

City of Detroit



Downtown Development Authority

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**DOWNTOWN DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS REGULAR MEETING
WEDNESDAY, FEBRUARY 22, 2017 – 3:00 P.M.**

BOARD MEMBERS PRESENT:

Marvin Beatty
Charles Beckham
Austin Black
Ehrlich Crain
Sonya Delley
Melvin Hollowell
Richard Hosey
David Massaron
John Naglick
Steve Ogden

BOARD MEMBERS ABSENT:

David Blaszkiewicz
Michael Duggan
James Jenkins

OTHERS PRESENT:

Louis Aguilar (Detroit News)
Kirkland Crawford (Detroit Free Press)
Deb Dansby (Rock Ventures)
N. Derringer (Bridge Magazine)
Whitney Eichinges (Bedrock)
John Gallagher (Free Press)
Josef Guziewicz (Bedrock)
Amanda Hanlin (DEGC)
Gay Hilger (DEGC/DDA)
Alex P. Hurley (City Council)
Malinda Jensen (DEGC/DDA)
Jennifer Kanalos (DEGC/DDA)
Steven Kantor (First Southwest)
John Lauve (Public)
Dave LewAllen (WXYZ)
Glen Long (DEGC/DDA)
Howard Luckoff (Rock Ventures)
Rebecca Navin (DEGC/DDA)
Tony Paul (Detroit News)
Moddie Turay (DEGC/DDA)
Adrienne Zeigler (DEGC)

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**MINUTES OF THE DOWNTOWN DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS REGULAR MEETING
WEDNESDAY, FEBRUARY 22, 2017
DETROIT ECONOMIC GROWTH CORPORATION
500 GRISWOLD STREET, SUITE 2200 - 3:00 P.M.**

GENERAL

Call to Order

Noting that a quorum was present, Mr. Naglick, Treasurer and Acting Chair, called the Regular meeting of the Downtown Development Authority Board of Directors to order at 3:00 p.m.

Approval of Minutes

Mr. Naglick questioned whether there were any additions, deletions or corrections to the minutes of the February 8, 2017 Regular Board meeting. Hearing none, the Board took the following action:

On a motion by Mr. Beatty, seconded by Mr. Hollowell, Resolution Code DDA 17-02-02-593 was unanimously approved.

Receipt of Treasurer's Report

Mr. Long reviewed the Treasurer's Report of Receipts and Disbursements for January 2017 for the benefit of the Board and asked if there were questions.

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

On a motion by Ms. Delley, seconded by Mr. Beatty, Resolution Code DDA 17-02-03-468 was unanimously approved.

PROJECTS

Proposed Third Amendment to Development Agreement between Rosko Development Company LLC and the DDA

Mr. Turay reported that in September, 2010, the DDA and Rosko Development Company LLC, an affiliate of Bedrock Real Estate Services, ("**Rosko**") entered into a First Amended and Restated Development Agreement (as amended from time to time, the "**Development Agreement**") relating to the development of, among other properties, the site of the former Hudson building (the "**Hudson Block**"). In accordance with the terms of the Development Agreement, Rosko submitted its proposed development plan for the Hudson Block by December 31, 2016 (the "**Development**

Plan”). Staff reviewed the Development Plan and determined that it met the minimum requirements of the Development Agreement and is therefore “deemed approved” per the Development Agreement; however, under the terms of the Development Agreement, Rosko has the right to submit, from time to time, an alternative development plan subject to the same review and approval requirements.

Notably, the Development Plan anticipates the availability of certain tax incentives currently being considered by the Michigan legislature but not anticipated to be approved prior to the current March 1, 2017 closing date. If those incentives are not available at closing, Rosko anticipates submitting an alternative development plan that would meet the requirements of the Development Agreement and the available incentives.

In light of the DDA’s commitment to maximizing the development potential of the Hudson Block, Staff recommends amending the Development Agreement to extend the timeline as follows:

Closing Date: November 1, 2017
Construction Commencement: December 1, 2017
Construction Completion: December 1, 2020

A resolution was included for the Board’s consideration.

