

**MINUTES OF THE
DETROIT DOWNTOWN DEVELOPMENT AUTHORITY
CONSULTATION MEETING
WITH THE
DEVELOPMENT AREA CITIZENS COUNCIL:
RESTATED TAX INCREMENT FINANCING PLAN AND
DEVELOPMENT PLAN FOR DEVELOPMENT AREA NO. 1
AMENDMENT**

**Monday, April 10, 2017
Detroit Economic Growth Corporation
500 Griswold, Suite 2200
Detroit, MI 48226
5:30 PM**

In attendance were:

- Glen Long (DEGC/DDA)
- Rebecca Navin (DEGC/DDA)
- Jennifer Kanalos (DEGC/DDA)
- Adrienne Zeigler (DEGC/DDA)
- Ayesha Maxwell (DEGC/DDA)
- Shawn Blanchard (DACC)
- Jonathan Kinloch (DACC)
- Jenna Love (DACC)
- Dannis Mitchell (DACC)
- Shannon Smith (DACC)
- Jamaine Dickens (DACC)
- John Lauve (Public)
- Douglass Diggs (Heritage)
- Awenate Cobbina (PSE)
- Stephen Palms (MCPS/ODM)
- Mike McLauchlan (IHI)
- Francis Grunow (NAC)

Development Area Citizens Council
members absent:

- Sean Harrington
- Sean Kelley
- Sandra Poinsetta
- Nettie Seabrooks
- Imani Day

Ms. Kanalos called the public meeting to order at 5:35 PM.

Ms. Kanalos and Ms. Navin provided an overview of Downtown Development Authority (DDA), the purpose of the DDA Development Plan and TIF Plan and the role of the Development Area Citizens Council (DACC).

Mr. Kinloch volunteered to be the DACC Chair and Mr. Smith volunteered to be the DACC Secretary.

Ms. Navin provided an in-depth summary (Exhibit A) of the proposed amendments to the DDA TIF Plan and Development Plan for Development Area No. 1 Amendment. PowerPoint slides (Exhibit

B) displayed a map of Development Area No. 1, a graphic of tax increment financing (TIF) capture and the DDA TIF Plan and Development Plan for Development Area No. 1 Amendment approval timeline.

DDA Staff responded to DACC Member questions regarding:

- Whether DDA properties sold for development are identified in the Plan Amendment, including price for the properties, whether the DDA Board and the City must approve the transfer of properties, the location of properties and developer timeline requirements.
- The specifics of the Ally Financial project with respect to whether the DDA incentive was for discounted parking or paid parking and if it was comparable to other companies locating/consolidating their operations within the DDA.
- Information regarding the TIF Plan amendments, specifically whether the TIF funds were reprogrammed from another project, whether property taxes would increase if the capture duration was not extended and if taxes that were collected prior to the first TIF Plan approval were captured by the DDA or went to the City and County.
- The \$200M investment made by Olympia Development of Michigan (ODM), specifically, how soon that investment must be made, which projects were considered part of that investment and how much will ODM be reimbursed from the DDA as part of that investment.
- Little Caesars Arena and what type of development will be built on the arena footprint.
- The Events Center Ancillary Development Project and what types of projects will be located within the area and which projects have been approved to date.
- Little Caesars Headquarters and whether the DDA was incenting for the move of employees from one building to another.

Members of the DACC requested:

- An additional meeting following the public hearing at City Council on the DDA TIF Plan and Development Plan for Development Area No. 1 Amendment.
- To be informed of additional projects and timelines should they occur.
- A written outline of the DACC's role and responsibilities.
- The PowerPoint slides from the meeting.

One member of the public spoke in opposition to the DDA TIF Plan and Development Plan for Development Area No. 1 Amendment.

Citing no further public comments, Ms. Kanalos closed the public meeting at 6:57PM.

City of Detroit Downtown Development Authority
RESTATED TAX INCREMENT FINANCING PLAN
AND DEVELOPMENT PLAN FOR DEVELOPMENT AREA NO. 1

Background on DDA
and
Summary of Proposed Amendments
April 2017 Development Area Citizens Council

DEVELOPMENT AREA NO. 1

BACKGROUND

General

In 1978, the City of Detroit Downtown Development Authority (the “DDA”) was established and the DDA’s Tax Increment Financing Plan and Development Plan for Development Area No. 1 (the “Plan”) was approved, each by Ordinance adopted by the Detroit City Council.

