

**MICHIGAN STRATEGIC FUND BOARD  
FINAL MEETING AGENDA  
SEPTEMBER 26, 2017  
10:00 am**

*Public comment – Please limit public comment to three (3) minutes*

**Communications**

**A. Consent Agenda**

Proposed Meeting Minutes – August 22, 2017  
UM Life Science Innovation Hub – Amendments – Denise Graves  
SBDC – Grant Amendment – Fred Molnar  
Invest Michigan – Grant Amendment – Fred Molnar  
Henry Ford College – CCSTEP Amendment – Tangie Jones  
Dieomatic Cosma Casting – MBDP Forbearance Agreement – Erik Wilford  
fairlife, LLC and Continental Dairy – MBDP Amendment – David Kurtycz  
Develop Michigan – Loan Participation Agreement Amendments – Chris Cook  
618 South Main, LLC – MCRP Amendment – Mary Kramer  
Transformational Brownfield Plan Program Guidelines – Amendment – Lori Mullins  
MMTC – Grant Amendment – Lois Brinkman  
Evigia Systems, Inc. – Forbearance – Christin Armstrong  
Council of Great Lakes Governors International Trade Centers – Amendment – Natalie Chmiko  
Grand Rapids Urban Market Holdings – MCRP Amendment – Julius Edwards  
Northern Cable and Automation, LLC dba Flex-Cable – Geographic Renaissance Zone Time Extension  
Revocation – Dan Parisian

**B. Administrative**

FY18 Allocation of Funds & Administrative Services MOU Renewal – Mark Morante  
Good Jobs for Michigan Program Guidelines – Josh Hundt  
International Trade Small Business Service – Contractor Recommendation – Natalie Chmiko

**C. Business Investment**

**a. Business Growth**

Amazon – Shelby Township – MBDP Grant – Trevor Friedeberg  
Newell Brands, Inc. – MBDP Grant – Mike Gietzen  
Southwest Michigan First Inc. – MBDP Amendment – Mike Gietzen

**D. Community Vitality**

Infrastructure Capacity Enhancement (ICE) – CDBG Grant Awards – Chris Whitz  
George F. Eyde Family, LLC – MCRP & Act 381 Work Plan – Nate Scramlin  
Center City District – MCRP Loan and Act 381 Work Plan – Nate Scramlin  
550 Bears, LLC and Uptown Reinvestment Corporation, Inc. – MCRP Grant – Chuck Donaldson  
Alma College and Alma Opera Block, LLC – MCRP Request – Chuck Donaldson  
Geenen DeKock Properties, LLC – MCRP & Act 381 Work Plan – Ryan Kilpatrick  
CWD 50 Monroe, LLC/50 Monroe – Act 381 Work Plan – Ryan Kilpatrick  
Regency Midwest Ventures, Limited Partnership/Park Place – Act 381 Work Plan – Dan Leonard  
Village at Bloomfield – Act 381 Work Plan – Dominic Romano  
Cornerstone Alliance/Project Tech – MSF Grant Request – Emily Petz

**E. Image/State Branding**

2017 Pure Michigan Campaign Insights Study – Request to Grant Contract – Lauren Branneman

**MICHIGAN STRATEGIC FUND**

**RESOLUTION 2017-**

**APPROVAL OF SEPTEMBER 2017 CONSENT AGENDA  
FOR THE MICHIGAN STRATEGIC FUND BOARD**

**WHEREAS**, the Michigan Strategic Fund (“MSF”), at its February 2014 board meeting, approved the use of consent agendas at future board meetings pursuant to defined guidelines.

**WHEREAS**, the MSF, at its February, 2014 board meeting, approved Guidelines for Preparation and Approval of Consent Agendas for the MSF (“Guidelines”).

**WHEREAS**, pursuant to the recommendation of MSF and MEDC staff, the MSF Board desires to approve the below Consent Agenda items;

**NOW, THEREFORE, BE IT RESOLVED**, the MSF approves the Consent Agenda items listed below and identified in the final Consent Agenda for this board meeting.

Consent Agenda Items:

Proposed Meeting Minutes – August 22, 2017  
UM Life Science Innovation Hub – Amendments  
SBDC – Grant Amendment  
Invest Michigan – Grant Amendment  
Henry Ford College – CCSTEP Amendment  
Dieomatic Cosma Casting – MBDP Forbearance Agreement  
fairlife, LLC and Continental Dairy – MBDP Amendment  
Develop Michigan – Loan Participation Agreement Amendments  
618 South Main, LLC – MCRP Amendment  
Transformational Brownfield Plan Program Guidelines – Amendment  
MMTC – Grant Amendment  
Evigia Systems, Inc. – Forbearance  
Council of Great Lakes Governors International Trade Centers – Amendment  
Grand Rapids Urban Market Holdings – MCRP Amendment  
Northern Cable and Automation, LLC dba Flex-Cable – Geographic Renaissance Zone Time  
Extension Revocation

Ayes:

Nays:

Recused:

Lansing, Michigan  
September 26, 2017

**MICHIGAN STRATEGIC FUND  
PROPOSED MEETING MINUTES  
August 22, 2017**

**Members Present**

Roger Curtis  
Paul Gentilozzi  
Stephen Hicks  
Andrew Lockwood (on behalf of Treasurer Khouri)  
Jeff Mason  
Terri Jo Umlor  
Jody DePree Vanderwel  
Shaun Wilson  
Wayne Wood

**Members Absent**

Paul Anderson  
Larry Koops

Mr. Mason called the meeting to order at 10:10 am and introduced Governor Rick Snyder who spoke in support of several items on the agenda.

Paul Gentilozzi joined the meeting at 10:12 am.

Mr. Mason recognized Dr. Karen Weaver, Mayor of the City of Flint, who spoke in support of the Lear Corporation project in Flint. He also recognized the following legislators and legislative staff in attendance: Representatives Phil Phelps and Sheldon Neeley who spoke in support of the Lear Corporation and Evergreen Community Development Initiative agenda items in Flint and Shane Preston on behalf of Senator Dale Zorn who spoke in support of Revival Commons Redevelopment Project agenda item in Tecumseh.

**Public Comment:** Mr. Mason asked that any attendees wishing to address the Board come forward at this time. No public comment.

**Communications:** Jennifer Tebedo, MSF Administrator, advised the Board that they received a revised term sheet at the table for the Fuel Cell Systems Manufacturing LLC project under the Consent Agenda.

**Meeting Minutes**

Paul Gentilozzi moved that the July 25, 2017, meeting minutes be moved from the Consent Agenda and the July 25, 2017, closed session meeting minutes be added to the agenda and that both items be considered separately. Andrew Lockwood seconded the motion. **The motion carried: 9 ayes; 0 nays, 0 recused.** Paul Gentilozzi motioned for the approval of the July 25, 2017, meeting minutes. Roger Curtis seconded the motion. **The motion carried: 9 ayes; 0 nays, 0 recused.** Andrew Lockwood then motioned for the approval of the July 25, 2017, closed session meeting minutes. Paul Gentilozzi seconded the motion. **The motion carried: 9 ayes; 0 nays, 0 recused.**

*Shaun Wilson, recused from the next item, leaves the room; a recusal letter is attached to the minutes.*

**A. CONSENT AGENDA**

**Resolution 2017-117 Approval of Consent Agenda Items**

Mr. Mason asked if there were any questions from the Board regarding the items under the Consent Agenda. There being none, Paul Gentilozzi motioned for the approval of the following:



601 Bond Nassau Dutch John Equities, LLC – MBT Brownfield Credit Amendment – **2017-118**  
Michigan Community Capital – MSF Investment Fund Award Amendment – **2017-119**  
Ford Motor Company – SESA Amendment – **2017-120**  
Fuel Cell Systems Manufacturing LLC – MBDP Reauthorization – **2017-121**  
Lenawee Stamping Company – MBDP Amendment – **2017-122**  
Thomson Reuters (Tax and Accounting), Inc. – MBDP Amendment – **2017-123**  
fairlife LLC and Continental Dairy Facilities LLC – MBDP Reauthorization/Revised Terms – **2017-124**  
Port of Monroe – MSF Investment Fund Award Amendment – **2017-125**  
McCann-Erickson USA Inc. – Contract for Business Marketing Amendment – **2017-126**  
Weber Shandwick – Contract for Public Relations Amendment – **2017-127**  
McCann-Erickson USA Inc. – Contract for Travel Marketing Amendment – **2017-128**  
Meredith Corporation – Contract for Seasonal Travel Guide Amendment – **2017-129**

Jody DePree Vanderwel seconded the motion. **The motion carried: 8 ayes; 0 nays; 1 recused.**

*Shaun Wilson rejoined the meeting.*

## **B. ADMINISTRATIVE**

*Mr. Mason, recused from the next item, leaves the room; a recusal letter is attached to the minutes. Andrew Lockwood acted as chair during this time.*

### **Resolution 2017-130 American Center for Mobility – Board of Directors Designee**

*Mark Morante, MSF Fund Manager, provided the Board with information regarding this action item. Following brief discussion, Paul Gentilozzi motioned for the approval of Resolution 2017-130. Jody DePree Vanderwel seconded the motion. **The motion carried: 8 ayes; 0 nays; 1 recused.***

*Mr. Mason rejoined the meeting.*

### **Resolution 2017-131 International Trade STEP Project Exception Program (PEP) – Extension**

*Natalie Chmiko, Director International Trade, provided the Board with information regarding this action item. Following brief discussion, Wayne Wood motioned for the approval of Resolution 2017-131. Paul Gentilozzi seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused.***

### **Resolution 2017-132 Michigan Research Institute – MSF Activity/Approval of Funding and Loan Participation Award**

*Chris Cook, Director Capital Access, Josh Hundt, Interim Executive Vice President and Chief Business Development Officer, and Fred Molnar, Vice President Entrepreneurship and Innovation, provided the Board with information regarding this action item. Following brief discussion, Jody DePree Vanderwel motioned for the approval of Resolution 2017-132. Paul Gentilozzi seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused.***

## **C. BUSINESS INVESTMENT**

### **C1. Business Growth**

#### **Resolution 2017-133 LG Electronics USA, Inc. – MBDP Grant**

*Mike Gietzen, Business Development Project Manager, provided the Board with information regarding this action item. Following brief discussion, Paul Gentilozzi motioned for the approval of Resolution 2017-133. Andrew Lockwood seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused.***

**Resolution 2017-134 Penske Logistics, LLC – MBDP Grant**

*Trevor Friedeberg, Senior Business Development Project Manager, provided the Board with information regarding this action item.* Following brief discussion, Andrew Lockwood motioned for the approval of Resolution 2017-134. Roger Curtis seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused.**

**Resolution 2017-135 Revival Commons Redevelopment Project/City of Tecumseh – Act 381 Work Plan**

*Trevor Friedeberg, Senior Business Development Project Manager, provided the Board with information regarding this action item.* Following brief discussion, Roger Curtis motioned for the approval of Resolution 2017-135. Jody DePree Vanderwel seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused.**

**Resolution 2017-136 Lear Corporation – MBDP Grant**

*Jeremy Webb, Senior Business Development Project Manager, provided the Board with information regarding this action item.* Following brief discussion, Paul Gentilozzi motioned for the approval of Resolution 2017-136. Shaun Wilson seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused.**

**C2. Capital Access**

**Resolution 2017-137 YMCA of Metropolitan Lansing – Change in Document**

*Chris Cook, Director Capital Access, provided the Board with information regarding this action item.* Following brief discussion, Andrew Lockwood motioned for the approval of Resolution 2017-137. Jody DePree Vanderwel seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused.**

**ROLL CALL VOTE:** Ayes: Roger Curtis, Paul Gentilozzi, Stephen Hicks, Andrew Lockwood (on behalf of Treasurer Khouri), Jeff Mason, Terri Jo Umlor, Jody DePree Vanderwel, Shaun Wilson, Wayne Wood; Nays: None; Recused: None

**Resolution 2017-138 Evergreen Community Development Initiative – MSF Activity/Grant Award**

*Amanda Bright McClanahan, Chief Financial Officer, Executive Vice President, provided the Board with information regarding this action item.* Following brief discussion, Roger Curtis motioned for the approval of Resolution 2017-138. Paul Gentilozzi seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused.**

**C3. Entrepreneurship**

**Resolution 2017-139 University Technology and Commercialization Program – Request to Issue RFP**

*Denise Graves, University and Service Manager, provided the Board with information regarding this action item.* Following brief discussion, Jody DePree Vanderwel motioned for the approval of Resolution 2017-139. Paul Gentilozzi seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused.**

**D. COMMUNITY VITALITY**

**Resolution 2017-140 Looney Moon, LLC – MCRP Grant**

*Nate Scramlin, Senior Community Assistance Team Specialist, provided the Board with information regarding this action item.* Following brief discussion, Andrew Lockwood motioned for the approval of Resolution 2017-140. Paul Gentilozzi seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused.**

*Wayne Wood left the meeting at 11:22 am.*

**Resolution 2017-141 RecoveryPark and RecoveryPark Farms – MCRP Amendment**

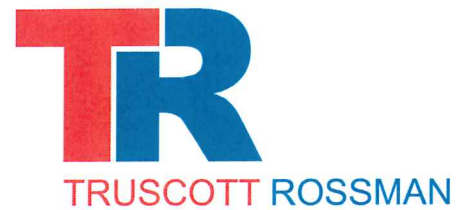
*Julius Edwards, Manager Underwriting and Incentive Structuring, provided the Board with information regarding this action item.* Following discussion, Paul Gentilozzi motioned to amend the resolution to approve the milestone two disbursement under the loan and for the Board to review the proforma and financials prior to the milestone three disbursement. Roger Curtis seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.** Jody DePree Vanderwel then motioned for the approval of Resolution 2017-141, as amended. Roger Curtis seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

**E. IMAGE/STATE BRANDING**

**Resolution 2017-142 Brand USA – FY 2018 Funding Allocation**

*David Lorenz, Vice President Travel Michigan, provided the Board with information regarding this action item.* Following brief discussion, Roger Curtis motioned for the approval of Resolution 2017-142. Andrew Lockwood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Mr. Mason adjourned the meeting at 11:40 am.



Tuesday, Aug. 22, 2017

Jennifer Tebedo  
Federal Relations Director  
Michigan Strategic Fund Administrator  
Michigan Economic Development Corporation  
300 N. Washington Square  
Lansing, MI 48913

Dear Jennifer,

Please consider this communication as a letter of recusal for the Ford Motor Company agenda item listed for the Tuesday, Aug. 22, 2017 Michigan Strategic Fund board meeting.

I will be recusing myself due to our firm's direct business dealings with Ford Motor Company.

Thank you,

A handwritten signature in blue ink that reads 'Shaun W. Wilson'.

Shaun W. Wilson

August 22, 2017

Ms. Jennifer Tebedo  
Michigan Strategic Fund Administrator  
Michigan Economic Development Corporation  
300 N. Washington Square  
Lansing, Michigan 48913

Dear Jennifer,

Please consider this communication as a letter of recusal for the ACM Board Nomination agenda item listed for the **Tuesday, August 22, 2017**, Michigan Strategic Fund board meeting.

I will be recusing myself because I am the person being nominated.

Sincerely,



Jeff Mason  
Chair, Michigan Strategic Fund



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

NICK A. KHOURI  
STATE TREASURER

January 12, 2017

Ms. Andrea Robach  
Board Relations Liaison  
Michigan Strategic Fund Office  
300 N. Washington Square  
Lansing, MI 48913

Dear Ms. Robach,

I hereby designate Andrew Lockwood to represent me at Michigan Strategic Fund Meeting I am unable to attend.