Mr. Turay advised that representatives from Rock were in attendance and they would like to present the updated development plan to the Board.

Ms. Deb Dansby, Chief Administrative Officer of Rock Ventures, and Mr. Joe Guziewicz, Vice President of Construction at Bedrock, introduced themselves. Ms. Dansby stated that today’s presentation would walk the Board through the project plan and talk through the expectations, as well as the transformational impact of this project, to give a flavor of why the plan needed to be amended today to align with Michigan’s economic development initiative to give Detroit its best opportunity for a transformational development on this site.

Ms. Dansby turned the floor over to Mr. Goewicz who gave a history of the Hudson’s Building that stood on that site for 72 years to give a flavor of the importance of the site and its economic impact on Downtown Detroit. A PowerPoint slide presentation, with conceptual drawings of the proposed mixed-use development, and a video that was put together about a year ago, was also presented to the Board. A question and answer session followed.

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

On a motion by Mr. Hollowell, seconded by Mr. Beckham, Resolution Code DDA 17-02-112-14 was approved, with Mr. Ogden abstaining.

TEMPORARY ADJOURNMENT

Mr. Naglick temporarily adjourned the meeting at 3:41 p.m. to give the press time to collect their equipment.

RECALL TO ORDER

Mr. Naglick recalled to order the regular meeting of the Downtown Development Authority Board of Directors at 3:44 p.m.

PROJECTS

Catalyst Development Project: Second Amendment to Master Development Agreement

Mr. Turay advised that on December 11, 2014, the City of Detroit Downtown Development Authority (the “DDA”) and Olympia Development of Michigan, LLC (“ODM”) executed that certain Master Development and Reimbursement Agreement relating to the commitment by to invest, or cause the investment of, at least \$200 Million in private investment as part of the EC Ancillary Development Project (as amended, the “MDA”).

Pursuant to the terms of the MDA, ODM is obligated to have received approval of all development proposals regarding Woodward properties that were formerly publicly owned on or prior to December 11, 2017. However, Section 4.01(a) the MDA also allows certain interim uses of such properties (e.g., construction staging and parking).

In anticipation of the opening of the Little Caesars Arena (“LCA”) in September, 2017, ODM would like to develop a pedestrian plaza on Woodward between the I-75 service drive and Henry, as further depicted in Exhibit A included with the Board material (the “Pedestrian Plaza”). DDA staff recommends amending Section 4.01(a) of the MDA to allow the Pedestrian Plaza as an authorized interim use (the “Amendment”), subject to all required zoning and other applicable and necessary governmental approvals. A proposed form of the Amendment was included as Exhibit B.

A resolution was provided for the Board’s consideration.

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

On a motion by Mr. Massaron, seconded by Ms. Delley, Resolution Code DDA 17-02-123-50 was unanimously approved.

Events Center Project - Underwriter Selection for 2017A Bonds

Mr. Long stated 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 events center to be named the Little Caesars Arena (the “Events Center”). In December, 2014, the DDA issued tax-exempt and taxable bonds in the aggregate principal sum of \$450,000,000.00 to finance the construction of the Events Center, and the DDA intends to issue additional tax increment revenue bonds in an aggregate principal amount sufficient to enable the DDA to finance \$34,500,000 of additional improvements to the Events Center, including improvements to accommodate the basketball, operational and facility requirements of the Detroit Pistons Basketball Company, in connection with the relocation of its home venue for professional basketball games and related operations from the Palace of Auburn Hills to the Events Center commencing with the fall 2017 NBA season (the “2017A Bonds”).