Since 1978, with the approval of the Detroit City Council the DDA has amended its District boundaries several times, and has amended the Plan and the boundaries of Development Area No. 1 set forth in the Plan. Most recently, in 2013, the Plan was amended and the downtown District and Development Area No. 1 were expanded to accommodate the Catalyst Development Project. The current District and Development Area boundaries are set forth on the attached map.

The District is the area in which the DDA is authorized to exercise its powers under Act 197 of 1975 (the “DDA Act”). In addition, as authorized by the DDA Act, the DDA levies a 1 mill tax on properties located within the District.

Development Area No. 1 is the area in which the Plan is to be implemented, and, more specifically, the area from which tax increment revenues can be captured and expended by the DDA.

Plan Objectives and Projects

Generally speaking, the objectives of the DDA Plan are the following:

- to extend a corridor of development activity from Renaissance Center through the central core of the City's traditional retail district on Woodward Avenue north to Charlotte;
- to expand the convention and related facilities, including hotels;
- to develop a theater district and sports entertainment area;
- to provide for a catalyst development project, as such term is defined in Section 1(g) of the Act (the “Catalyst Development Project”)

- to provide support for downtown businesses by the creation of residential facilities, parking facilities and open space, and improved pedestrian and transit interconnections within the downtown area including enclosed pedestrian skyways and a People Mover system.

Specific projects that have been or are being implemented by or with the support of the DDA to address the above objectives are set forth in the Plan and include, but are not limited to the following: Book Cadillac Hotel, 150 West Jefferson development, One Detroit Center Blue Cross Blue Shield Development, Comerica Park, Ford Field, People Mover, Q Line, 150 Michigan Avenue Garage, Kennedy Square Garage, Hudson's redevelopment, and Paradise Valley Cultural and Entertainment District.

The Catalyst Development Project was approved by the DDA, the City, and the Michigan Strategic Fund (the "MSF") in 2013 pursuant to 2012 amendments to the DDA Act and consists of two components: (i) the development of a new events center, now known as the Little Caesars Arena (the "Events Center"), owned by the DDA and operated by an affiliate of Olympia Entertainment, and (ii) the development or redevelopment of vacant and/or underutilized properties within the area referred to in the Plan as the "Catalyst Development Area" (the "EC Ancillary Development Project").

Tax Increment Financing

The DDA Act permits the DDA to use, and the DDA has used, several methods of financing to implement the Plan, including but not limited to federal and state grants, bond proceeds, loan proceeds, and, most significantly, tax increment revenues. With certain exceptions, the DDA captures all tax increment revenues generated within Development Area No. 1. Each time an area is added to Development Area No. 1, an initial assessed value is set for that area. Tax increment revenues are generated when the current assessed valuation each succeeding year is higher than the initial assessed valuation. The taxes generated by the amount by which the assessed value has increased over the initial assessed value are captured by the DDA for purposes of implementing the Plan.

Tax increment can accrue from increases in property values that are due to:

- a. New construction of developments occurring after the date establishing the "initial assessed value".
- b. Construction activity through rehabilitation, remodeling, alterations, or additions occurring after the date establishing the "initial assessed value".
- c. Increases in property values which occur for any other reason, including as a by product of increased economic activity.

Tax increment is collected from all local taxing jurisdictions, not merely from the City. Each year, the municipal and county treasuries transmit to the Authority the tax increment generated within Development Area No. 1. Certain taxes are exempt from capture under the DDA Act (e.g., DIA millage and Detroit Zoo millage) and certain taxes are restricted in use (e.g., "Catalyst Project Revenues" may only be used for a "Catalyst Development Project").

The DDA must use tax increment revenues to carry out the Plan, including, but not limited to, relocation costs, demolition costs, cost of public improvements, other project costs, bond closing costs and bond trustee service fees.