Sincerely,

A handwritten signature in black ink, appearing to be "N.A. Khouri".

N.A. Khouri  
State Treasurer

Cc: Andrew Lockwood

## MEMORANDUM

**Date:** September 26, 2017

**To:** Michigan Strategic Fund

**From:** Denise Graves, University Relations, Entrepreneurship and Innovation

**Subject:** Continued support for the Michigan Translational Research and Commercialization (MTRAC) Statewide Program, Life Science Innovation Hub

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### Action

The MEDC requests that the MSF Board approve the one year extension and \$2,104,688 from the MTRAC Statewide Program budget, in additional funding for the University of Michigan Medical School Fast Forward Medical Innovation MTRAC Life Science Innovation Hub.

### Background

At its April 26, 2016 meeting, the MSF approved the creation of the MTRAC Statewide Program for the support of translational research projects creating Innovation Hubs in the following key areas Bio-Medical Sciences, Life Sciences, Advanced Transportation, Advanced Materials and Agriculture-Biology. The MTRAC program supports the acceleration of technology transfer from Michigan's institutions of higher education, non-profit research centers and hospital systems in support of commercialization of competitive edge technologies.

At its July 26, 2016 meeting the MSF approved the University of Michigan Medical School Fast Forward Medical Innovation as the MTRAC Statewide Program Life Science Innovation Hub. The Life Science Innovation Hub focuses on commercializing technologies including the development of therapeutics, medical devices, medical diagnostics and digital health.

Within the last year the MTRAC Life Science Innovation Hub Oversight Committee has reviewed 60 proposals and supported 19 projects from the University of Michigan, Michigan State University, Michigan Technological University, Grand Valley State University, Beaumont Health Systems, Henry Ford Health Systems, and Spectrum Health Innovations. The program deployed just over \$2 million in funding including a 1:1 match from all recipients. The projects are well underway, working on milestones proposed and supported by the Oversight Committees. Within this brief timeframe the program has seen 1 startup with a license of the technology and \$4.9M in follow on funding.

**Recommendation**

MEDC Staff recommends that the MSF Board approve the following:

- 1) Extension for 1 year and refunding of University of Michigan Medical School Fast Forward Medical Innovation MTRAC Statewide Life Science Innovation Hub;
- 2) Allocation of \$2,104,688 from the FY2018 MTRAC Program budget for the Life Science Innovation Hub for an additional year.



**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2017-**

**APPROVAL OF AMENDMENT TO MICHIGAN TRANSLATIONAL RESEARCH  
AND COMMERCIALIZATION LIFE SCIENCES INNOVATION HUB AWARD**

**WHEREAS**, Public Acts 215 and 225 of 2005 (collectively, the “Act”) established the 21<sup>st</sup> Century Jobs Fund initiative;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the Michigan Strategic Fund (“MSF”) for the 21<sup>st</sup> Century Jobs Fund initiative;

**WHEREAS**, pursuant to Section 880 of the Act, the MSF shall create and operate a program to accelerate technology transfer from Michigan’s institutions of higher education to the private sector for commercialization of competitive edge technologies and bioeconomy technologies;

**WHEREAS**, on April 26, 2016, the MSF Board 1) created the Michigan Translational Research and Commercialization Program to award grants to Michigan institutions of higher education for the purpose of advancing of competitive edge technologies and bio economy technologies into commercial applications and increasing the number of startups, jobs, industry licenses and investment for Michigan (the “MTRAC Program”) and 2) adopted the MTRAC Program Guidelines;

**WHEREAS**, on July 26, 2016, the MSF Board designated the University of Michigan Medical School as the Innovation Hub for Life Science activities and approved a grant of \$2,026,470 for an initial grant term of one year, with the option to extend for one additional year and to add additional funding at the sole discretion of the MSF Board (the “UM Life Sciences MTRAC Grant”);

**WHEREAS**, the MEDC recommends that the MSF Board exercise its option to extend the term of the UM Life Sciences MTRAC Grant for one additional year and to increase the UM Life Sciences MTRAC Grant by \$2,104,688 from the MTRAC Statewide Program for a continuation of the UM Life Sciences MTRAC Grant activities (the “Grant Amendment Request”); and

**WHEREAS**, the MSF Board wishes to approve the Grant Amendment Request.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board approves the Grant Amendment Request and authorizes the MSF Fund Manager to take all action necessary to effectuate the Grant Amendment Request, consistent with the terms and conditions of this Resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan  
September 26, 2017

## MEMORANDUM

**Date:** September 26, 2017  
**To:** MSF Board  
**From:** Fred Molnar, VP, Entrepreneurship and Innovation  
**Subject:** Michigan Small Business Development Center Funding Request

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MEDC Staff recommends the Michigan Strategic Fund (MSF) Board approve a grant amendment for the Michigan Small Business Development Center (MI-SBDC) to increase the funding for the Technology Consulting Services (TCS) program by \$1,760,000.

### **BACKGROUND TO AWARD**

Under Section 88k of the Michigan Strategic Fund Act (the “Act”), MCL 125.2088k, the MSF is authorized to award grants and loans for basic research, applied research, university technology transfer, and commercialization of products, processes and services to encourage the development of competitive edge technologies to create jobs within the State of Michigan.

On February 25, 2014, the MSF awarded the TCS program \$2,423,280 (Resolution 2014-017) with a further \$1,250,000 (Resolution 2015-154) awarded on October 27, 2015. At their October 2016 meeting the MSF Board consolidated the TCS contract into a Master Agreement with three other MI-SBDC programs (the Business Acceleration Fund (BAF), the Emerging Technology Fund (ETF) and the Core Services Grant) and increased the TCS award by \$1,500,000. At the same time, the BAF was increased by \$1,200,000, the ETF by \$2,100,000 and the Core Services Grant by \$1,625,000. The expiration date of this Master Grant is December 31, 2019.

### **BACKGROUND TO PROGRAM**

The MI-SBDC continues to be a primary strategic entrepreneurship partner for MEDC and operates across the entirety of the State of Michigan. They work closely with MEDC staff to remain aligned with MEDC goals and their programs continually achieve or exceed the metrics required by MEDC.

The TCS program offers crucial assistance to companies and institutions in commercializing novel, competitive-edge technologies with the potential for generating and retaining highly skilled jobs. New entrepreneurs can access the specialist expertise necessary to start and grow high-tech businesses through training in areas such as strategic planning, business operations and investment attraction. Since January 2014, the TCS program has created 653 full time positions and attracted \$332,223,790 in third party and follow on funding.

### **BACKGROUND TO REFUNDING REQUEST**

The TCS program activity is funded on a calendar year and they are on track to spend down their budget by 12/31/17. This request will enable the program to proceed without interruption and add a new position for a Mobility Technology Specialist to support MEDC's Planet M initiative.

### **RECOMMENDATION**

MEDC staff recommend that the MSF Board allocate an additional \$1,760,000 to the MI-SBDC Master Grant to be used by MI-SBDC for the TCS Program activities.

**MICHIGAN STRATEGIC FUND  
RESOLUTION  
2017-**

**MICHIGAN SMALL BUSINESS DEVELOPMENT CENTER  
MASTER GRANT AMENDMENT REQUEST**

**WHEREAS**, Public Acts 215 and 225 of 2005 (“Act”) established the 21st Century Jobs Trust Fund initiative;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF;

**WHEREAS**, MCL 125.2088k authorizes the MSF to award grants and loans for basic research, applied research, university technology transfer, and commercialization of products, processes and services to encourage the development of competitive edge technologies to create jobs within the State of Michigan;

**WHEREAS**, at its October 23, 2013 meeting, the MSF issued a request for proposals to award grants to Michigan nonprofit corporations to provide specialized support services to assist Michigan companies and institutions in commercializing competitive edge technologies, building successful and innovative business with the potential for high-growth and job retention (the “Entrepreneurial Support Services RFP”);

**WHEREAS**, on February 25, 2014, the MSF Board authorized three separate grants to the Michigan Small Business Development Center (“MI-SBDC”) through the Entrepreneurial Support Services RFP as follows: 1) a grant of up to \$2,423,280 to operate the Technology Counseling Services (“TCS”) Program for an initial term of January 1, 2014 to December 31, 2016, with the option to extend the term of the grant for up to an additional three years and to add additional funding at the sole discretion of the MSF (the “TCS Program Grant”); 2) a grant of up to \$1,733,248 grant to operate the Business Accelerator Fund (“BAF”) for an initial term of April 1, 2014 to September 30, 2017, with the option to extend the term of the grant for up to an additional three years and to add additional funding at the sole discretion of the MSF (the “BAF Grant”); and 3) a grant of up to \$2,293,472 to operate the Emerging Technologies Fund (“ETF”), for an initial term of April 28, 2014 to December 31, 2016, with the option to extend the term of the grant for up to an additional three years and to add additional funding at the sole discretion of the MSF (the “ETF Grant”);

**WHEREAS**, on December 15, 2015, the MSF Board authorized a grant of up to \$1,350,000 to MI-SBDC to provide business counseling, market education services, and grant writing assistance to non-high technology business start-ups in Michigan for an initial term of January 1, 2016 to December 31, 2020, (the “Core Services Grant”);

**WHEREAS**, the TCS Program Grant was amended on October 27, 2015 to increase the grant amount by \$1,250,000; the BAF Grant was amended on February 24, 2015 to increase the grant amount by \$1,965,000; and the ETF Grant was amended on October 28, 2014 and October 27, 2015 to increase the grant amount by \$2,076,500 and \$2,500,000, respectively;

**WHEREAS**, on October 25, 2016, the MSF amended the TCS Program Grant, the BAF Grant, the ETF Grant and the Core Services grant in accordance with the following: 1) increase the TCS Program Grant by \$1,500,000; 2) increase the BAF Grant by \$1,200,000; 3) increase the ETF Grant by \$2,100,000; 4) increase the Core Services Grant by \$1,625,000; and 5) consolidate the TCS Program Grant, the BAF

Grant, the ETF Grant and the Core Services Grant into on master grant agreement with an expiration date of December 31, 2019 (the aforementioned, collectively, the “MI-SBDC Master Grant”);

**WHEREAS**, the MEDC recommends that the MSF Board allocate an additional \$1,760,000 to the MI-SBDC Master Grant to be used by MI-SBDC for the TCS Program activities (the “Amendment Request”); and

**WHEREAS**, the MSF wishes to approve the Amendment Request.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board approves Amendment Request; and

**BE IT FURTHER RESOLVED**, that the MSF Fund Manager is authorized to negotiate final terms and conditions of the Amendment Request and to execute all documents necessary to effectuate the Amendment Request in accordance with the terms of this Resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan  
September 26, 2017

## MEMORANDUM

**Date:** September 26, 2017  
**To:** MSF Board  
**From:** Fred Molnar, VP, Entrepreneurship and Innovation  
**Subject:** Invest Michigan refunding request

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MEDC Staff recommends the Michigan Strategic Fund (MSF) Board approve funding of \$1,750,000 to continue the activity of the Invest Michigan Pre Seed 2.0 (PS 2.0) high tech company investment fund.

### **BACKGROUND TO AWARD**

On February 25, 2014, the MSF selected Invest Michigan (or “Fund Manager”) to manage the Michigan Pre-Seed Fund (or “Fund”) and awarded it a grant in the amount of \$7,958,000. In 2015 the funding was increased by \$2,500,000 and in 2017 the Fund was awarded a no cost extension through March 2019.

### **BACKGROUND TO PROGRAM**

The purpose of the Fund is to invest in high-tech, Michigan start-up companies through loans or equity and to this end the Fund has developed and implemented an outstanding due diligence and disbursement process that maximizes opportunity while minimizing MEDC exposure.

- Stage one of this process involves investment approval by an independent Investment Review Committee, the members of which are custom selected for each individual company review from a pool of ~40 experts.
- In stage two the Fund mitigates risk by not disbursing all of the loan or equity purchase in one lump sum. Instead, each award is disbursed across several payments, dependent on company progression such as milestones achieved.

### **BACKGROUND TO REFUNDING REQUEST**

In the 3 years since inception, the Fund has made 66 investments in 40 client companies: 38% in IT/Software, 33% in life sciences/medical devices, 21% in Advanced materials/engineering, and 8% other technologies. In total, the Fund has attracted \$47 million in leveraged funds, including new sales. The work of the Fund has led to 107 jobs being created and 319 jobs retained, 77 patent applications with 22 issued to date, and 39 products commercialized. In addition, the Fund has avoided losses in excess of \$1.5 million in companies that were declined by the Fund but attracted other investors before subsequently failing.

As of August 2017, \$9,725,000 of the Fund is encumbered comprising \$5,000,000 in disbursed funding and \$4,725,000 encumbered follow on funding. As such, in order to continue making

investments into new opportunities, the Fund has requested \$1,750,000 for new investment activity to cover investment needs through the end of the grant in March 2019.

**RECOMMENDATION**

MEDC Staff recommends the MSF Board approve the Request and authorize the MSF Fund Manager, with the assistance of MEDC staff, to negotiate the final terms and conditions and to execute all documents necessary to effectuate the Request.

**MICHIGAN STRATEGIC FUND  
RESOLUTION  
2017-**

**INVEST MICHIGAN GRANT AMENDMENT #4**

**WHEREAS**, Public Acts 215 and 225 of 2005 (the “Act”) established the 21<sup>st</sup> Century Jobs Fund initiative;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the Michigan Strategic Fund (“MSF”);

**WHEREAS**, MCL 125.2088k authorizes the MSF to award grants and loans for basic research, applied research, university technology transfer, and commercialization of products, processes, and services to encourage the development of competitive edge technologies to create jobs within the State of Michigan;

**WHEREAS**, at its October 23, 2013 meeting, the MSF issued a request for proposals to award grants to Michigan nonprofit corporations that invest in pre-seed and early stage companies that require capital to transition from research to the early stages of the commercialization process in the competitive edge technology sectors (the “Early State Funding RFP”);

**WHEREAS**, at its February 24, 2014 meeting, the MSF awarded a grant to Invest Michigan in the amount of \$7,958,000 for an initial term of March 24, 2014 to April 15, 2016, with the option to extend the term of the grant for up to an additional three years and to allocate additional funding at the sole discretion of the MSF (the “Invest Michigan Grant”);

**WHEREAS**, on June 29, 2015, the MSF Fund Manager, in accordance with the authority set forth in Section 125.2088k-5(2) of the MSF Compiled Resolutions, approved a no-cost extension of the Invest Michigan Grant to April 15, 2017 (“Grant Amendment #1”)

**WHEREAS**, at its September 22, 2015 meeting, the MSF exercised its option to allocate additional funding to Invest Michigan and increased the Invest Michigan Grant by \$2,500,000 (“Grant Amendment #2”);

**WHEREAS**, on March 11, 2017, the MSF Fund Manager, in accordance with the authority set forth in Section 125.2088k-5(2) of the MSF Compiled Resolutions, approved a no-cost extension of the Invest Michigan Grant to September 30, 2019 (“Grant Amendment #3”);

**WHEREAS**, the MEDC recommends that the MSF exercise its option to allocate \$1,750,000 in additional funding to the Invest Michigan Grant for continuation of the grant activities through September 30, 2019 (“Grant Amendment #4 Request”); and

**WHEREAS**, the MSF wishes to approve the Grant Amendment #4 Request.



**NOW, THEREFORE, BE IT RESOLVED**, the MSF approves the Grant Amendment #4 Request; and

**BE IT FURTHER RESOLVED**, that the MSF Fund Manager is authorized to negotiate final terms and conditions of the Grant Amendment #4 Request and to execute all documents necessary to effectuate Grant Amendment #4 Request in accordance with the terms of this Resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan  
September 26, 2017



RICK SNYDER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TALENT AND ECONOMIC DEVELOPMENT  
TALENT INVESTMENT AGENCY  
WANDA M. STOKES  
DIRECTOR

ROGER CURTIS  
DIRECTOR

# Memorandum

DATE: September 11, 2017

TO: Michigan Strategic Fund Board (MSF)

FROM: Wanda M. Stokes  
Director

RE: Community Colleges Skilled Trades Equipment Program (CCSTEP) Awards

## Request

TIA requests the MSF Board's consent, at the September 26, 2017 meeting, a CCSTEP project funding increase for Henry Ford College, as outlined below.