In December, 2016, the DDA, through its financial advisor, FirstSouthwest (“FirstSouthwest”), solicited proposals from several financial institutions for proposals for purchasing the 2017A Bonds. Of the four financial institutions that were willing to pursue a private placement, staff reviewed the proposals with FirstSouthwest and concurs with FirstSouthwest’s recommendation to select Bank of America Merrill Lynch (“BAML”). BAML was the bond purchaser on the 2014A bonds, and therefore is already intimately familiar with DDA’s finances and, we believe, will be well positioned to achieve an issuance on the schedule required to ensure timely completion of the Events Center. FirstSouthwest’s recommendation was included with the memorandum as Exhibit A.

DDA staff seeks authority to commence negotiating terms of the 2017A Bonds with BAML, including through FirstSouthwest and DDA bond counsel. A resolution was provided for the Board’s consideration.

Mr. Long advised that Steve Kantor of FirstSouthwest was available to answer Board members’ questions.

Mr. Naglick advised that FirstSouthwest was selected by the City through an RFP process as their financial advisor. They are experts on the best way to place municipal financing in the country and helped the City last summer achieve \$60 million in savings on a refinancing. Also, Mr. Kantor was heavily involved in the original financing of this project, so in addition to the firm he works for, it makes him the best to advise the DDA on this \$35 million.

Mr. Kantor recommended the proposal submitted by Bank of America Merrill Lynch. The proposed financing plan would tie in to the original 2014 plan. They would come back to the Board this time next year not only to refinance the 2014A bonds, but also this bond. The arena will be operating then and that would be the perfect time to refinance.

Mr. Naglick questioned Mr. Kantor if the 2014 bonds have a mandatory call date of 2018. Mr. Kantor responded that they have a call date of January 1, 2019.

Mr. Hollowell stated that he does have a concern that we are doing all of our best efforts in trying to make the maximum amount of participation for Detroit-based businesses, particularly on the financial side, and would like to have a much more robust discussion on how we have reached out to the financial community in the city or those that would like to get involved, both from the attorneys' side and the financial side.

Mr. Kantor explained that they have tried to make this opportunity available to as many people as possible. Within the Detroit community, they solicited everyone they knew interested in this transaction and they declined to bid on it because it is not going to be rated by the bond agencies, which involves more risk for the underwriter. When the financing comes around again next year, the opportunity will be offered again and hopefully we will have a more stable environment.

Mr. Naglick added that he wanted to support Mr. Kantor's thought. By deciding to do a short-term financing of this modification, it limits the market to investment banks that could keep this on their books. Once we decide to re-syndicate, it opens up the whole market and a number of fine minority firms.

Mr. Massaron also added that as he understands it, this would be different than a traditional public offering that we could take publicly and it doesn't need to stay on a bank's balance sheet and, therefore, could have participation from smaller Detroit firms.

Mr. Hollowell responded that when this comes back to the Board in 2018, he would like all of the banks and firms in Detroit solicited. Possibly they could be graded and given an extra point if they are a minority or Detroit-based business, in the selection process similar to what is done for other City RFPs.

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

On a motion by Ms. Delley, seconded by Mr. Crain, Resolution Code DDA 17-02-123-51 was unanimously approved.

ADMINISTRATION

NEW BUSINESS

PUBLIC COMMENT

Mr. Naglick called for public comment and stated that two minutes would be given.

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

"I was impressed by that presentation by Rock. One big question I have is what the arrangement is going to cost? I think there would be much greater use of the money here rather than what they are using to finance the arena. That is where we should have put the money.

I want to talk about the Tiger violation of the kids, the Tiger "eyesore", the Ilitch's Wayne State School deal, and my FOIA request for further information.

On the first one, of course, it is time to step up to the plate on this Tiger deal. They have a letter you should fill out stating that they're in violation and they have 45 days to answer it, give us an answer of what they are going to do to correct the violation. It says 50,000 kids it doesn't say college students, elderly or anything else. So that is your responsibility. I don't know why you are shying away from that responsibility because Ilitch is in violation clearly.

