called for questions.

Hearing none, Mr. Naglick called for a motion to recommend approval of the DDA Budget for FY 2024-2025 to the DDA Board.

Mr. Hollowell made a motion to recommend approval of the DDA Budget for FY 2024-2025. Mr. Ogden seconded the motion. All were in favor with no opposition.



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, which was seconded by Mr. Hollowell, and Mr. Naglick adjourned the meeting at 2:49 p.m.

**DOWNTOWN DEVELOPMENT AUTHORITY
BUDGET
2024-2025**

| | 2023-24 BUDGET | 2023-2024 PROJECTED ACTUAL | DIFFERENCE | 2024-25 BUDGET |
|---|---------------------|----------------------------------|---------------------|---------------------|
| REVENUES: | | | | |
| Current taxes - one mil | \$ 1,200,000 | \$ 1,208,462 | \$ 8,462 | \$ 1,200,000 |
| Earnings on investments | 200,000 | 408,308 | 208,308 | 300,000 |
| Transfer from Tax Increment Fund | 750,000 | 750,000 | - | 750,000 |
| Parking Operations | 825,000 | 962,401 | 137,401 | 850,000 |
| Other | 15,000 | 79 | (14,921) | 10,000 |
| From/(To) prior year balance | 0 | (597,177) | (597,177) | 0 |
| TOTAL REVENUES | <u>\$ 2,990,000</u> | <u>\$ 2,732,073</u> | <u>\$ (257,927)</u> | <u>\$ 3,110,000</u> |
| EXPENSES: | | | | |
| Contractual Services | | | | |
| Detroit Economic Growth Corp | \$ 2,000,000 | \$ 2,000,000 | \$ - | \$ 2,000,000 |
| Annual Audit | 40,000 | 40,000 | \$ - | 40,000 |
| Sub-Total | \$ 2,040,000 | \$ 2,040,000 | \$ - | \$ 2,040,000 |
| Professional Service Fees | | | | |
| Legal Services | \$ 200,000 | \$ 128,328 | \$ 71,672 | \$ 200,000 |
| Insurance | 325,000 | 324,985 | \$ 15 | 340,000 |
| Advertising/Marketing | 15,000 | 14,267 | \$ 733 | 15,000 |
| Computer Support | 10,000 | 10,000 | \$ - | 15,000 |
| Sub-Total | \$ 550,000 | \$ 477,580 | \$ 72,420 | \$ 570,000 |
| Parking Lots Management | \$ - | \$ - | \$ - | \$ - |
| Special Projects & Contingencies | \$ 400,000 | \$ 214,493 | \$ 185,507 | \$ 500,000 |
| TOTAL EXPENSES | <u>\$ 2,990,000</u> | <u>\$ 2,732,073</u> | <u>\$ 257,927</u> | <u>\$ 3,110,000</u> |