- **Henry Ford College**

Henry Ford College requests an increase to their CCSTEP award in the amount of \$4,294.89 to cover equipment purchases for their "Maker Space" style open lab. This funding remains from approved MSF Board decreases between 2015 and 2017. This increase will bring the total CCSTEP grant award for Henry Ford College to \$5,003,679.89. They will use the equipment to provide students, including high school students, the opportunity to work on projects, get exposure to new technology, and explore the working environments of Advance Manufacturing, Architecture Construction and Energy Technology.

WMS:TJ:fd

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**MICHIGAN STRATEGIC FUND**

**RESOLUTION**

**2017-**

**COMMUNITY COLLEGE SKILLED TRADE EQUIPMENT PROGRAM  
GRANT AMENDMENT**

**WHEREAS**, Public Act 224 of 2014 (the “Act”) authorized the Michigan Strategic Fund (“MSF”) to award up to \$50,000,000 for the community colleges skilled trades equipment program for equipment and related investments that ensure that Michigan community colleges can deliver educational programs in high-wage, high-skill, and high-demand occupations, as identified by regional labor market conditions and that build and retain a talented workforce in Michigan (the “Community College Skilled Trades Equipment Program” or “CCSTEP”);

**WHEREAS**, at its February 24, 2015 meeting, the MSF made CCSTEP awards to 18 community colleges;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) and the Talent Investment Agency (“TIA”) administer the CCSTEP on behalf of the MSF;

**WHEREAS**, MEDC and TIA staff determined that it is necessary to increase the CCSTEP grant awarded to Henry Ford College by \$4,294.89, for a total amended grant amount of \$5,003,679.89 (the “CCSTEP Grant Amendment”);

**WHEREAS**, MEDC and TIA staff recommend that the MSF Board approve the CCSTEP Grant Amendment.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board approves the CCSTEP Grant Amendment; and

**BE IT FURTHER RESOLVED**, the MSF Board authorizes the MSF Fund Manager to execute all documents necessary to effectuate the CCSTEP Grant Amendment.

Ayes:

Nays:

Recused:

Lansing, Michigan  
September 26, 2017

**MEMORANDUM**

**Date:** September 26, 2017

**To:** Michigan Strategic Fund (“MSF”) Board

**From:** Erik Wilford, Senior Compliance Specialist

**Subject:** Dieomatic Incorporated (“Company” or “Applicant”) Forbearance to the Michigan Business Development Program (“MBDP”) Grant

**Request**

The Company requests that the Michigan Strategic Fund (“MSF”) forbear on exercising its rights to repayment of approximately \$64,000 until the earlier of 1) September 30, 2018 or 2) the Company’s cure of the underlying event of default (the “Forbearance Request”). In consideration for the Forbearance Request, the Company will pay a forbearance fee of \$16,000.

**Background**

On January 23, 2013, the MSF awarded the Company a \$1,600,000 Michigan Business Development Program (“MBDP”) performance based grant based on a proposed purchase and renovation of a facility in the City of Battle Creek. The project involved the creation of 500 Qualified New Jobs (“QNJs”) and a capital investment of up to \$162,000,000. The Company is required to maintain 0 Base Jobs.

On March 28, 2016, the MSF amended the MBDP Agreement to restructure and extend the Milestones. Required job creation and total grant disbursements remained unchanged.

The table below shows the Company’s milestone performance to date:

Milestone	QNJ	Total Michigan Headcount Requirement	Milestone Deadline	Award	Actual Milestone Achievement
M1	55	55	12/31/2013	200,000	7/9/2014
M2	200	200	4/1/2016	464,000	6/2/2016
M3	300	300	4/1/2017	312,000	
M4	400	400	4/1/2018	312,000	
M5	500	500	4/1/2019	312,000	



The Company notified the MSF on 5/30/17 that the Company's headcount was 180 and the Company was now in a Repayment Event Default due to Eliminated QNJ's. The Company noted issues that caused the reduction in staff included start up delays and reductions in originally-projected volumes from the OEM customers. When the facility opened in 2013, it represented a new competency for the Company in the United States and brought technology that combines stamping and die casting technology into one process. Specifically, the Company manufactures aluminum casted thin walled structural parts, which can replace steel structured components within an automobile making it stronger and reducing weight. Due to this being a new competency for the Company, it was difficult to predict precise headcounts early. However, the Company has worked through the initial challenges and the revised business plan requires steady headcount growth.

The Company expects to be back to the headcount of 200 by the middle of 2018. A Forbearance Agreement which would acknowledge the MSF forbearing taking action on the default/repayment until 9/30/18 is recommended. The Agreement would include a fee of 1% of the overall award, totaling \$16,000.

**Recommendation**

MEDC Staff recommends that the Michigan Strategic Fund ("MSF") Board approve the Forbearance Request and further recommends that the MSF President or MSF Fund Manager, with only one required to act, be authorized to negotiate the final terms and conditions of and execute all documents necessary to effectuate the Forbearance Request.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2017-**

**DIEOMATIC INCORPORATED  
MICHIGAN BUSINESS DEVELOPMENT GRANT FORBEARANCE REQUEST**

**WHEREAS**, the Michigan legislature passed legislation establishing the 21<sup>st</sup> Century Jobs Trust Fund initiative that was signed into law;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the Michigan Strategic Fund (“MSF”) for 21<sup>st</sup> Century Jobs Trust Fund programs;

**WHEREAS**, pursuant to MCL 125.2088r, the MSF shall create and operate the Michigan Business Development Program (“MBDP”) to provide grants, loans and other economic assistance to qualified businesses that make qualified investments or provide qualified new jobs in Michigan;

**WHEREAS**, on December 21, 2011, by Resolution 2011-184, the MSF (i) created the MBDP, and (ii) adopted the guidelines for the MBDP (“Guidelines”);

**WHEREAS**, pursuant to SFCR 125.2088r-1, the MSF approved the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate awards and decisions approved under the MBDP in accordance with the Guidelines (“Transaction Documents”);

**WHEREAS**, on January 23, 2013, the MSF Board authorized a performance-based MBDP other economic assistance incentive of up to \$1,600,000 to Dieomatic Incorporated (the “Company”);

**WHEREAS**, on April 18, 2013, the Company and the MSF entered into an MBDP Grant Agreement under which the Company agreed to create and maintain 500 Qualified New Jobs at the project location (the “Grant Agreement”);

**WHEREAS**, on March 28, 2016, the Grant Agreement was amended to extend the due date of the milestones to allow the Company more time to create the required Qualified New Jobs;

**WHEREAS**, the Company is in default under Section 5.2(b)(i) of the Grant Agreement for eliminating Qualified New Jobs (the “Event of Default”);

**WHEREAS**, pursuant to Section 5.4 of the Grant Agreement, the MSF may terminate the Grant Agreement and seek repayment of previously disbursed grant funds upon the occurrence of an Event of Default;

**WHEREAS**, the Company has requested that the MSF enter into a forbearance agreement with respect to the Event of Default with terms and conditions that shall include:

- (a) Forbearance by the MSF from exercising its rights to terminate and seek repayment under the Grant Agreement until the earlier to occur of 1) cure of the Event of Default by the Company or 2) September 30, 2018 (the “Forbearance Period”); and

(b) Payment by the Company of a forbearance fee in the amount of \$16,000.

(the aforementioned, collectively the “Forbearance Request”);

**WHEREAS**, the MEDC has reviewed the Forbearance Request and has determined that the Forbearance Request would allow the Company sufficient time to eliminate the Event of Default while also providing satisfactory consideration to the MSF and recommends that the MSF Board approve the Forbearance Request; and

**WHEREAS**, the MSF wishes to approve the Forbearance Request.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF approves the Forbearance Request and

**BE IT FURTHER RESOLVED**, that the MSF Fund Manager is authorized to negotiate all final terms and conditions and execute all documents necessary to effectuate the Forbearance Request.

Ayes:

Nays:

Recused:

Lansing, Michigan  
September 26, 2017

## MEMORANDUM

**Date:** September 26, 2017

**To:** Michigan Strategic Fund (“MSF”) Board Members

**From:** David Kurtycz, Development Finance Manager

**Subject:** fairlife LLC and Continental Dairy (“Company” or “Applicant”)  
Amendment to Approved Michigan Business Development Program Grant Agreement

---

### **Request**

This is a request from the Companies to amend the March 28, 2017 approval, as amended, for fairlife LLC and Continental Dairy to reduce the Base Employment Level from 289 to 260.

### **Background**

On March 28, 2017 the Michigan Strategic Fund approved a \$2,407,000 award for fairlife LLC and Continental Dairy Facilities, LLC under the Michigan Business Development Program (“MBDP”). The Company proposed to expand their existing facility in the City of Coopersville which would result in the creation of 52 Qualified New Jobs and \$173 million in capital investment. The City of Coopersville committed to provide a \$1.1 million upgrade to the City’s own Waste Water Treatment Plant in support of the project.

The approval was amended on August 22, 2017, to allow the Companies additional time to execute the Agreement and meet the requirements set forth in Milestone 1. Upon review of the agreement and completion of the Milestone 1 application, the Companies noted an error in the Base Employment Level. The Base Employment Level included a portion of the Qualified New Jobs associated with the project. When completing the application for MBDP assistance, the application asks Applicants to provide their current employment level. This figure is then used to establish the Base Employment Level. fairlife inadvertently included Qualified New Jobs when completing the application. This error went unnoticed when executing the term sheet because the Base Employment Level in the term sheet includes both Continental Dairy and fairlife employees. The amendment to reduce the Base Employment Level to 260 will allow the agreement to accurately reflect the number of existing employees had in the state prior to the qualified hire date for the project. With this reduction, the Companies will be able to meet Milestone 1 and proceed with the project.

### **Recommendation**

MEDC Staff recommends the following (collectively, “Recommendation”):

- a) Amend the March 28, 2017 approval, as amended, for fairlife LLC and Continental Dairy to reduce the Base Employment Level from 289 to 260
- b) All other aspects of the approval remain unchanged.



**MICHIGAN STRATEGIC FUND**

**RESOLUTION 2017-**

**MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT REAUTHORIZATION TO  
fairlife LLC and Continental Dairy Facilities, LLC**

**WHEREAS**, the Michigan legislature passed legislation establishing the 21<sup>st</sup> Century Jobs Trust Fund initiative that was signed into law;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the Michigan Strategic Fund (“MSF”) for 21<sup>st</sup> Century Jobs Trust Fund programs;

**WHEREAS**, pursuant to MCL 125.2088r, the MSF shall create and operate the Michigan Business Development Program (“MBDP”) to provide grants, loans and other economic assistance to qualified businesses that make qualified investments or provide qualified new jobs in Michigan;

**WHEREAS**, on December 21, 2011, by Resolution 2011-184, the MSF (i) created the MBDP, and (ii) adopted the guidelines for the MBDP (“Guidelines”);

**WHEREAS**, pursuant to SFCR 125.2088r-1, the MSF approved the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate awards and decisions approved under the MBDP in accordance with the Guidelines (“Transaction Documents”);

**WHEREAS**, the Guidelines require that MBDP awards over \$1 million must be approved by the MSF Board;

**WHEREAS**, on March 28, 2017 via MSF Resolution 2017-035, the MSF approved a \$2,407,000 million Michigan Business Development Program Performance based grant (the “Grant”) for the consolidation of fairlife and Continental Dairy Facilities, LLC’s (the “Companies”) existing operations into one location that could support future anticipated growth in Coopersville, Ottawa County (the “Project”);

**WHEREAS**, on August 22, 2017, the MSF Board reauthorized the approval of the Grant for the Project, extending the deadline to execute the MBDP grant agreement an additional sixty (60) days to September 24, 2017 and revised the deadline of the first milestone due date to November 1, 2017 (collectively the “Reauthorization Request”);

**WHEREAS**, upon completion of Milestone 1, the Companies noted an error in the Base Employment Level and are requesting an amendment to reduce the Base Employment Level from 289 to 260; and

**WHEREAS**, the MEDC recommends that the MSF approve the Companies’ request to reduce the Base Employment Level from 289 to 260.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board approves the request to reduce the Base Employment Level from 289 to 260.

Ayes:

Nays:

Recused:

Lansing, Michigan  
September 26, 2017

## MEMORANDUM

**DATE:** September 26, 2017

**TO:** Michigan Strategic Fund Board

**FROM:** Chris Cook, Director – Capital Access

**RE:** MSDF – Capital Conduit Program  
Develop Michigan Real Estate Fund, LP - Amendment to Limited Partnership Agreement

---

### Request

Staff requests that the MSF Board provide authority to the MSF Fund Manager to approve changes to certain terms and conditions contained within the Limited Partnership Agreement (“LPA”) for the Develop Michigan Real Estate Fund, LP (“Fund”). The general partner of the Fund, DEVMI GP, LLC (“General Partner”) is requesting certain changes be made to the existing LPA and is requesting that the limited partners and MSF consent to the requested changes.

### Background

On December 21, 2011 the Michigan Strategic Fund Board approved the creation of Capital Conduit Program (“CCP”) and further approved the creation of a real estate investment fund (“REI”) to operate under CCP along with guidelines for operation of the REI. The Michigan Strategic Fund Board subsequently approved awards totaling \$20 million to be provided as loans to Develop Michigan, Inc. and the General Partner. \$19.5 million of this award was used by Develop Michigan, Inc. to buy into the Fund as the Class B Partner with the remaining \$500,000 used to pay expenses related to its creation.

The REI was created in order to address funding gaps present in the market typically related to redevelopment of real property, particularly for projects located in urban cores. The Fund addresses these gaps by providing a combination of senior, mezzanine, and bridge financing. As of August 31, 2017, the General Partner reports closings and commitments of \$41.8 million out of a total of \$59.9 million in investments to the Fund. Total private investment related to projects supported by the Fund, as reported by the General Partner, total \$173.9 million.

The current version of the LPA includes a provision which would halt the investment period at the earlier of September 20, 2017 or termination of the investment period by the General Partner as a result of certain events related to a cause or key person event. The LPA further states that Fund is permitted to make investments after the investment period but no later than 60 months after the final closing date, or March 2020, using funding recycled resulting from the repayment or disposition of mezzanine and/or

senior recyclable debt investments. However, the LPA states that such investments shall be funded solely with reserves up to 20% of the Class B Partner.

The proposed changes to the LPA are as follows:

- Extend the investment period to the earlier of June 30, 2018 or the ending of the investment period by the General Partner as a result of certain events related to a cause or key person event.
- Eliminate the 20% cap on Class B reinvestment.

In consideration of the proposed changes, the General Partner proposes to decrease the management fee from 1.75% of the commitment to 1.5% of the commitment for the period January 1, 2018 through June 30, 2018. Further, the General Partner would cease to be eligible to receive management performance bonuses after 2017.