In addition, the DDA is permitted to issue bonds secured by and payable from future tax increment revenues. The DDA currently has approximately \$52 Million in outstanding tax increment revenue bonds from its issuances in 1996 and 1998 and \$250 Million in outstanding tax increment revenue bonds from its issuance in 2014 to support the development of the Events Center (aka Little Caesars Arena). In addition, the DDA anticipates issuance of \$36 Million in additional tax increment revenue bonds in 2017 to support additional improvements to the Events Center to support the relocation of the Detroit Pistons to the Events Center and a refunding of the 2014 and 2017 tax increment revenue bonds prior to January 1, 2019 (collectively, the "EC Tax Increment Revenue Bonds"). However, in order to have sufficient revenues to pay back the 2017 tax increment revenue bonds and certain other obligations of the DDA relating to the Catalyst Development Project, the Plan needs to be amended.

2017 PROPOSED PLAN AMENDMENTS

PLAN DURATION

To accommodate the pledge of Catalyst Project Revenues and other tax increment revenues to the repayment of the EC Tax Increment Revenue Bonds and other Catalyst Development Project obligations, the life of the Plan has been extended through fiscal year 2050-2051.

ADJUSTMENTS TO REVENUES

Adjustments to Tax Increment Revenues Include:

- Adjustments of the estimated annual tax increment revenues to more accurately reflect taxable values and millage rate changes.
- Estimated tax increment revenues for FY 2045-46 through 2050-51.
- Estimated Catalyst Project Revenues earmarked for the Events Center Project due to Net Bond Proceeds 2017 and Net Bond Proceeds 2019.
- Estimated Catalyst Project Revenues earmarked for the EC Ancillary Development Project in FY2048 – 2051.

Adjustments to Other Revenues Include:

- Adjustments to Anticipated Loan Repayment Receipts.
- Adjustments to Michigan Avenue Garage Net Receipts.

Adjustments in Sale of Real Estate Receipts. Adjustments to Interest Income on TIF and Bond Revenues over the Life of the Plan, which expires in FY 2015-2051

ADJUSTMENTS TO PROJECT EXPENDITURES

CONVENTION FACILITIES AREA

Convention Facilities Area Public Improvements

An additional \$200,000 per year for fiscal years 2018-2019 through 2022-2023 was added to this project in order to support the Holiday Lighting/Decorating Program for those years.

GRAND CIRCUS NORTH DEVELOPMENT AREA

Tigers/Lions Stadia Complex

The DDA's allocation for repairs and maintenance has increased by \$1.45 million, assuming the Tigers exercise all available extension options under the Concession and Management Agreement for Comerica Park.

LOWER WOODWARD IMPROVEMENT AGENDA

Lower Woodward Streetscape Improvement Project

The DDA's allocation for streetscape improvements has increased by \$3.23 million over the life of the Plan.

LOAN AND ABSORPTION PROGRAMS

Housing/Office/Retail Development and Absorption Fund

The DDA's allocation to accommodate construction and/or rehabilitation of downtown facilities under its Housing/Office/Retail Development program is increased by \$119.43 million over the life of the Plan.

DOWNTOWN GENERAL DEVELOPMENT

Land Assemblage

The 2017 Plan amendment provides for an additional \$119.31 Million 119,010,000 in tax increment funding over the life of the Plan.

Ally Financial

In 2015, Ally Financial consolidated its regional operations to downtown Detroit. Ally Financial relocated its headquarters to 500 Woodward Avenue and signed a 12-year and nine-month lease for approximately 321,000 square feet of Class A office space. The consolidation resulted in the retention of 700 employees and the relocation of an additional 600 employees to Detroit. Total investment exceeded \$50M.

The DDA Board of Directors approved a resolution reprogramming of \$11.63 Million funds from the Housing/Office/Retail Development and Absorption Fund to offset costs associated with employee parking over the term of Ally's lease.

CATALYST DEVELOPMENT PROJECT

Events Center Project

As contemplated by the 2013 Plan amendments, the DDA owns the Events Center and has entered into a concession management agreement (the "EC CMA") with Olympia Entertainment Events Center, LLC ("OEEC"), pursuant to the terms of which OEEC is responsible for the management and operation of Events Center. In December 2014, the DDA and the MSF issued \$450 Million in bonds to support the construction of the Events Center, \$250 Million of which were financed through estimated future tax increment revenues through 2045 and \$200 Million of which were to be paid by OEEC's annual concession payments to the DDA under the Concession and Management Agreement between the parties. The DDA also contributed \$34.75 Million of then existing Catalyst Project Revenues and the City, DDA, and OEEC affiliates contributed all land necessary for the Events Center.

