

DRAFT MINUTES
Detroit Employment Solutions Corporation
(DESC) Board Meeting
Monday, October 14, 2013

Time: 8:30 a.m. – 9:00 a.m.
Location: Teleconference
Room Location: 707 West Milwaukee, 5th Floor Conference Room, Detroit, MI
Facilitating: Cal Sharp, Chairman

Directors Participating: Cal Sharp, Art Dudley, Al Nelson, David Carroll, Alice Thompson, Larry Steward, Veronica Madrigal
Directors Absent: Saunteel Jenkins, John Harris, George Swan, Kenyetta Bridges
Staff Present: Pamela Moore, Jose Reyes, Robert Shimkoski, Alessia Baker-Giles, Kristin Bailey, L'Tanya Clegg, Stephanie Nixon, Joyce Barnes
Guest Present: Harry Kalogerakos, (Allen Brothers, PLLC)

PROCEEDINGS

A Special Meeting of the Detroit Employment Solutions Corporation Board was called to order at 8:35 a.m. by Mr. Cal Sharp, Chair. Chair Sharp asked for introductions of all participants. A motion was made by Director Veronica Madrigal to approve the Draft Agenda of October 14, 2013, supported by Director Alice Thompson. Motion Carried Unanimously.

REVIEW/APPROVAL OF NORTHWEST ACTIVITIES CENTER LEASE

Chair Cal Sharp shared that today's packet included a summary from Allen Brothers detailing changes to the lease for Northwest Activities Center and asked Attorney Harry Kalogerakos of Allen Brothers to review the summary.

Mr. Kalogerakos explained the lease as modified is acceptable with the following cautions:

- There is a risk to DESC that the City of Detroit may not formally approve the lease, and that DESC will not learn that the lease has been rejected until after moving into the premises. If the City does not approve the lease, DESC will be required to relocate in the near future.
- Even if the lease is approved, the city still has the right to terminate the lease at any time by providing 60 days written notice to DESC.
- The lease does not provide rent reduction or other financial compensation to DESC if the remodeling is not complete by November 1, 2013.
- The city refused to modify the section of the lease pertaining to taxes (Section 5.02). The city was adamant that any taxes incurred (property or personal) are DESC's responsibility. However, because the property is owned by the city, it is currently exempt from real estate property taxes. Since DESC has applied for 501(c)(3) tax-exempt status, its activities should also be exempt from real estate property taxes. This should be confirmed by a CPA or other tax professional, since DESC is responsible to pay any taxes properly assessed against it. The tax provisions can be accepted as they are written.

- DESC will not have to pay for repairs until they are approved by both the City of Detroit and DESC. It is expected that the modifications will be completed by November 1. In the event that the repairs are not completed in time, there are no provisions in the lease that will provide any monetary compensation to DESC for the delay. The city was also willing to include language that they will “work together to accommodate” DESC if the work takes longer than expected. There is a cap on the cost of the renovations. They cannot exceed One Hundred Seventy-Nine Thousand One Hundred Seventy Two Dollars (\$179,172.00).
- A provision is now included in the lease that DESC will be allowed to remain in the property for 120 days upon written notice that the lease has not been approved. This will allow DESC time to secure another location if the city rejects the lease. There will be a separate letter of agreement to that effect. However, until the lease is fully approved, there is the possibility that DESC may have to vacate the premises well before the lease expires.

Chair Sharp noted that the issue of the City of Detroit not approving the lease as a minimal risk and one that he is willing to take, and asked Ms. Moore to share the staff’s position on the areas addressed by the attorney. Ms. Pamela Moore, President/CEO at DESC, explained that she received an email Thursday from Emergency Manager Mr. Kevyn Orr’s Chief of Staff stating that Mr. Orr has signed the lease and the construction could begin based on that signature. The lease still goes to the Governor’s office to State Treasurer Andy Dillon to sign and then to the Detroit City Council, who then has ten days to act on the submission. Ms. Moore does not expect any issues, estimating the move in date to be around October 24th. Ms. Moore asked Mr. Jose Reyes, Chief Operating Officer at DESC, to expound on the build out. Mr. Reyes stated the time frame for the build out is October 15th - 25th, explaining that if modifications are not completed on time, there is additional space with no build out that staff is able to occupy until the build out is complete.

Ms. Moore explained that the 60-day lease termination for any cause does not concern staff since it is standard language for the City of Detroit. Also, DESC will likely not have to pay any taxes. Director Thompson suggested considering doing some research on whether the city can sell this property since it is selling things to generate revenue and determine the implications would be if this were to happen. Mr. Kalogerakos shared that if the property were sold, the new owners would have to take subject to the lease and comply with the 60-day notice which is the same as the city is required to do. Director Carroll asked whether the lease stated that DESC could occupy the facility even though the build out has not completed. Ms. Moore explained that DESC could take occupancy even if the modifications are not complete. Director Dudley wanted to make sure it is understood the substantial savings incurred from these moves and noted the low risk being taken. A motion was made by Director Thompson to approve the lease for the Northwest Activities Center with the modifications that have been noted, supported by Director Dudley. Motion Carried Unanimously.

ADJOURNMENT

With no further business to come before the DESC Board, the meeting was adjourned at 9:05 a.m.

Prepared by: L’Tanya Clegg