**Recommendation**

MEDC Staff recommends the MSF Board provide authority to the MSF Manager to consent to changes to the LPA as detailed in Exhibit A

FORM OF AMENDMENT  
TO THE  
SECOND AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT  
OF  
DEVELOP MICHIGAN REAL ESTATE FUND, LP

This AMENDMENT, dated as of \_\_\_\_ day of \_\_\_\_\_, 2017 (this "Amendment"), to the Second Amended and Restated Limited Partnership Agreement, dated as of November 6, 2015 (the "Partnership Agreement"), of Develop Michigan Real Estate Fund, LP, a Delaware limited partnership (the "Partnership"), is entered into by (i) DEVMI GP, LLC, a Delaware limited liability company (in its capacity as general partner of the Partnership, the "General Partner"), and (ii) the parties listed from time to time on the books and records of the Partnership as limited partners (the "Limited Partners" and together with the General Partner, the "Partners"). Capitalized terms used herein but not defined have the meanings for such terms as set forth in the Partnership Agreement.

WITNESSETH:

WHEREAS, the Partners are parties to the Partnership Agreement;

WHEREAS, the General Partner wishes to amend certain provisions of the Partnership Agreement in the manner as more fully set forth herein; and

WHEREAS, the General Partner has received the written consent of a Majority in Interest of the Limited Partners to this Amendment, including the consent of the MSF Fund Manager.

NOW, THEREFORE, in consideration of the agreements contained herein, and for other good and valuable consideration acknowledged hereby, the undersigned agree as follows:

*Investment Period Extension (italicized, strikethrough indicates language deleted from the Partnership Agreement, while bold, underlining indicates language added to the Partnership Agreement)*

1. The definition of "Investment Period" within Article I of the Partnership Agreement is hereby amended and restated in its entirety to read as follows:

"Investment Period": The period from the Initial Closing Date until the first to occur of (a) ~~the four year anniversary of the Initial Closing Date~~ **June 30, 2018** or (b) the termination of the Investment Period pursuant to Section 3.4.

2. Section 3.5.2(g)(ii) of the Partnership Agreement is hereby amended and restated in its entirety to read as follows:

(ii) second, to the payment, to the Manager and DMI, of an amount equal to the Management Fee in respect of Commitment of the Defaulting Partner (as measured immediately prior to such Defaulting Partner's failure to make the Capital Contribution) for each year remaining in the life of the Fund (and, in each case, a *pro rata* portion for any partial years), calculated by assuming that the Investment Period ends on ~~the fourth anniversary of the Initial Closing Date~~ **September 30, 2017**, and that the Fund terminates on the ninth anniversary of the Final Closing Date, with the Manager receiving 90% of such amount and DMI receiving 10% of such amount;

3. Section 8.1.1 of the Partnership Agreement is hereby amended and restated in its entirety to read as follows:

Unless otherwise agreed to in writing by the General Partner on its own behalf or by the Manager on its own behalf, the Fund will pay an advisory and management fee (the "Management Fee") in an amount equal to the sum of the amounts determined separately for each Limited Partner (other than any Sponsor LP) pursuant to this Section 8.1. Subject to Section 8.1.2, the Management Fee payable by the Fund with respect to a Limited Partner (other than any Sponsor LP) will be equal to: (i) ~~during the Investment Period through September 30, 2017~~, in an amount equal to 1.75% of the Commitment of such Limited Partner, **(ii) from October 1, 2017 through December 31, 2017, in an amount equal to 1.75% per annum of the Invested Capital of the Fund attributable to such Limited Partner,** and (iii) thereafter, in an amount equal to ~~1.75%~~ **1.50%** per annum of the Invested Capital of the Fund attributable to such Limited Partner. Such obligation will commence as of the Initial Closing Date based on the Commitment of each Limited Partner, regardless of when such Limited Partner is actually admitted to the Fund. The Management Fee will be payable as follows: (i) 10% to the General Partner or its designee, and (ii) 90% to the Manager or its designee. Subject to Section 3.2 and Section 3.3, the General Partner, Manager and their respective designees, as applicable, will be entitled to the Management Fee in respect of the periods (x) from the Initial Closing Date to the end of the next calendar quarter, and thereafter (y) quarterly in advance on the first day of each calendar quarter until the termination of the Fund. Installments for any period other than a full calendar quarter will be adjusted on a *pro rata* basis according to the actual number of days that will elapse during such period.

4. Section 8.6 of the Partnership Agreement is hereby amended and restated in its entirety to read as follows:

The Manager shall be eligible to receive, if and to the extent approved by the DMI Board after each calendar year during the term of the Fund pursuant to such criteria as it may from time to time approve (which criteria will encompass the non-financial goals of the Fund, including revitalization, economic development, job creation and other such mission-based criteria), from the Fund an annual performance bonus (the "Manager Performance Bonus"), in an amount equal to the sum of the amounts determined separately for each Limited Partner (other than any Sponsor LP) pursuant to this Section 8.6. The Manager Performance Bonus payable by the Fund to the Manager with respect to a Limited Partner (other than any Sponsor LP) will in no event exceed: ~~(i) during the Investment Period, through December 31, 2017, 0.1% of the Commitment of such Limited Partner as of the end of each calendar year, and (ii) thereafter, 0.1% of such Limited Partner's Capital Contributions as of the end of each such calendar year.~~ **Notwithstanding anything to the contrary herein, in no event will the Manager be eligible to receive a Manager Performance Bonus in respect of any period commencing on or after January 1, 2018.** Any Manager Performance Bonus shall comprise a Fund Expense, payable by the Fund pursuant to Section 8.5. Such obligation will commence as of the Initial Closing Date based on the Commitment of each Limited Partner, regardless of when such Limited Partner is actually admitted to the Fund.

*Enhanced Reserve Ability During Investment Period (italicized, strikethrough indicates language deleted from the Partnership Agreement, while bold, underlining indicates language added to the Partnership Agreement)*

5. Section 3.6.1(a) of the Partnership Agreement is hereby amended and restated in its entirety to read as follows:

Each Additional LP will make a Capital Contribution to the Fund in an amount equal to such Additional LP's proportionate share (based on its Commitment or increase in Commitment, as the case may be) of the amount of the Partners' previous unreturned Capital Contributions in respect of investments still held by the Fund as of the date of such Subsequent Closing with respect to which a binding written agreement to Dispose of any such investment has not been signed prior to the date of such Subsequent Closing and Fund Expenses (other than Management Fees and the Manager Performance Bonus). Any amount contributed by an Additional LP pursuant to this Section 3.6.1(a) attributable to any investment previously made and referred to in the foregoing sentence, and to Fund Expenses (other than Management Fees and the Manager Performance Bonus), will be distributed promptly to the other Partners, *pro rata* in accordance with the sum of the Capital Contributions previously made by such other Partners in respect of such investments and such Fund Expenses, and such distributed amounts will be restored to such other Partners' Unfunded Commitments and will be subject to recall; *provided that* the General Partner will cause the Fund to retain such amounts that would otherwise be returned to a Class B Partner if they are to be used by the General Partner to make a Portfolio Investment, to be applied towards Fund Expenses or Indebtedness or to be applied towards the working capital reserves of the Fund. For all purposes of this Agreement, any amounts so retained with respect to a Class B Partner will be deemed distributed to such Class B Partner, and any such amounts will be deemed re-contributed to the Fund by such Class B Partner when utilized by the Fund. The General Partner will provide reasonably prompt notice to the applicable Class B Partner and to the MSF after retaining any such amounts, and any such amounts will be distributed to such Class B Partner if they are not either (i) utilized by the Fund prior to the expiration of the Investment Period or (ii) reserved for Follow-Up Investments, Follow-On Investments or Fund Expenses as of the expiration of the Investment Period; ~~*provided that without the consent of the MSF Fund Manager, such reserves, together with any reserves retained by the Fund after the expiration of the Investment Period with respect to such Class B Partner pursuant to Section 4.5.1(II), will not exceed 20% of such Class B Partner's Commitment.*~~

6. Section 4.5.1 of the Partnership Agreement is hereby amended and restated in its entirety to read as follows:

4.5.1 The General Partner may withhold from any amounts otherwise to be distributed pursuant to this Article 4 such amounts as the General Partner may deem necessary to create or maintain, in its discretion, reserves for purposes of (i) paying Fund Expenses (including the Management Fee), (ii) repaying any Indebtedness, (iii) making any investments (to the same extent as funds would otherwise be permitted to be called therefor pursuant to a Drawdown Notice), or (iv) as determined in the discretion of the General Partner, for any other requirements of the Fund (including, without limitation, for any required tax withholdings) or for payments permitted to be made under this Agreement. In addition, the General Partner may cause the Fund to withhold from amounts otherwise distributable to a Class B Partner an amount up to (i) Capital Contributions by such Class B Partner in respect of Fund Expenses to the extent distributable amounts are received by the Fund during the Investment Period, and (ii) the invested capital portion of any proceeds received by the Fund upon the disposition of any Portfolio Investment if the Investment Period has not expired as of the date of such disposition (or, with respect to proceeds resulting from the repayment or disposition of mezzanine capital investments or Recyclable Senior Debt Investments, during the first 60 months following the Final Closing Date), if they are to be used by the General

Partner to make a Portfolio Investment, to be applied towards Fund Expenses or Indebtedness or to be applied towards the working capital reserves of the Fund. For all purposes of this Agreement, any amounts so retained with respect to a Class B Partner will be deemed distributed to such Class B Partner, and any such amounts will be deemed re-contributed to the Fund by such Class B Partner when utilized by the Fund. The General Partner will provide reasonably prompt notice to the applicable Class B Partner and to the MSF after retaining any such amounts, and any such amounts will be distributed to such Class B Partner if they are not either (I) utilized by the Fund prior to the expiration of the Investment Period (or, with respect to any retention of proceeds resulting from the repayment or disposition of mezzanine capital investments or Recyclable Senior Debt Investments, the expiration of 60 months following the Final Closing Date) or (II) reserved for Follow-Up Investments, Follow-On Investments or Fund Expenses as of the expiration of the Investment Period; ~~provided that without the consent of the MSF Fund Manager, such reserves, together with any reserves retained by the Fund after the expiration of the Investment Period with respect to such Class B Partner pursuant to Section 3.6.1(a)(i), will not exceed 20% of such Class B Partner's Commitment.~~

### **General**

7. Except as so modified pursuant to this Amendment, the Partnership Agreement is ratified and confirmed in all respects. This Amendment may be executed in any number of counterparts and delivered by facsimile, and each of such counterparts will together constitute one and the same original instrument. This Amendment will be considered an integrated part of the Partnership Agreement. This Amendment will be effective as of the date first set forth above.
8. To the fullest extent permitted by law, any ambiguities will be resolved without reference to which party may have drafted this Amendment. All Article or Section titles or other captions in this Amendment are for convenience only, and they will not be deemed part of this Amendment and in no way define, limit, extend or describe the scope or intent of any provisions hereof.
9. **This Amendment is governed by and will be construed in accordance with the laws of the State of Delaware without giving effect to any principles of conflict of laws (whether under Delaware or other law) that would result in the application of the laws of any other jurisdiction.**

[signature pages follow]

IN WITNESS WHEREOF, the undersigned have executed this Amendment effective as of the date first above written.

GENERAL PARTNER:

DEVMI GP, LLC

By: \_\_\_\_\_

Name:

Title:

LIMITED PARTNERS:

Each Limited Partner of the Partnership, pursuant to powers of attorney granted to the General Partner

By: DEVMI GP, LLC, as attorney-in-fact

By: \_\_\_\_\_

Name:

Title:



## **MICHIGAN STRATEGIC FUND**

### **RESOLUTION 2017-**

#### **APPROVAL OF CONSENT TO MODIFY PARTNERSHIP AGREEMENT WITH DEVELOP MICHIGAN REAL ESTATE FUND, LP**

**WHEREAS**, the Michigan legislature passed legislation establishing the 21<sup>st</sup> Century Jobs Trust Fund initiative that was signed into law by Governor Jennifer M. Granholm;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the Michigan Strategic Fund (“MSF”) for 21st Century Jobs Fund programs;

**WHEREAS**, as part of the 21<sup>st</sup> Century Jobs Trust fund initiative, and pursuant to MCL 125.2088h(1), the Jobs for Michigan investment fund was created as a permanent fund authorized by the state constitution (“Investment Fund”);

**WHEREAS**, pursuant to MCL 125.2088h(3) and MCL 125.2088h(7), the MSF Board shall direct the investment and reinvestment of the Investment Fund as provided under Chapter 8A of the MSF Act (“Chapter 8A”);

**WHEREAS**, pursuant to MCL 125.2088h(5)(b) and (c), the Investment Fund consists of, among other things, return on investments, return on principal, payments made, or other money received by or payable to the MSF under agreements related to loans or investments by the MSF under Chapter 8A;

**WHEREAS**, pursuant to MCL 125.2088d(1) under Chapter 8A, the MSF shall create and operate a loan enhancement program;

**WHEREAS**, on May 20, 2009, the MSF Board approved the creation and operation of the Michigan Supplier Diversification Fund (“MSDF”) as a loan enhancement program under Chapter 8A;

**WHEREAS**, on December 21, 2011, the MSF Board approved the creation and operation of the Capital Conduit Program (“CCP”);

**WHEREAS**, as a subprogram of the CCP, the MSF also approved the Real Estate Initiative (“REI”) and the program guidelines for the REI (“REI Guidelines”);

**WHEREAS**, on January 25, 2012, the MSF Board approved an award of \$5,000,000 to Develop Michigan, Inc. (“DMI”) for investment into the Develop Michigan Real Estate Fund, LP (“Partnership”);

**WHEREAS**, on February 27, 2012, the MSF Board approved an award of an additional \$22,500,000 to CCP;

**WHEREAS**, in its role as general partner for the Fund, DEVMI GP, LLC (“General Partner”) requests that certain changes be made to the Limited Partnership Agreement (“LPA”) as detailed in Exhibit A;

**WHEREAS**, the MSF Board desires to provide authority to the MSF Fund Manager to provide consent to requested changes to the LPA as outlined in Exhibit A;

**NOW, THEREFORE, BE IT RESOLVED**, the MSF provides authority to the MSF Fund Manager to provide consent to the requested changes to the LPA.

Ayes:

Nays:

Recused:

Lansing, Michigan

September 26, 2017

## MEMORANDUM

**Date:** September 26, 2017

**To:** Michigan Strategic Fund Board

**From:** Mary Kramer, Senior MCRP and Brownfield Programs Specialist

**Subject:** 618 South Main, LLC  
Michigan Community Revitalization Program  
Request for Approval of a Loan Agreement Amendment #5

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### **Request**

618 South Main, LLC (“Borrower”) is requesting approval of amendment #5 to the Michigan Community Revitalization Program Loan Agreement (“Agreement”) and any related ancillary agreements. The amendment application dated August 17, 2017 requests to allow the transfer of Daniel Ketelaar’s membership interest in both the Borrower and its’ Manager, resulting in the removal of Daniel Ketelaar from active involvement in the management of Manager and Borrower. Section 5.21 of the Agreement identifies the absence of Daniel Ketelaar from the management of the Borrower or Manager as a maturity event.

### **Background**

The Michigan Strategic Fund Board approved a \$3,000,000 loan on November 28, 2012 to the Borrower for redevelopment of a contaminated property into a six story residential building specifically targeted to young professionals in the City of Ann Arbor. The building includes 164 loft-style apartments and two levels of underground parking plus two storage areas for bikes. The project was reauthorized on July 24, 2013.