In November, 2016, the Pistons organization announced plans for the Detroit Pistons to relocate to the Events Center as its National Basketball Association ("NBA") home arena starting in the Fall 2017 NBA season. It is estimated that modifications to the Events Center to meet NBA requirements will cost at least \$34,500,000.00. The DDA proposes issuing additional tax increment revenue bonds to contribute towards such increased costs. It is anticipated that prior to January 1, 2019, the 2014 and 2017 tax increment revenue bonds will be refunded.

Since the 2013 Plan amendments, the estimated cost of the Events Center has increased to reflect final plans and specifications of the project. Other than the additional contribution by the DDA proposed to support the Pistons relocation, OEEC is solely responsible for all costs in excess of the 2014 financing proceeds.

A revised sources and uses for the Events Center Project is as follows [GLEN – SHOULD WE REVISE THIS TABLE TO CALL OUT EVENTS CENTER REPAIR FUND?]:

Land acquisition costs, preliminary site work and construction of Event Center

Private Financing (ODM)				\$538,800,000
Public Financing				\$324,100,000
Existing Project Revenues	Catalyst			\$34,750,000
Series 2014A Bond	DDA			\$250,000,000
Proceeds from Series 2017 DDA Bonds				\$34,500,000
Estimated net closing costs and debt service for 2017 and 2018				\$4,850,000

bond issuances

Events Center Total

\$862,900,000

In addition, the Plan has been modified to reflect other changes to the Events Center Project since the 2013 Plan amendment, including updates to estimated parking and retail components of the project, the final footprint of the Events Center, and the exact public and private property contributions to the Events Center.

EC Ancillary Development Project

The second component of the Catalyst Development Project, the EC Ancillary Development Project, contemplates the development, redevelopment, rehabilitation and repurposing of vacant or underutilized buildings and lands within the Catalyst Development Area outside of the Events Center. The 2013 Plan amendment contemplated projects of at least \$200 million, to be supported by \$62 million of Catalyst Project Revenues after the payment of the EC Tax Increment Revenue Bonds; however, pursuant to an agreement reached by the DDA, ODM, MSF, and the City prior to the approval by Detroit City Council of the 2013 Plan amendments but after the 2013 Plan amendments were formally submitted to the Detroit City Council for approval, subject to approval of a subsequent Plan amendment, the amount of tax increment revenue support was increased to \$74 Million from Catalyst Project Revenues.

In December, 2014, the DDA and Olympia Development of Michigan, LLC (“ODM”) entered into a Master Development and Reimbursement Agreement (“MDA”) pursuant to which (i) certain DDA-owned properties, including properties transferred to the DDA for the Events Center Project which ultimately are not included in the final configuration of the Events Center Project, will be transferred to ODM or its affiliate for redevelopment, (ii) such properties must be subject to development proposals approved by the DDA within five (5) years following the completion of the Events Center, except that certain properties along Woodward Avenue must be subject to a development proposal approved by the Authority prior to December, 11, 2017, and (iii) provided that the DDA approves development proposals with an aggregate investment of at least \$200 Million within five (5) years following the completion of the Events Center, and actually completes such projects, the DDA will reimburse eligible development costs of up to \$74 million (subject to approval of an increased allocation in the Plan amendment) from available Catalyst Project Revenues, after the payment of debt service on the EC Tax Increment Revenue Bonds.

Since the 2013 amendment the Authority approved the following projects pursuant to the MDA:

- In September of 2016 the DDA Board of Directors approved the proposed development plans for a new building to expand the Little Caesars headquarters. The proposed 234,000 square foot mixed use development is located at Columbia and Woodward and will have eight floors of office space and 24,000 square feet of ground retail floor space. In addition, the proposed plans include a sky walk connecting the new development to the Fox Theatre. Columbia street will be vacated to develop a pedestrian friendly “Festival Street.” Total investment is estimated at \$150 million. This investment is expected to be attributed to ODM’s \$200 million commitment set forth in the MDA.