Then we have the eyesore. For opening day we want this to be front and center of course. It was interesting, I've have a copy here of the taxes that they paid, they have thing with a taxable value of \$70,000. DDA gave them \$1 million and this is where it is since 2009. It is an irresponsible violation of your integrity on this issue. They get a free pass.

Next we have the Wayne State University deal. I looked it up and there is only one piece of property that has been transferred. Nothing on Woodward—it's back here. They paid over \$3 million for it and it is listed on their taxable value of \$133,000. So there is something wrong with this, and I would like to see the bill of sale, the appraiser that determined the fair market value of this piece of property."

Mr. Naglick advised Mr. Lauve that his time was up and thanked him for his comments.

Mr. Robert Davis stated the following:

"I just have a question about the agenda item referencing the financing for the new Piston's development deal. I believe last week or so, one of the local papers reported that the...[inaudible]...and the question that was proposed was who is paying for it considering that Detroit City Council has not approved an amendment to the DDA Plan according to the Act before ...[inaudible]...for the financing received. And I guess the local...[inaudible]...reported that he told Olympia and...[inaudible]...Palace/Pistons/casino were advancing funds to facilitate the development. So the question that unfolds--considering the January additions, this body approved a resolution seeking to be qualified for reimbursement for the certain bond proceeds and expenses that are going to be advanced by—purportedly are going to be advanced by this body. Will you--this body--be reimbursed by Olympia and Palace Sports Entertainment for the money that is being advanced to allow the development to proceed?"

Mr. Naglick stated that we will take his comments under advisement and thanked Mr. Davis for his comments.

ADJOURNMENT

With there being no other business to be brought before the Board, Mr. Naglick adjourned the meeting at 4:03 p.m.

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CODE DDA 17-02-02-593

APPROVAL OF MINUTES OF FEBRUARY 8, 2017

RESOLVED, that the minutes of the Regular meeting of February 8, 2017 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.

February 22, 2017

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CODE DDA 17-01-03-468

RECEIPT OF TREASURER'S REPORT FOR JANUARY 2017

RESOLVED, that the Treasurer's Report of Receipts and Disbursements for the period ending January 31, 2016, as presented at this meeting, is hereby in all respects received by the Downtown Development Authority.

February 22, 2017

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CODE DDA 17-02-112-14

**RESOLUTION AUTHORIZING THIRD AMENDMENT TO DEVELOPMENT AGREEMENT
BETWEEN ROSKO DEVELOPMENT COMPANY LLC AND THE DDA**

WHEREAS, in September, 2010, the DDA and Rosko Development Company LLC, an affiliate of Bedrock Real Estate Services, ("**Rosko**") entered into a First Amended and Restated Development Agreement (as amended from time to time, the "**Development Agreement**") relating to the development of, among other properties, the site of the former Hudson building (the "**Hudson Block**"); and

WHEREAS, in accordance with the terms of the Development Agreement, Rosko submitted its proposed development plan for the Hudson Block by December 31, 2016 (the "**Development Plan**") and staff determined that it met the minimum requirements of the Development Agreement and is therefore "deemed approved" per the Development Agreement; and

WHEREAS, the Development Plan anticipates the availability of certain tax incentives currently being considered by the Michigan legislature but not anticipated to be approved prior to the current March 1, 2017 closing date; and

WHEREAS, Per the terms of the Development Agreement, Rosko has the right to submit, from time to time, an alternative development plan subject to the same review and approval requirements; and

WHEREAS, in light of the DDA's commitment to maximizing the development potential of the Hudson Block, the DDA Board of Directors has determined that it is in the best interests of the DDA and the project to amend the Development to extend the timeline as follows (the "**Third Amendment**"):

Closing Date: November 1, 2017

Construction Commencement: December 1, 2017

Construction Completion: December 1, 2020

NOW, THEREFORE, BE IT RESOLVED, that the DDA Board of Directors does hereby authorize the negotiation and execution of the Third Amendment setting forth the extended timeline described above, upon terms deemed appropriate by staff and counsel and otherwise not inconsistent with the terms described herein.