The first amendment to the project was approved on February 5, 2014 to amend the due date for evidence that certain transactions were closed as contemplated by the senior loan documents and the second and third amendments were approved in April and July 2016, respectively, to extend the Milestone Two due date. The fourth amendment was approved in September 2016 to extend the Milestone Two due date and revise the language in Exhibit G.

The project has been completed and all Milestones have been submitted. The company is current with reporting requirements.

### **Recommendation**

The MEDC staff recommends approval of amendment #5 to the MCRP Loan Agreement and any related ancillary agreements to allow the transfer of Daniel Ketelaar’s membership interest in both the Borrower and its Manager, resulting in the removal of Daniel Ketelaar from active involvement in the management of Manager and Borrower per the Company’s request dated August 17, 2017.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION 2017 -**

**APPROVAL OF AN AMENDMENT TO A MICHIGAN COMMUNITY  
REVITALIZATION PROGRAM LOAN AWARD FOR  
618 SOUTH MAIN, LLC**

**WHEREAS**, the Michigan legislature amended the Michigan Strategic Fund Act, MCL 125.2011 et. seq., to add Chapter 8C (being MCL 125.2090a – MCL 125.2090d) to enable the Michigan Strategic Fund (“MSF”) to create and operate the Michigan Community Revitalization Program (“MCRP”) to provide incentives in the form of grants, loans and other economic assistance for redevelopment of communities in Michigan;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF for the MCRP;

**WHEREAS**, on December 21, 2011, by Resolution 2011-185, the MSF (i) created the MCRP, (ii) adopted the guidelines for the MCRP, as later amended (“Guidelines”);

**WHEREAS**, pursuant to SFCR 125.2090-1, the MSF approved the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate awards and decisions approved under the MCRP, (“Transaction Documents”);

**WHEREAS**, the Guidelines require that MCRP awards over \$1 million must be approved by the MSF Board;

**WHEREAS**, by Resolution 2012-167 on November 28, 2012, the MSF Board awarded a MCRP Loan Award to 618 South Main, LLC (“Borrower”), in furtherance of the Project of up to \$3,000,000 (“Award”);

**WHEREAS**, by Resolution 2016-037 on April 26, 2016, the MSF Board approved a MCRP amendment to extend the Milestone Two due date in the agreement and any related ancillary agreements to June 30, 2016;

**WHEREAS**, by Resolution 2016-112 on July 26, 2016, the MSF Board approved a MCRP amendment to extend the Milestone Two due date in the agreement and any related ancillary agreements to August 31, 2016;

**WHEREAS**, by Resolution 2016-157 on September 27, 2016, the MSF Board approved a MCRP amendment to extend the Milestone Two due date in the agreement and any related ancillary agreements to October 31, 2016 and revise Exhibit G;

**WHEREAS**, the MEDC is recommending that the MSF approve the amendment recommendation to allow the transfer of Daniel Ketelaar’s membership interest in both the Borrower and its’ Manager, resulting in the removal of Daniel Ketelaar from active involvement in the management of Manager and Borrower, with all other requirements remaining in place from the original approval.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board approves the MCRP Amendment Recommendation;

Ayes:

Nays:

Recused:

Lansing, Michigan  
September 26, 2017

## MEMORANDUM

**Date:** September 26, 2017  
**To:** Michigan Strategic Fund Board  
**From:** Lori Mullins, Manager, Brownfield/MCRP/SmartZone  
**Subject:** Transformational Brownfield Plan Program Amended Guidelines

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### **Request**

MEDC staff requests approval of an amendment to the Transformational Brownfield Plan (“TBP”) Program Guidelines.

### **Background**

The Michigan Legislature recently passed legislation creating the TBP program, which is incorporated into the Brownfield Redevelopment Financing Act, 1996 Public Act 381, as amended. TBP is a brownfield plan that allows developers the opportunity to capture a portion of specific incremental taxes generated from large-scale projects that will have a transformational impact on local economic development and community revitalization and result in an overall positive fiscal impact to the State.

The MSF Board reviewed and approved TBP Program Guidelines at its July 25, 2017, meeting. Since that meeting staff has moved ahead with the Request for Proposal (RFP) process and selection of consultants for the statutorily-required third-party review. During that process it was determined that the application fees and administration fees need to be increased in order for the owner or developer to pay for all costs of the independent third-party economic analysis and underwriting analysis. For clarity only, footnotes and other minor text changes have also been added to the guidelines.

### **Recommendation**

The MEDC staff recommends approval of the amended Transformational Brownfield Plan Program Guidelines attached as Exhibit A to the Resolution. The amended TBP program guidelines indicate that the MSF will charge and collect application fees of \$208,000 for TBP projects requesting awards greater than or equal to \$1.5 million. The amended program guidelines also specify that actual costs for third-party analysis that may exceed the application fee will also be paid by the owner or developer of the eligible property. The new language also increases the amendment fee accordingly and increases the annual administrative fee to between 0.8 and 0.9 percent of the award amount.

**MICHIGAN STRATEGIC FUND  
RESOLUTION**

**2017-**

**ADOPTION OF AMENDED PROGRAM GUIDELINES FOR  
TRANSFORMATIONAL BROWNFIELD PLANS**

**WHEREAS**, Public Act 381 of 1996 established the Brownfield Redevelopment Financing Act (“Act 381”) to promote the revitalization, redevelopment, and reuse of certain property;

**WHEREAS**, Section 14a of Act 381, MCL 125.2664a, authorizes the Michigan Strategic Fund (“MSF”) Board to approve transformational brownfield plans (“TBPs”) in accordance with the requirements of the Act;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF;

**WHEREAS**, the MEDC recommends that the MSF Board adopt the amended program guidelines attached as Exhibit A to this Resolution to implement the provisions of Act 381 for TBPs (the “TBP Program Guidelines”); and

**WHEREAS**, the MSF Board wishes to adopt the amended TBP Program Guidelines.

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF approves the amended TBP Program Guidelines; and

Ayes:

Nays:

Recused:

Lansing, Michigan  
September 26, 2017

# TRANSFORMATIONAL BROWNFIELD PLAN PROGRAM GUIDELINES

## **PROGRAM OVERVIEW**

The Brownfield Redevelopment Financing Act, 1996 Public Act (PA) 381, as amended (Act 381), effective July 24, 2017, incorporates Transformational Brownfield Plans (TBP), which affords developers the opportunity to capture a portion of specific incremental taxes generated from large-scale transformational projects for a specified time period.

A TBP is defined under Act 381 as a Brownfield Plan that, among other requirements, will have a transformational impact on local economic development and community revitalization based on the extent of brownfield redevelopment and growth in population, commercial activity, and employment that will result from the plan. The plan must be a mixed-use development project with planned integration of some combination of retail, office, residential, or hotel uses. Other requirements include minimum thresholds of capital investment depending on the population size of the municipality in which the development is proposed.

A TBP allows for the capture of five new sources of tax revenues associated with a project, in addition to incremental revenue from property taxes. The additional tax revenues available include the following: (1) Construction Period Income Tax; (2) Construction Period Sales Tax Exemptions, (3) Construction Period Use Tax Exemptions; (4) Income Tax Capture; and (5) Withholding Tax Capture. These tax revenues can be used in financing a wide array of eligible activities, specifically including as new activities, any demolition, construction, restoration, alteration, renovation, or improvement of buildings or site improvements on eligible property, including infrastructure improvements that directly benefit eligible property. Capture of the new sources of revenue is limited to up to 20 years.

The Michigan Strategic Fund (MSF) is the project-authorizing entity, and can approve no more than five TBPs in a calendar year statewide and no more than five TBPs in any individual local unit for the duration of the program, which ends December 31, 2022. In the event the MSF approves fewer than five plans in a calendar year, the unused approval authority shall carry forward into future calendar years and remain available until December 31, 2022. No new TBPs can be approved after December 31, 2022, and no unused plans can carry over past that date. A TBP approved prior to that date would remain in effect and could be amended.

An equitable geographic distribution of plans is required, balancing the needs of municipalities of different sizes and geographic areas with a target that at least 35% of all TBPs over the life of the program be located in cities, villages, and townships with populations under 100,000. The MSF will reserve 15% of the funds for these projects.

## **AMENDMENTS**

A TBP may be amended to add parcels of property, increase or reduce capture, or change project scope of work. Any amendment that proposes to change the project so that it would no longer be transformational, will result in the TBP being revoked. Each amendment must be approved by both the local unit of government and the MSF, and must be consistent with approval requirements of a TBP. Amendments are not considered new plans and plans may be amended beyond December 31, 2022.



## **FEES**

The MSF will charge and collect application fees, amendment fees, transfer fees and annual administrative fees<sup>1</sup> ~~of 0.375%~~ Annual administrative fees are estimated to be between 0.8 and 0.9 percent of TBP awards. For TBP requested awards greater than or equal to \$1.5 million a non-refundable application fee of ~~\$430,208~~,000 will be charged and collected by the MSF<sup>2</sup>. This application fee includes the estimated costs of statutorily required third-party economic impact analysis and third-party underwriting analysis. In the event that the third-party analysis costs exceed the application fee, the costs of the independent third-party fiscal and economic impact analysis shall be paid by the owner or developer of the eligible property. In the event that an amendment is required for TBP awards greater than or equal to \$1.5 million, a non-refundable amendment fee of ~~\$430,208~~,000 will be charged and collected by the MSF. This amendment fee includes the estimated costs of statutorily required third-party economic impact analysis and third-party underwriting analysis. In the event that the third-party analysis costs exceed the application fee, the costs of the independent third-party fiscal and economic impact analysis shall be paid by the owner or developer of the eligible property. For TBP requested awards less than \$1.5 million a non-refundable application fee of \$30,000 will be charged and collected by the MSF. In the event that an amendment is required for TBP requested awards less than \$1.5 million, a non-refundable amendment fee of \$30,000 will be charged and collected by the MSF. For any transfer of a TBP award the MSF will charge and collect a \$7,000 transfer fee.

## **ELIGIBLE APPLICANTS**

A project may be located in any community but must involve a minimum level of capital investment based on the size of the community, as follows:

Population	Investment
Greater than or equal to 600,000	\$500,000,000
150,000 - 599,999	\$100,000,000
100,000 - 149,999	\$75,000,000
50,000 - 99,999	\$50,000,000
25,000 - 49,999	\$25,000,000
Less than 25,000	\$15,000,000

These limitations can be waived by the MSF to allow TBPs in certain areas where:

- the population is under 25,000, if the development would not be economically feasible otherwise;
- the Michigan State Housing Development Authority has approved the expenditure of federal blight elimination funds;
- the municipality is subject to a state of emergency for drinking water contamination; or
- the eligible property is a historic resource and would not otherwise be transformed.

## **ELIGIBLE ACTIVITIES**

TBP eligible activities include any demolition, construction, restoration, alteration, renovation, or improvement of buildings or site improvements on eligible property, including infrastructure improvements that directly benefit eligible property, along with eligible activities currently allowed

<sup>1</sup> PA 46 of 2017 Sec. 8a. (3)(a),(i),(ii),(iv) (p. 7)

<sup>2</sup> MSF Act 270 of 1984, 125.2007 Powers and duties of fund., Sec. 7. (j)

under Act 381.

### **ELIGIBLE PROPERTY**

Documentation that the project is located on an eligible property is required at the time the application is submitted. While subject to legislative change, eligible property includes one or more of the following:

1. **Facility:** As defined in Public Act 451 of 1994, MCL 324.20101, means any area, place, or property where a hazardous substance in excess of concentrations that satisfy the cleanup criteria for unrestricted residential use has been released, deposited, disposed of, or otherwise comes to be located. A Phase I and Phase II Baseline Environmental Assessment is used to determine whether the property is a facility. The MEDC will confirm with the MDEQ who will certify the property as a facility after adequate documentation is received from the developer.
2. **Historic Resource:** Means a publically or privately owned historic building or structure, individually listed, or located within a historic district designated by the National Register of Historic Places, the State Register of Historic Sites, or a local unit acting under the Local Historic Districts Act, 1970 PA 169. Documentation is required to verify any of the above designations. These projects must meet the federal Secretary of the Interior's Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings, (Standards) (36 CFR 67);
3. **Functionally Obsolete:** Means that the property is unable to be used to adequately perform the function for which it was intended due to a substantial loss in value resulting from overcapacity, changes in technology, deficiencies or super adequacies in design, or other similar factors that affect the property itself, or the property's relationship with other surrounding property as determined by a Michigan Advanced Assessing Officer or a Michigan Master Assessing Officer.
4. **Blighted:** Means any property that meets any of the following criteria as determined by the respective unit of government, building official, or assessor when applicable:
  - Has been declared a public nuisance in accordance with a local housing, building, plumbing, fire, or other related code or ordinance;
  - Is an attractive nuisance to children because of physical condition, use, or occupancy;
  - Is a fire hazard, or is otherwise dangerous to the safety of persons or property;
  - Has had the utilities, plumbing, heating, or sewerage permanently disconnected, destroyed, removed, or rendered ineffective so that the property is unfit for its intended use;
  - Is tax reverted property owned by a qualified local governmental unit (QLGU), by a county, or by the state of Michigan. Tax-reverted property that is sold, leased, or transferred after the property is in a Brownfield Plan is still considered blighted property for purposes of Act 381;
  - Is property owned, by or under the control of, a land bank fast track authority (LBFTA) under the Land Bank Fast Track Act, 2003 PA 258, whether or not it is located within a QLGU. Property that is sold, leased or transferred by a LBFTA after the property is in a Brownfield Plan is still considered blighted property for purposes of this act; and
  - Has substantial subsurface demolition debris buried on site so that the property is unfit for its intended use.

5. Transit-oriented Property: Means property that houses a transit station in a manner that promotes transit ridership or passenger rail use.
6. Transit-oriented Development: Means infrastructure improvements that are located within ½ mile of a transit station or transit-oriented property that promotes transit ridership or passenger rail use as determined by the municipality.
7. Undeveloped Property: Means property that was eligible property in a previously approved brownfield plan abolished under section 14(8).

### **PROGRAM KEY COMPONENTS**

1. The project must be a mixed-use development, defined as a real estate project with planned integration of some combination of retail, office, residential, or hotel uses. The project can be a single development on eligible property, or consist of a series of developments on eligible properties (even if they are not contiguous) that are part of a related program of investment meeting the following requirements:
  - The developments are proposed to be undertaken concurrently or in reasonable succession.
  - For developments under affiliated ownership, the developments are reasonably contiguous and are a part of a program investment in a logically defined geographic area, including, but not limited to, a Downtown District (as defined in Downtown Development Authority Act) or a principal shopping district or business improvement district (as defined in the Shopping Areas Redevelopment Act). Other areas related to those districts that will promote infill development may also be considered.
  - For developments with unrelated ownership, projects must meet the provisions above, and are part of a master development plan, area plan, sub-area plan, or similar development plan that has been approved or adopted by resolution of the governing body.
  - The designation of the developments as a related program of investment is consistent with the purposes of this act and is not a combination of unrelated or minimally related projects calculated to meet the minimum investment threshold.
2. The TBP allows for five kinds of revenue from income tax and withholding tax capture and exemptions from sales tax and use tax as follows:
  - Construction Period Income Tax Capture Revenues: Funds equal to the amount of income tax levied and imposed in a calendar year on wages paid to individuals physically present and working within the eligible property for the construction, renovation, or other improvement of eligible property that is an eligible activity within the TBP. Excluded are wages paid to employees of the owner or developer of the project.
  - Construction Period Sales Tax and Use Tax Exemptions:
    - a. A sales tax exemption for the purchase of tangible personal property for use in eligible brownfield redevelopment activities on eligible property included in a TBP, to the extent that the tangible personal property will be affixed and made a structural part of the real property or infrastructure improvements included within the TBP.
    - b. A use tax exemption on tangible personal property acquired by a person engaged in the business of altering, repairing, or improving real estate for others, or to the manufacture of a specific product if the property or product is to be affixed or made a structural part of the real property included within a TBP, to the extent that those improvements are eligible activities on eligible property within a TBP.