- In September of 2016 the DDA Board of Directors approved the proposed development plan related to the property located at Henry and Cass for the development of a new seven story above-grade parking structure with approximately 530 spaces and 7,000 square feet of ground floor retail on Henry Street. The investment is estimated at \$24.4 million. This investment is expected to be attributed to ODM's \$200 million commitment set forth in the MDA.
- In July of 2016 the DDA Board of Directors approved the proposed development plan relating to the property located at 2771 and 2743 Woodward for the development of a new 120,000 square foot school of business for Wayne State University to be known as the Michael Ilitch School of Business. Total Investment is estimated at \$59 million. This investment will not be attributed to ODM's \$200 million commitment set forth in the MDA.

A revised sources and uses for the EC Ancillary Development Project is as follows:

EC Ancillary Development Project:

Land acquisition, demolition,
 construction, rehabilitation,
 infrastructure for EC Ancillary
 Development Project

Private Financing	\$185,000,000
Public Financing	\$74,000,000

EC Ancillary Development Project **\$259,000,000**
Subtotal

DDA OPERATIONS

DDA Operating Fund

For fiscal year 2045-2046 through fiscal year 2050-2051, a total addition of \$6.0 million of tax increment revenues is proposed for the DDA operating fund, to be transferred at an annual rate of \$750,000.

Debt Service Reserves/Closing Costs/Service Fees

For tax increment revenue bonds other than the EC Tax Increment Revenue Bonds, an additional \$300,000 has been allocated to debt service reserves and an additional \$740,000 has been allocated for service fees for the life of the Plan.

OTHER PROJECT REVISIONS

As necessary, additional changes are proposed to reflect the current status of the DDA's development projects and other matters affecting the Downtown District or Development Area No. 1, where no new or additional tax increment revenue funds have been pledged. Highlights of such changes include the following:

Joe Louis Arena

Joe Louis Arena, the soon to be former home of the Red Wings, is expected to be demolished after the arena is vacated. The 8.6 acre is expected to be redeveloped into mixed-use including residential, retail, and a hotel.

Monroe Cadillac Mixed Use Development

In November of 2016 the DDA approved development plans by Rosko Development L.L.C. an affiliate of Bedrock Real Estate Services. The integrated development plan includes three sites: (1) the surface parking lot bounded by Monroe, Cadillac Square, Farmer and Bates (the "Monroe Block"); (2) the former Bates Garage located at 126 Monroe; and (3) the National Theatre Site owned and operated by the City and located at 118 Monroe. The mixed-use project will be redeveloped in two phases. Phase one of the Project will be constructed on the Monroe Block and consist of at least 600,000 square feet of mixed use development inclusive of at least 35,000 square feet of ground-floor retail and an office tower of at least 20 stories. In addition, there will be below grade parking as part of phase 1. Phase two of the Project will be constructed on the Bates and National Theatre sites and consist of 225,000 square feet of residential inclusive of at least 25,000 square feet of ground-floor retail and a residential tower of at least 16 stories. It is the intention of the developer to incorporate and restore the National Theatre façade into the redevelopment unless the developer demonstrates through the report of a qualified engineer that the façade cannot be preserved.

Campus Martius Condominium Unit No. 2

In November, 2007, the DDA Board of Directors approved a resolution authorizing the execution of a development agreement between the DDA and Rosko Development Company, LLC (“Rosko”), an affiliate of Bedrock Real Estate Services, granting development rights to certain DDA-owned properties to Rosko, including the site of the former Hudson’s department store, as part of an incentive package for Quicken to relocate its operations and at least 2,000 employees to downtown Detroit. In 2017, Developer submitted a development plan for a project consisting of approximately 1,500,000 square feet, including a 42-story 250-unit residential tower, approximately 840,000 square feet of mixed use, commercial, and civic space, and 700 below grade parking spaces. Financing for the proposed development plan depends, in part, on the approval by the Michigan legislature of certain amendments to PA 381 of 1996. If the legislature is not approved, it is expected that Rosko will pursue an alternative development plan meeting the above-described minimum requirements.