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 Third Amendment, and the 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.

February 22, 2017

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CODE DDA 17-02-123-50

CATALYST DEVELOPMENT PROJECT: SECOND AMENDMENT TO MASTER DEVELOPMENT AGREEMENT

WHEREAS, on December 11, 2014, the City of Detroit Downtown Development Authority (the "DDA") and Olympia Development of Michigan, LLC ("ODM") executed that certain Master Development and Reimbursement Agreement relating to the commitment by to invest, or cause the investment of, at least \$200 Million in private investment as part of the EC Ancillary Development Project (as amended, the "MDA"); and

WHEREAS, pursuant to the terms of the MDA, ODM is obligated to have received approval of all development proposals regarding Woodward properties that were formerly publicly owned on or prior to December 11, 2017, but, pursuant to Section 4.01(a) the MDA, make use of such properties for certain interim uses (e.g., construction staging and parking); and

WHEREAS, in anticipation of the opening of the Little Caesars Arena ("LCA") in September, 2017, ODM would like to develop a pedestrian plaza on Woodward between the I-75 service drive and Henry, as further depicted in Exhibit A attached hereto (the "Pedestrian Plaza"); and

WHEREAS, DDA staff recommends amending Section 4.01(a) of the MDA to allow the Pedestrian Plaza as an authorized interim use (the "Amendment"), a proposed form of which is attached hereto as Exhibit B; and

WHEREAS, upon review of the proposed terms of the Amendment, the DDA Board has determined that the Amendment as proposed is consistent with the DDA's statutory purposes and otherwise in the best interests of the DDA and the EC Ancillary Development Project.

NOW THEREFORE BE IT 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 execute the Amendment, substantially in the form of the attached, together with such other modifications to the MDA as deemed appropriate by such Authorized Agents and counsel which are not inconsistent with this resolution and do not alter the substance of the MDA or adversely affect the rights and/or obligations of the DDA under the MDA.

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 other 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.

February 22, 2017

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CODE DDA 17-02-123-51

EVENTS CENTER PROJECT - UNDERWRITER SELECTION FOR 2017A BONDS

WHEREAS, the DDA has undertaken the financing and development of a “catalyst development project” (as defined in Act 197), including the development of the events center to be named the Little Caesars Arena (the “Events Center”), including, the December, 2014 issuance of tax-exempt and taxable bonds in the aggregate principal sum of \$450,000,000.00 to finance the construction of the Events Center; and

WHEREAS, the DDA intends to issue additional tax increment revenue bonds in an aggregate principal amount sufficient to enable the DDA to finance \$34,500,000 of additional improvements to the Events Center, including improvements to accommodate the basketball, operational and facility requirements of the Detroit Pistons Basketball Company, in connection with the relocation of its home venue for professional basketball games and related operations from the Palace of Auburn Hills to the Events Center commencing with the fall 2017 NBA season (the “2017A Bonds”); and

WHEREAS, in December, 2016, the DDA, through its financial advisor FirstSouthwest (“FirstSouthwest”), solicited proposals from several financial institutions for proposals for purchasing the 2017A Bonds; and

WHEREAS, FirstSouthwest recommended the selection of Bank of America Merrill Lynch (“BAML”), which recommendation is attached hereto as Exhibit A.

WHEREAS, upon review of FirstSouthwest’s recommendation, the DDA Board has determined that the selection of BAML for the underwriter for the 2017A 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 BAML as the underwriter of the 2017A Bonds.

BE IT FURTHER RESOLVED that the DDA Board hereby authorizes staff, including through the engagement of FirstSouthwest, DDA bond counsel, and other necessary or appropriate professionals, to commence negotiating terms of the 2017A Bonds with BAML which terms shall be presented to the DDA Board for further review and approval, together with corresponding bond authorizing resolutions and material transaction documents.

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.

February 22, 2017