The MSF shall require the owner or developer of the eligible property to report the actual value of the sales and use tax exemptions each tax year of the construction period and at the end of the construction period.

- Income Tax Capture Revenues: Funds equal to the amount for each tax year by which the aggregate income tax from individuals domiciled within the eligible property subject to a TBP exceeds the initial income tax value (the value in the tax year when the resolution adding TBP property is adopted). A TBP cannot propose to use more than 50% of the income tax capture revenues.
- Withholding Tax Capture Revenues: The amount for each calendar year by which the income tax withheld from individuals employed within the eligible property subject to a TBP exceeds the initial withholding tax value. Excludes those domiciled within the eligible TBP property and construction period tax capture revenues. A TBP cannot propose to use more than 50% of the withholding tax capture revenues.

These tax increment revenues can be used in financing a wide array of eligible activities, specifically including as new activities, any demolition, construction, restoration, alteration, renovation, or improvement of buildings or site improvements on eligible property, including infrastructure improvements that directly benefit eligible property. Capture of the new sources of revenue is limited to up to 20 years.

3. A TBP that proposes to use more than \$1.5 million in withholding tax capture revenues and income tax capture revenues require the developer or owner to:
  - Pay for an independent, third-party economic and fiscal impact analysis to determine whether the plan will result in an overall positive fiscal impact to the state;
  - Pay for an independent, third-party underwriting analysis to determine whether the amount of captured taxable value, construction period tax capture revenues, withholding tax capture revenues and income tax capture revenues estimated to result from the plan are reasonable; and
  - Verify with the MSF that the State Treasurer concurs with the third party fiscal and economic analysis determination that the project will result in an overall positive fiscal impact to the state.
4. Projects that are requesting consideration for a TBP will not be eligible if other MSF program assistance is available to fill the financing gap. If the MSF supports a TBP, that project(s) is not eligible for funding under ~~any other MSF~~ the Michigan Community Revitalization Program (MCRP).
5. Project construction must start within 12 months of MSF Board approval.
6. The owner or developer must certify the actual capital investment upon completion of TBP construction, or completion of a specific phase, prior to the MSF initiating reimbursement from the construction period income tax capture, income tax capture, and withholding tax capture. If the actual capital investment is less than the amount included in the plan, the MSF has the right to modify the amount of reimbursement and take other recourse.

7. The MSF is required to approve a proposed change in ownership of eligible property subject to a transformational brownfield plan for which reimbursement will continue, prior to the assignment or transfer of the development and reimbursement agreement.

### **PROGRAM LIMITS**

The MSF may authorize incentives for large development projects totaling up to \$1.0 billion across all TBPs for the duration of the program.

#### 1. Income Tax and Withholding Tax:

- Commitments and disbursements of income and withholding tax capture revenue are limited to a total of up to \$800 million over the life of the program.
- Commitments and disbursements of income and withholding tax capture revenue are limited to \$40 million annually across all TBPs. If the \$40 million threshold is not reached in a given year, the remaining balance will be carried forward into subsequent years for disbursement.
- A TBP cannot use more than 50% of the income and withholding tax capture revenues to reimburse eligible activities.
- A TBP cannot award more than 25% of the annual allocation to any one project per year, not including amendments. With amendments, no more than a total 50% of annual allocation.
- The available tax revenue from any source for a TBP will be limited to an amount that is needed to make the project economically viable.
- No tax capture will occur after the permitted costs under the TBP are met or after 20 years from the start of capture.

#### 2. Construction Period Tax Capture Revenue and Exemptions:

- A total of up to \$200 million can be captured and exempted from a combination of construction period tax capture revenue in the TBP and sales and use tax exemptions on certain tangible personal property. A TBP can capture 100% of the construction period tax capture for transmittal to the brownfield authority or developer.
- Disbursements of construction period tax capture revenue and the value of the sales and use tax exemptions do not have an additional annual reimbursement cap.
- The available tax revenue from any source for a TBP is limited to an amount that is needed to make the project economically viable.
- No tax capture will occur after the permitted costs under the TBP are met or after 20 years from the start of capture.

### **ECONOMIC AND FISCAL IMPACT ANALYSIS CRITERIA**

MSF must determine that a TBP will result in an overall positive fiscal impact to the state before it is approved. In making that determination, the following will be taken into account:

- The potential displacement of tax revenue from other areas of the state, and
- The effects of the TBP on economic development in the surrounding area.

TBPs proposing to use more than \$1.5 million in tax capture revenues require an independent economic and fiscal impact analysis conducted by a third-party, paid for by the developer via the application feess or amendment feess. MSF will determine the third-parties eligible to conduct such an analysis. Developer must provide all necessary information (details of which will be relayed to the developer at the time of the project) to the appropriate MEDC contact before the analysis is conducted. TBPs proposing to use less than \$1.5 million in tax capture will undergo analysis

through the MEDC, in participation with the State Treasurer.

The State Treasurer must concur with the conclusions of the third-party analysis before a recommendation is made to MSF for project approval.

### **UNDERWRITING CRITERIA**

TBPs will be awarded based on financial need for the incentive and the award amount will be determined based on a demonstrated gap in financing.

TBPs proposing to use more than \$1.5 million in tax capture revenues require an independent underwriting analysis conducted by a third-party, paid for by the developer via the application fees or amendment fees. MSF will determine the third-parties eligible to conduct such an analysis. Developer must provide all necessary information (details of which will be relayed to the developer at the time of the project) to the appropriate MEDC contact before the analysis is conducted. TBPs proposing to use less than \$1.5 million in tax capture will undergo analysis through the MEDC, in participation with the State Treasurer.

The State Treasurer must concur with the conclusions of the third-party analysis before a recommendation is made to MSF for project approval.

1. Identification of specific underwriting criteria, including at minimum the following:
  - Assessment of how much traditional debt the project should be able to support/attract
  - Developer and consultant fees limited to 4% of the total development cost of the project
  - Reasonableness assessment of any related-party costs and expenses
  - Minimum Owner Equity Investment: 20% of Total Development Costs (net of developer and consulting fees). Deferred fees will not be counted in the calculation
  - Minimum Debt Service Coverage Ratio: 1.20:1.00, calculated based on all scheduled debt service requirements
  - Leveraged cash-on-cash return not to exceed an average of 15% over life of project (20 year horizon)
2. Reasonableness assessment of the proposed rental structure and assumptions
3. Reasonableness assessment of the proposed operating expenses
4. Reasonableness assessment of the proposed development costs
5. Process conducted to analyze and determine the project's economic viability
6. A full financial and underwriting review will be completed on any future amendments and requests for project support.

### **PROJECT EVALUATION, PROCESS AND MSF SUPPORT**

TBP projects require the approval of the Brownfield Redevelopment Authority (BRA), the local unit of government, and the MSF.

1. BRA engage early with MEDC's [Community Assistance Team \(CAT\)](#) staff for initial project scoping.

2. Project will undergo an internal review and determination of support. CAT staff will issue a letter of interest outlining MSF support.
3. Locals prepare and submit draft TBP to MEDC Brownfield staff for review. Economic impact analysis, financial/underwriting analysis and Michigan Department of Treasury (Treasury) review will occur concurrently.
4. Locals approve TBP and submit final TBP and required supporting documentation to MEDC Brownfield staff for statutory and financial review/analysis.
5. MEDC and Treasury collaborate and identify any questions or concerns before the application is deemed administratively complete.
  - Administratively complete: Transformational Brownfield Plan (TBP) and all other required supporting documentation has been reviewed and determined to be complete by MEDC Brownfield Program staff.
6. MEDC staff will take a TBP to the MSF Board for consideration. A Treasury representative should attend MSF Board meeting to address any questions regarding the income tax revenue, withholding tax revenue, and construction period tax capture revenues.
7. Project completion, required reporting following project completion, and closeout.

#### **ADDITIONAL TERMS AND CONDITIONS**

1. Owners or developers that receive a TBP designation will be subject to the MSF Background Review Policy, as may be revised from time to time by the MSF. Additional due diligence may be required at the discretion of the MSF.
2. Owners or developers that receive a TBP designation from the MSF will be required to execute a development agreement with the MSF. The Development Agreement will be performance-based and will set forth the terms and conditions of the TBP designation including, but not limited to, the term of the plan, the total amounts of tax capture the owner or developer may receive, periodic reporting requirements.
3. Owners or developers are expected to maintain detailed records demonstrating that the award recipient incurred and paid the required investment at the project location. Failure to maintain adequate records may result in adverse action by the MSF, up to and including termination of the reimbursement agreement. In addition, the MSF, MEDC, Auditor General, and the Department of Technology Management, and Budget shall have access to all records related to the project and reserve the right to conduct on-site reviews and inspections to confirm compliance with the terms and conditions of the agreement.

## MEMORANDUM

**Date:** September 26, 2017  
**To:** Michigan Strategic Fund Board  
**From:** Lois Brinkman, Sales and Service Operations Program Specialist  
**Subject:** *Michigan Manufacturing Technology Center Grant Amendment Request*

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### Action

MEDC staff requests that the MSF Board extend the grant and allocate funding up to \$2,125,000 to the Michigan Manufacturing Technology Center (“MMTC”) for a the term of November 1, 2017 to October 31, 2018.

### Background

The MMTC provides Manufacturing Support Services to the Michigan manufacturing (and related) industry with the goal of increasing sales, profitability, the Michigan tax base, as well as creating and retaining jobs. MMTC provides the following services to Michigan companies:

- Matchmaking assistance in support of Pure Michigan Business Connect (“PMBC”) initiatives.
- Consulting and training related to process improvement and efficiency.
- Provide business outreach and services in support of the PMBC and business development efforts.

MMTC is the sole program of the 501c3 Industrial Technology Institute, Inc. (ITI), a not-for-profit Michigan corporation. Founded in 1981, in 1991 ITI proposed and was awarded the charter to operate the Michigan portion of the National Institute of Standards and Technology (NIST) Hollings Manufacturing Extension Partnership (MEP) program. MMTC has operated that center since April 1991, in recent years at a federal funding level of approximately \$4.2 million annually, up from \$2.3 million annually due to ongoing State of Michigan support.

### Recommendation

MEDC Staff recommends that the MSF Board award a grant of up to \$2,125,000 for an additional term of November 1, 2017 to October 31, 2018.



**MICHIGAN STRATEGIC FUND  
RESOLUTION  
2017-**

**MICHIGAN MANUFACTURING TECHNOLOGY CENTER GRANT AMENDMENT #1**

**WHEREAS**, Public Acts 215 and 225 of 2005 (the “Act”) established the 21<sup>st</sup> Century Jobs Fund initiative;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the Michigan Strategic Fund (“MSF”);

**WHEREAS**, on November 22, 2016, the MSF awarded a grant in the amount of \$2,125,000 to the Michigan Manufacturing Technology Center (“MMTC”) for an initial term of November 1, 2016 to October 31, 2017, with the option to extend the term for up to four additional years and allocate additional funding at the sole discretion of the MSF (the “MMTC Grant”);

**WHEREAS**, the MEDC recommends that the MSF exercise its first option to extend the term of the MMTC Grant to October 31, 2018 and allocate \$2,125,000 in additional funding to the MMTC Grant (the “Grant Amendment #1 Request”); and

**WHEREAS**, the MSF wishes to approve the Grant Amendment # 1Request.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF approves the Grant Amendment #1 Request; and

**BE IT FURTHER RESOLVED**, that the MSF Fund Manager is authorized to negotiate final terms and conditions of the Grant Amendment #1 Request and to execute all documents necessary to effectuate Grant Amendment #1 Request in accordance with the terms of this Resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan  
September 26, 2017

## MEMORANDUM

**Date:** September 26, 2017  
**To:** MSF Board  
**From:** Christin Armstrong, Associate General Counsel & V.P., Compliance and Contract Services  
**Subject:** Evigia Systems, Inc. Forbearance Request

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### Request

Evigia Systems, Inc. (“Evigia” or the “Company”) requests that the Michigan Strategic Fund (“MSF”) forbear on exercising its rights to repayment under its 21<sup>st</sup> Century Jobs Fund Loan until June 30, 2018 (the “Forbearance Request”). In consideration for the Forbearance Request, the Company has agreed to pay a forbearance fee equal to 1% of the original loan amount (\$17,363).

### Background

Evigia received a loan of up to \$1,736,300 from the Strategic Economic Investment and Commercialization (“SEIC”) Board<sup>1</sup> and the MSF on October 16, 2006. Evigia is an Ann Arbor-based company that develops and markets wireless RFID tags for military tracking and monitoring applications to detect temperature, humidity, mechanical shock, pressure, and chemical change in weapons and artillery supplies under harsh transport and storage conditions. The technology has a secondary application in the food supply chain and the Internet of Things markets. The Company received the following loan from the SEIC and MSF:

### **21<sup>st</sup> Century Business Plan Competition**

Award Type:	Convertible Loan Agreement
Original Loan Amount:	\$1,736,300
Award Date:	October 16, 2006
Interest Rate:	9.25% (as amended)
Collateral:	Tangible personal property excluding inventory
Loan Balance (as of 9/1/17):	\$3,593,849.79
Equity:	Warrant to purchase \$433,304 capital stock (type and number of shares TBD by applicable of Financing Event, IPO or Liquidity Event)

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<sup>1</sup> The SEIC Board was abolished by Executive Order 2010-04. All powers, duties, functions, and obligations of the SEIC Board were transferred to the MSF.

The Loan was amended on December 13, 2010 to extend the grace period from February 16, 2010 to February 16, 2011 and issue of warrants to the MSF to purchase \$170,000 worth of the Company's capital stock, the actual type and number determined by the applicable of Financing Event, IPO or Liquidity Event. The Loan was amended again on July 8, 2011 to extend the grace period from February 16, 2011 to February 16, 2012 and increase the interest rate from 8.25% to 9.25%. The Loan was amended again on March 26, 2014 to 1) extend the grace period from February 16, 2012 to June 30, 2014; 2) reduce the Venture Financing Conversion Trigger from \$3.5 million to \$2.5 million; and 3) issue warrants to the MSF to purchase \$263,304 worth of the Company's capital stock, the actual type and number determined by the applicable of Financing Event, IPO or Liquidity Event. The Loan was amended again on November 25, 2015 to extend the grace period from June 30, 2014 to June 30, 2017 and impose additional loan covenants capping executive compensation and prohibiting Evigia from paying any bonuses to employees or dividends to shareholders until the MSF loan is paid in full.

The Company is unable to service the MSF loan at this time. Despite the success it has seen in proving the reliability and low-maintenance aspects of its technology, Evigia has had difficulty raising the required capital to position itself in its potential markets. As such, the Company believes the most efficient path forward at this point is to pursue a strategic partnership or sales transaction with a larger industry participant with the capacity and financial resources to better position Evigia in the evolving Internet of Things market. To that end, the Company has engaged an investment banking firm to assist it in seeking the potential partner or acquirer with the goal of completing such a transaction by mid to late 2018. Evigia is requesting that the MSF forbear on its rights to seek full repayment of the loan in order to allow it sufficient time to pursue this option. In exchange for the forbearance, the Company will pay a forbearance fee equal to 1% of the original loan amount (\$17,363).