Harmonie Park Acquisition/Rehabilitation (currently Paradise Valley Cultural and Entertainment District)

In 2015, the DDA released a Request for Proposals from qualified developers to acquire and redevelop five DDA properties within the District. In June 2016, five development teams were selected to redevelop the properties for an estimated total investment of \$52 million dollars. Each of the development teams has agreed to form, participate, and support the operation of a non-profit 501(c)(3) called the Paradise Valley Conservancy (the “Conservancy”) for at least ten years following the completion of construction. The mission of the Conservancy will include programming the Paradise Valley Cultural and Entertainment District’s public spaces in a manner that preserves and celebrates the original Paradise Valley at its prime.

EXHIBIT B

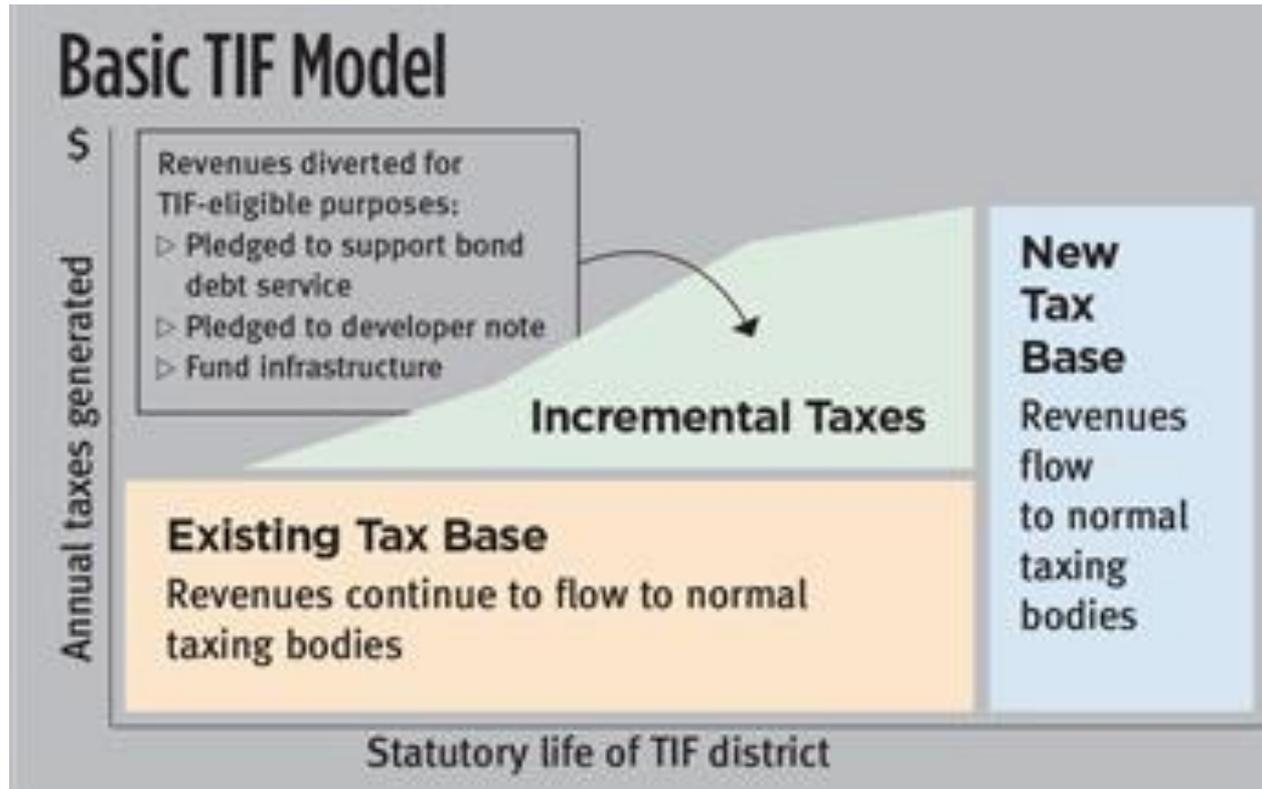
Downtown Development Authority Consultation with the Development Area Citizens Council