**Recommendation**

MEDC Staff recommends approval of the Request.

## **MICHIGAN STRATEGIC FUND**

### **RESOLUTION 2017-**

#### **EVIGIA SYSTEMS, INC. FORBEARANCE REQUEST**

**WHEREAS**, Public Acts 215 and 225 of 2005 established the 21<sup>st</sup> Century Jobs Trust Fund initiative;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the Michigan Strategic Fund (“MSF”) for 21st Century Jobs Fund programs;

**WHEREAS**, the Strategic Economic Investment and Commercialization (“SEIC”) Board, the MSF and Evigia Systems, Inc. (“Evigia” or “Company”), entered into a 21<sup>st</sup> Century Business Plan Competition Loan Agreement, dated February 16, 2007, whereby the SEIC Board and MSF agreed to loan up to \$1,736,300 to Evigia under the terms and conditions set forth in the Convertible Loan Agreement, Security Agreement and Promissory Note (the “Note”), each dated February 16, 2007 (the Loan Agreement, Security Agreement, and Note, collectively, “Loan Documents”);

**WHEREAS**, pursuant to Executive Order 2010-04, the SEIC Board was abolished and all powers, duties, and functions of the SEIC Board were transferred to the MSF;

**WHEREAS**, the Loan Documents were amended on December 13, 2010 to extend the grace period from February 16, 2010 to February 16, 2011 and issue of warrants to the MSF to purchase \$170,000 worth of the Company’s capital stock, the actual type and number determined by the applicable of Financing Event, IPO or Liquidity Event;

**WHEREAS**, the Loan Documents were amended on July 8, 2011 to extend the grace period from February 16, 2011 to February 16, 2012 and increase the interest rate from 8.25% to 9.25%;

**WHEREAS**, the Loan Documents were amended on March 26, 2014 to 1) extend the grace period from February 16, 2012 to June 30, 2014; 2) reduce the Venture Financing Conversion Trigger from \$3.5 million to \$2.5 million; and 3) issue warrants to the MSF to purchase \$263,304 worth of the Company’s capital stock, the actual type and number determined by the applicable of Financing Event, IPO or Liquidity Event;

**WHEREAS**, the Loan Documents were amended on November 25, 2015 to extend the grace period from June 30, 2014 to June 30, 2017 and impose additional loan covenants capping executive compensation and prohibiting Evigia from paying any bonuses to employees or dividends to shareholders until the MSF loan is paid in full;

**WHEREAS**, Evigia is in default of its obligations under Section 8.1(c) of the Convertible Loan Agreement for failure to pay an installment of principal or interest when due (the “Event of Default”);

**WHEREAS**, pursuant to Section 8.2 of the Convertible Loan Agreement, the MSF may terminate the Convertible Loan Agreement and demand immediate repayment of the full loan balance;

**WHEREAS**, Evigia has requested that the MSF enter into a forbearance agreement with respect to the Event of Default with terms and conditions that shall include:

- (a) Forbearance of the MSF in exercising its rights to terminate and demand immediate repayment of the full loan balance; and
- (b) Payment by the Company of a forbearance fee in the amount of \$17,363.

(the aforementioned, collectively “Forbearance Request”);

**WHEREAS**, the MEDC has reviewed the Forbearance Request and has determined that it would allow the Company sufficient time to eliminate the Event of Default while also providing satisfactory consideration to the MSF and recommends that the MSF Board approve the Forbearance Request; and

**WHEREAS**, the MSF wishes to approve the Forbearance Request.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF approves the Forbearance Request; and

**BE IT FURTHER RESOLVED**, that the MSF Fund Manager is authorized to negotiate all final terms and conditions and execute all documents necessary to effectuate the Forbearance Request.

Ayes:

Nays:

Recused:

Lansing, Michigan  
September 26, 2017

## MEMORANDUM

**Date:** September 26, 2017  
**To:** Michigan Strategic Fund Board  
**From:** Natalie Chmiko, Director, International Trade  
**Subject:** *International Trade Program – Request to Extend the FY2016 Council of Great Lakes Governors, Inc. (d/b/a Conference of Great Lakes and St. Lawrence Governors and Premiers) International Trade Services Contract through FY18*

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### **Action**

The MEDC requests that the MSF give approval to extend the current agreement with Council of Great Lakes Governors Inc. (CGLG) d/b/a Conference of Great Lakes and St. Lawrence Governors and Premiers and the contract amount of \$825,000 for services to be delivered in FY18.

### **Background**

On January 21, 2016 via delegated authority, the MSF awarded the FY2016 Pure Michigan International Trade Services contract (Case #159790) of \$780,000 to the CGLG following a formal request for proposals. CGLG has executed their contractual obligations in past years and continues to do so during this current fiscal year as well.

The contract under this request would include these services:

- (1.) Sharing foreign office resources and services in China, Canada, Brazil, Europe, Mexico and the Middle East including, but not limited to:
  - Market Research
  - Foreign Agent/Distributor/Representative Searches
  - End-User Searches
  - Matchmaking Services for Buyer Missions and Trade Mission Support
- (2.) Additional mission support and funds which may be used for trade development projects in the CGLG's other foreign offices, located in Australia, India, South Africa, South America and Southeast Asia.

These services have proven to be in high demand by Michigan small businesses. International Trade expects the FY17 funds (\$825,000) obligated to the current contract to be exhausted by September 30, 2017, and wishes to extend the services with another \$825,000 additional general funds / general purpose funds for services under the same contract with an amendment until September 30, 2018.

### **Recommendation**

MEDC recommends the MSF Board approve to extend the Council of Great Lakes Governors d/b/a the Conference of Great Lakes and St. Lawrence Governors and Premiers agreement not to exceed \$825,000 for services delivered in FY18.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION**

**2017-**

**EXTENSION OF CONTRACT AWARD**

**INTERNATIONAL TRADE PROGRAM – INTERNATIONAL TRADE SERVICES**

**WHEREAS**, the Michigan legislature passed legislation establishing the 21<sup>st</sup> Century Jobs Fund initiative that was signed into law;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the Michigan Strategic Fund (“MSF”) for 21<sup>st</sup> Century Jobs Fund programs;

**WHEREAS**, MCL 125.2088k requires that the MSF Board establish a competitive process to award grants;

**WHEREAS**, at its December 15, 2015 meeting via MSF Resolution 2015-192, the MSF Board authorized the issuance of a request for proposals for International Trade Services (the “International Trade Services RFP”), which contained the option for contract extensions through September 30, 2018;

**WHEREAS**, on January 21, 2016, the MSF Fund Manager via delegated authority approved the award associated with the International Trade Services RFP to the Counsel of Great Lakes Governors, Inc. (d/b/a Conference of Great Lakes and St. Lawrence Governors and Premiers) (the “Company”) for \$780,000 per year;

**WHEREAS**, on August 23, 2016 via MSF Resolution 2016-141, the MSF Board approved an extension of the award for one year and an increase in funding to \$825,000 for fiscal year 2017;

**WHEREAS**, the International Trade Program desires to extend the services of the Company for another additional year for fiscal year 2018; and

**WHEREAS**, MEDC Staff recommends MSF Board approval of an extension of the term of the award to the Company through September 30, 2018 and for an amount of \$825,000 for fiscal year 2018;

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF Board approves an extension for an additional year through September 30, 2018 for \$825,000 for services delivered in fiscal year 2018 (the “Extension and Funding Allocation”);

**BE IT FURTHER RESOLVED**, that MSF Fund Manager or the MSF Chairperson, with only one required to act and in coordination with MEDC Staff, is authorized to the negotiate final terms and conditions of the Extension and Funding Allocation and to execute all documents necessary to effectuate the Extension and Funding Allocation.

Ayes:

Nays:

Recused:

Lansing, Michigan  
September 26, 2017



## MEMORANDUM

**Date:** September 26, 2017

**To:** Michigan Strategic Fund Board

**From:** Julius L. Edwards, Manager, Underwriting and Incentive Structuring

**Subject:** Grand Rapids Downtown Market Holdings, LLC Request for Approval of a Michigan Community Revitalization Program \$3,000,000 Other Economic Assistance-Performance-Based Loan Participation Agreement Amendment

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### Request

Grand Rapids Downtown Market Holdings, LLC (“Company”) is requesting approval of an amendment to the Michigan Community Revitalization Program Performance-Based Loan Participation of Other Economic Assistance (Ex. Loan Participation) Agreement (“Agreement”) and any related ancillary agreements. The amendment request is to extend the expiration of date for the interest only period on the loan from September 30, 2017 to January 31, 2018. Extension of the interest only period will allow time for the development team to present to the MSF Board a proposal for restructuring the Bank’s and MSF’s share of the loan participation.

### Background

The Michigan Strategic Fund Board approved a \$3,000,000 Other Economic Assistance Loan Participation Award in a \$4,000,000 loan facility from Fifth Third Bank (“Participating Lender”) on February 27, 2013 to the Company for the purpose of constructing a 25,000 square foot year round market on multiple parcels, encompassing a whole block of property, located at 435 Ionia Avenue, SW and 109 Logan Street, SW in the City of Grand Rapids. The project was to include multi-vendor space for fresh food markets, with both a year-round, indoor component and space for an outdoor seasonal farmer’s market, as well as restaurants and other food services, educational facilities, food processing and production facilities (such as a kitchen incubator), a rooftop greenhouse and other mixed-use components such as crafts, retail shops, residential units and offices.

On July 25, 2017 MEDC staff presented to the MSF Board an amendment request to restructure MSF’s Share of loan participation to accommodate a 40 year amortization period and a 1% interest rate. At that time the Board elected to table the amendment request and extend the expiration date for the interest only period from June 30, 2017 to September 30, 2017 to allow time for the development team to present information on a potential of restructuring of the Bank’s Share of the loan participation. The development team is close to finalizing a proposal to restructure the debt, but has yet to finalize the details of the proposal. The requested extension will allow time to finalize the proposal, present it to the MSF Board, and close on the restructuring of the debt.

Below is a summary of all of the amendments for the project to date:

An amendment/waiver request to the project was approved on July 1, 2014 to address the following:

- Recognize and waive the default resulting from Grand Rapids Downtown Market Holdings, LLC (“Company” or “Borrower”) not obtaining a New Market Tax Credits structure and not implementing an amortization schedule by December 31, 2013.
- To allow Fifth Third Bank (“Bank of Lender”) to amend the Draw Note to allow interest only payments to continue through June 30, 2016, with P & I payments beginning with the payment due July 30, 2016 with the amortization to be agreed upon prior to June 30, 2016 by all parties involved, but limit the maximum amortization period to 20 years.
- To allow the Bank to amend the Loan Agreement to allow the Borrower to finance \$500,000 for tenant improvements (the previous language only allowed for \$300,000).

A second amendment request to the project was approved on November 24, 2015 to:

- Consent to subordinating its collateral position to the proposed \$1,000,000 line of credit (LOC) from Old National Bank allowing the Lender to have a security position in the assets of the project. The LOC will be used to meet short-term working capital needs, financing future tenant build-outs, fund tenant allowances to attract other tenants, and finance additional non-income producing build-outs within the existing space such as restrooms, etc...

A third amendment request was approved on June 28, 2016 to extend the interest only period an additional 12 months to continue through June 30, 2016.

As mentioned above, a fourth amendment was approved at the MSF’s July 25, 2017 Board meeting, extending the interest only period on the loan participation to September 30, 2017.

**Recommendation**

MEDC staff recommends approval of an amendment to extend expiration of the interest only period from September 30, 2017 to January 31, 2018.

**MICHIGAN STRATEGIC FUND  
RESOLUTION 2017-**

**APPROVAL OF AN AMENDMENT TO  
THE MICHIGAN COMMUNITY REVITALIZATION PROGRAM OTHER  
ECONOMIC ASSISTANCE PERFORMANCE-BASED LOAN PARTICIPATION  
AWARD TO  
GRAND RAPIDS DOWNTOWN MARKET HOLDINGS, LLC**

**WHEREAS**, the Michigan legislature amended the Michigan Strategic Fund Act, MCL 125.2011 et. seq., to add Chapter 8C (being MCL 125.2090a – MCL 125.2090d) to enable the Michigan Strategic Fund (“MSF”) to create and operate the Michigan Community Revitalization Program (“MCRP”) to provide incentives in the form of grants, loans and other economic assistance for redevelopment of communities in Michigan;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF for the MCRP;

**WHEREAS**, on December 21, 2011, by Resolution 2011-185, the MSF (i) created the MCRP, (ii) adopted the guidelines for the MCRP, as later amended (“Guidelines”);

**WHEREAS**, pursuant to SFCR 2090-1(3), the MSF approved the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate awards and decisions approved under the MCRP (“Transaction Documents”);

**WHEREAS**, the Guidelines require that MCRP awards over \$1 million must be approved by the MSF Board;

**WHEREAS**, by Resolution 2013-029 on February 27, 2013 the MSF Board awarded a MCRP Other Economic Assistance – Performance-Based Loan Participation to Grand Rapids Downtown Market Holdings (“Borrower”) of up to \$3,000,000 (“Award”) in a \$ 4,000,000 loan facility from Fifth Third Bank (“Participating Lender”);

**WHEREAS**, the MSF Fund Manager approved an amendment to: 1) waive the default resulting from the project not receiving a New Market Tax Credit allocation; 2) extend the interest only period to June 30, 2016 and limit the future amortization period to 20 years; and 3) allow the Participating to finance \$500,000 in tenant improvements;

**WHEREAS**, by Resolution 2015-169 on November 24, 2015 the MSF Board approved an amendment request for the MSF consent to subordinate its collateral position to a proposed \$1,000,000 Line of Credit from Old National Bank;

**WHEREAS**, by Resolution 2016-087 on June 28, 2016 the MSF Board approved an amendment request for the MSF to consent to extend the interest-only payments for one year;

**WHEREAS**, by Resolution 2017-114 on July 25, 2017 the MSF Board approved an amendment request for the MSF to consent to extend the interest-only payments to September 30, 2017;

**WHEREAS**, the MEDC staff is recommending that the MSF Board approve an amendment to the MSF’s Other Economic Assistance Loan Participation Agreement and other ancillary agreements allowing for interest only repayment term be extended to January 31, 2018;

**NOW THEREFORE, BE IT RESOLVED**, the MSF Board approves the MCRP Award Amendment Recommendation.

**ADOPTED**

Ayes:

Nays:

Recused:

Lansing, Michigan  
September 26, 2017

## Memorandum

**Date:** September 26, 2017

**To:** Michigan Strategic Fund Board

**From:** Dan Parisian, Senior Compliance Specialist

**Subject:** Montcalm/ Gratiot Counties Renaissance Zone  
Howard City/ Pierson Township/ Reynolds Township Subzone  
Revocation of Geographic Renaissance Zone Time Extension –Northern Cable and  
Automation, LLC dba Flex-Cable

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### Action

Michigan Economic Development Corporation (“MEDC”) Staff requests the Michigan Strategic Fund (“MSF”) Board to approve a resolution revoking the Geographic Renaissance Zone time extension designation for Northern Cable and Automation, LLC dba Flex-Cable’s (the “Company”) site in the Howard City/ Pierson Township/ Reynolds Township Subzone located in the Township of Pierson. The Company’s extension term is currently set to expire on December 31, 2018.