April 10, 2017

Meeting

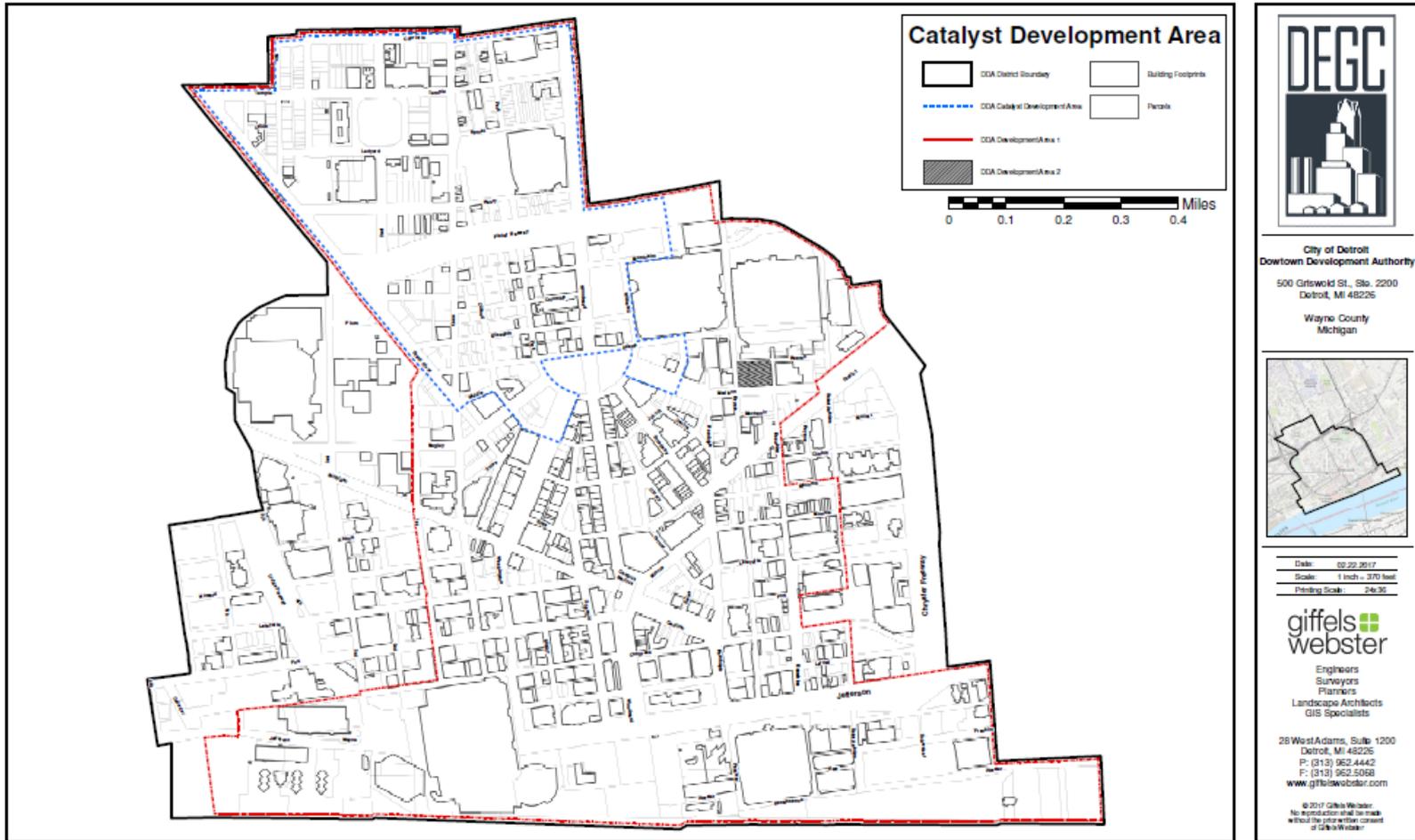


Basic TIF Model



Map of Development Area No. 1

City of Detroit Downtown Development Authority Exhibit A to Section 407.11



Proposed Timeline

- April 19, 2017: Special DDA Meeting approving the Development and TIF Plan Amendment
- April 20, 2017: submittal of the Development and TIF Plan Amendment to City Council
- May 18, 2017: public hearing regarding the Development and TIF Plan Amendment at the Detroit City Council's Planning and Economic Development Standing Committee Meeting
- DACC has 20 days following the public hearing to provide comment on the proposed Amendment to the Development and TIF Plan
- May 23, 2017: Michigan Strategic Fund Board Meeting
- Detroit City Council approval: May/June