### Background

The Company’s designated Renaissance Zone within the Howard City/ Pierson Township/ Reynolds Township Subzone was approved for a time extension on December 15, 2010 for seven (7) years and has been in effect since January 1, 2011. The Zone is set to expire on December 31, 2018. The Company entered into a development agreement (the “Agreement”) with the Michigan Strategic Fund (the “MSF”) and agreed to create and maintain twenty-six (26) new full-time jobs at the site for the duration of the Zone.

The Company failed to create and maintain twenty-six (26) new jobs at the designated site as required per the Agreement. The Company created nineteen (19) new jobs at the site and therefore a 90-day cure period was initiated on April 3, 2017 and was sent via email and U.S. Postal Service to the Company and owner as indicated in the Agreement. The cure period lapsed on July 2, 2017 with no formal response being received from the Company or the owner.

### Recommendation

MEDC Staff recommends that the MSF Board approve the revocation of Northern Cable and Automation, LLC dba Flex-Cable’s Renaissance Zone time extension designation for their site in the Township of Pierson, effective December 30, 2017 for property tax purposes, and December 31, 2017 for all other tax purposes.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2017-**

**REVOCATION OF AN EXISTING GEOGRAPHIC RENAISSANCE ZONE TIME EXTENSION  
DESIGNATION: Northern Cable and Automation, LLC dba Flex-Cable**

**WHEREAS**, Public Act 116 of 2008 amended the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, to authorize the Michigan Strategic Fund (“MSF”) to extend the duration of renaissance zone status for one or more portions of an existing renaissance zone for a period of time not to exceed fifteen (15) years, provided that the extension will increase capital investment or job creation and the affected county consents to the extension;

**WHEREAS**, on December 15, 2010, the MSF Board approved a Geographic Renaissance Zone time extension for Northern Cable and Automation, LLC dba Flex-Cable for the Subzone Howard City/ Pierson Township/ Reynolds Township in the Montcalm/ Gratiot Counties Zone (the “Zone”) for parcel number 59-015-002-002-10;

**WHEREAS**, Section 4(7) of the Act requires a development agreement be entered into between the MSF, the real property owner, and the Company, which requires milestones with regards to job creation and new investment;

**WHEREAS**, Section 4(7) of the Act allows the MSF Board to revoke the time extension designation if the MSF Board determines that job creation has not been maintained or otherwise violates the terms of the written development agreement; and

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the renaissance zone program and was notified by the Company through annual reporting that the Company failed to create and maintain twenty-six (26) new jobs within the Zone as required per the Development Agreement;

**WHEREAS**, pursuant to the development agreement, staff on behalf of the MSF, has sent notice to the Company initiating a 90-day cure period to cure its noncompliance or it will recommend revocation and the 90-day cure period has since lapsed;

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF Board approves the revocation of the Company’s Geographic Renaissance Zone time extension designation for parcel number 59-015-002-002-10, effective December 30, 2017 for property tax purposes and December 31, 2017 for all other purposes; and

**BE IT FURTHER RESOLVED**, that the MSF Board authorizes the MSF President or Fund Manager to take any action necessary to effectuate the terms of this Resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan  
September 26, 2017

## MEMORANDUM

**Date:** September 26, 2017

**To:** Michigan Strategic Fund Board

**From:** Mark Morante, MSF Fund Manager

**Subject:** *Renewal of Memorandum of Understanding between the Michigan Strategic Fund and the Michigan Economic Development Corporation and Allocation of the 4% Annual Appropriation from the 21<sup>st</sup> Century Jobs Funds*

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### Request

This is a request to reauthorize the Memorandum of Understanding (MOU) between the Michigan Strategic Fund (MSF) and Michigan Economic Development Corporation (MEDC) for FY 2018.

Staff is also requesting that the MSF allocate the 4% Annual Appropriation from the 21<sup>st</sup> Century Jobs Funds to the MSF to provide services for 21<sup>st</sup> Century Jobs Funds programs.

### Background

On January 25, 2006, the Michigan Strategic Fund (the “MSF”) and the Michigan Economic Development Corporation (the “MEDC”) entered into a Memorandum of Understanding (the “MOU”) for the purpose of specifying responsibilities between the MSF and the MEDC in administering the 21<sup>st</sup> Century Jobs Trust Fund (the “21<sup>st</sup> CJTF”) initiative. The MOU was amended each successive year to our current fiscal year.

Every year, the MSF Board is asked to accept and allocate funds appropriated by the Legislature to programs and activities of the MSF pursuant to the MSF Act and any boilerplate language contained within the Appropriations Act for the fiscal year. For this year, the gross allocation is \$169 million (\$100 more than fiscal year 2017) which is made up of tobacco settlement funds from 21<sup>st</sup> Century Jobs Trust Fund, funds from the general fund, federal Community Development Block Grant Funds and other federal funds. These funds are to be used for business attraction and community development programs and activities, the entrepreneurship ecosystem, and the Pure Michigan campaign as well as business marketing and administration.

### Recommendation

MEDC staff recommends that the MOU be amended to extend the effective date of the MOU through September 30, 2018.

MEDC Staff also recommends the board adopt the following resolution, along with its attachment showing the allocation by category, approving the FY2018 Funding Allocations and requests the state treasurer to transfer \$168,900,000 from the 21<sup>st</sup> Century Jobs Trust Fund to the MSF, provided that no more than 60 percent of the funds used for business attraction and community revitalization are transferred before April 1, 2018. MEDC staff further recommends that the MSF authorize the expenditure of 4% of the annual appropriation from the 21<sup>st</sup> CJTF for administrative expenses for fiscal year 2017-2018, and further authorizes an allocation of funds from the 21<sup>st</sup> CJTF to the MSF for the purposes of the Michigan Business Development Program and the Michigan Community Revitalization Program.



**MICHIGAN STRATEGIC FUND BOARD  
RESOLUTION 2017-**

**RENEWAL OF MEMORANDUM OF UNDERSTANDING BETWEEN THE MICHIGAN  
STRATEGIC FUND AND THE MICHIGAN ECONOMIC DEVELOPMENT CORPORATION**

**WHEREAS**, the Michigan Legislature passed legislation establishing the 21st Century Jobs Trust Fund initiative that was signed into law;

**WHEREAS**, at its January 25, 2006 meeting, the Michigan Strategic Fund (the "MSF") Board approved the Memorandum of Understanding (subsequently amended at its July 13, 2006, September 26, 2007, September 24, 2008, September 30, 2009, September 22, 2010, September 21, 2011, September 27, 2012, October 23, 2013, September 17, 2014, September 22, 2015, and September 27, 2016 meetings) between the MSF and the Michigan Economic Development Corporation (the "MEDC") describing the administrative services associated with the 21st Century Jobs Trust Fund programs to be provided by the MEDC to the MSF (the "MOU");

**WHEREAS**, consistent with the terms of the MOU, the MEDC and MSF desire to extend the effective date of the MOU through September 30, 2018; and

**WHEREAS**, to appropriately and fully fund such administrative expenses, the MSF Board believes it is reasonable to exercise its discretion pursuant to MCL 125.2088b(3), and as otherwise may be provided under the MSF Act, MCL 125.2001 et. seq., as may be amended from time to time (the "MSF Act") to authorize an expenditure of four percent (4%) of the annual appropriation from the 21st Century Jobs Trust Fund for administrative expenses for fiscal year 2017-2018.

**NOW, THEREFORE, BE IT RESOLVED**, subject to the control and direction of the MSF Board, the MEDC shall provide administrative services through September 30, 2018 for all 21st Century Jobs Trust Fund programs, other programs and activities administered by the MSF, and programs and activities additionally included and described in the Michigan Strategic Fund Act;

**BE IT FURTHER RESOLVED**, that the MSF Fund Manager is authorized to sign an amendment to the MOU extending the effectiveness of the MOU from October 1, 2017 through September 30, 2018; and

**BE IT FURTHER RESOLVED**, that the MSF Board, acting pursuant to the MSF Act, authorizes four percent (4%) of the annual appropriation from the 21st Century Jobs Trust Fund to be incurred for administrative costs related to the administration of programs and activities authorized under the MSF Act for fiscal year 2017-2018.

Ayes:

Nays:

Recused:

Lansing, Michigan  
September 26, 2017

**MICHIGAN STRATEGIC FUND**

**RESOLUTION 2017-**

**ALLOCATION OF FUNDING FOR FISCAL YEAR 2018**

**WHEREAS**, the Michigan legislature passed legislation establishing the 21<sup>st</sup> Century Jobs Trust Fund initiative;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the Michigan Strategic Fund (“MSF”);

**WHEREAS**, 2017 PA 107 appropriated \$75,000,000 from the 21<sup>st</sup> Century Jobs Trust Fund and \$93,900,000 from the State General Fund for business attraction and community development, the entrepreneurship ecosystem, and the Pure Michigan campaign for the 2017-2018 fiscal year;

**WHEREAS**, 2011 PA 252 places funds appropriated for business attraction and community development in the 21<sup>st</sup> Century Jobs Trust Fund;

**WHEREAS**, MCL 12.258 provides that the state treasurer shall transfer to the MSF appropriated funds from the 21<sup>st</sup> Century Jobs Trust Fund upon the request of the MSF Board in the amounts designated by the MSF Board to fund disbursements or reserves for programs or activities under Chapter 8A and Chapter 8C of the MSF Act, MCL 125.2088 et. seq.;

**WHEREAS**, the MSF received \$30,967,266 from the U.S Department of Housing and Urban Development (“HUD”) for the federal Community Development Block Grant (“CDBG”) Program for fiscal year 2018;

**WHEREAS**, the MSF received \$900,000 from the U.S. Small Business Administration (“SBA”) for the State Trade Expansion Program (“STEP”) for fiscal year 2018;

**WHEREAS**, the MEDC recommends that the MSF allocate funding from the 21<sup>st</sup> Century Jobs Trust Fund, the CDBG Program and STEP to the programs and activities for fiscal year 2018 as described in Exhibit A to this resolution (the “FY2018 Funding Allocations”); and

**WHEREAS**, after consideration of that recommendation, the MSF Board desires to approve the FY2018 Funding Allocations.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board approves the FY2018 Funding Allocations and requests the state treasurer to transfer \$168,900,000 from the 21<sup>st</sup> Century Jobs Trust Fund to the MSF, provided that no more than 60 percent of the funds used for business attraction and community revitalization are transferred before April 1, 2018; and

**BE IT FURTHER RESOLVED**, the MSF Board approves the FY2018 Funding Allocations.

Ayes:

Nays:

Recused:

Lansing, Michigan  
September 26, 2017

## Michigan Strategic Fund FY18 Spending Allocations

Allocations for Approval	21st Century Jobs		Total Allocations
	Trust Fund Allocation	Other Funding Sources	
Administration Allocation - 4% of Appropriated Funds	\$6,756,000		<b>\$6,756,000</b>
Business Development and Marketing Allocation - 5% of Appropriated Funds	\$8,445,000		<b>\$8,445,000</b>
Business and Community Development Programs and Activities	\$85,105,000		<b>\$85,105,000</b>
Community Revitalization Program	\$20,000,000		<b>\$20,000,000</b>
Entrepreneurial Programs and Grants	\$16,744,000		<b>\$16,744,000</b>
Pure Michigan	\$31,850,000		<b>\$31,850,000</b>
Federal-Community Development Block Grants (1)		\$30,967,266	<b>\$30,967,266</b>
Federal- Export Services grant		\$900,000	<b>\$900,000</b>
<b>TOTAL ALLOCATIONS BY FUNDING SOURCE</b>	<b>\$168,900,000</b>	<b>\$31,867,266</b>	<b>\$200,767,266</b>

\* Allocations do not include any prior year funding.

(1) July 1, 2017 CDBG Grant Award Amount

## MEMORANDUM

**Date:** September 26, 2017

**To:** Michigan Strategic Fund (“MSF”) Board Members

**From:** Josh Hundt, Interim Chief Business Development Officer

**Subject:** Approval of the Good Jobs for Michigan Program Guidelines and Process

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### Request

The MEDC requests the MSF Board establish the Good Jobs for Michigan Program and formally adopt the supporting program documents.

### Background

The Good Jobs for Michigan Act, Public Act 109 of 2017, effective August 25, 2017, allows the MSF Board to authorize Withholding Tax Capture Revenues under the Good Jobs for Michigan Program (the “Program”) for businesses that provide Certified New Jobs in Michigan.

The Program allows for the capture of Michigan Income Taxes withheld from the Certified New Jobs created as a result of a business expansion or new location project. The Withholding Tax Capture Revenues will be paid to the Authorized Business annually once the minimum requirements of the agreement have been met. The maximum duration of the Withholding Capture Tax Revenue is five or 10 years, and the maximum amount is 50 or 100 percent, depending on the average annual wage and the number of Certified New Jobs created by the Authorized Business.

The MSF may execute up to 15 written agreements per calendar year, for the duration of the Program, which ends December 31, 2019. In the event the MSF approves fewer than 15 written agreements in a calendar year, the unused written agreements shall carry forward into future calendar years and shall be in addition to the annual limit that is otherwise applicable. No new written agreements can be approved after December 31, 2019 and at no time, shall the MSF Board authorize more than \$200 million in total Withholding Tax Capture Revenues under the Program.

The MEDC, with input from stakeholders, designed the Program detailed it in the following supporting documents:

- **Good Jobs for Michigan Program Guidelines** was developed to best determine which projects will be considered for support under the Program.
- **Good Jobs for Michigan Program Process Documentation** was developed to state the way projects will be taken in for consideration and, if approved, how they will be monitored and administered.

**Recommendation**

The MEDC recommends the MSF Board adopt the following:

- Program guidelines attached as Exhibit A to the Resolution to implement the provisions of Chapter 8D of the MSF Act (the “Good Jobs for Michigan Program Guidelines”); and
- Process document attached as Exhibit B to the Resolution (the “Good Jobs for Michigan Process Documentation”)

**MICHIGAN STRATEGIC FUND  
RESOLUTION**

**2017-**

**ADOPTION OF GOOD JOBS FOR MICHIGAN PROGRAM GUIDELINES  
AND PROCESS DOCUMENTATION**

**WHEREAS**, Public Act 109 of 2017, MCL 125.2090g to MCL 125.2090j, established the Good Jobs for Michigan program to promote the creation of jobs in the State of Michigan (the “Good Jobs for Michigan Program”);

**WHEREAS**, MCL 125.2090h authorizes the Michigan Strategic Fund (“MSF”) Board to create and operate the Good Jobs for Michigan Program;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF;

**WHEREAS**, the MEDC recommends that the MSF Board adopt the program guidelines attached as Exhibit A to this Resolution to implement the provisions of Chapter 8D of the MSF Act (the “Good Jobs for Michigan Program Guidelines”) and the process document attached as Exhibit B to this Resolution (the “Good Jobs for Michigan Process Documentation”); and

**WHEREAS**, the MSF Board wishes to adopt the Good Jobs for Michigan Program Guidelines and the Good Jobs for Michigan Process Documentation.

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF approves the Good Jobs for Michigan Program Guidelines and the Good Jobs for Michigan Process Documentation.

Ayes:

Nays:

Recused:

Lansing, Michigan  
September 26, 2017

# **Michigan Strategic Fund**

## **Good Jobs for Michigan Program**

### **Program Guidelines**

#### **LEGISLATIVE OVERVIEW**

The Michigan Strategic Fund (MSF) Board may authorize State Withholding Tax Capture Revenues under the Good Jobs for Michigan Program (the “Program”) for businesses that provide Certified New Jobs in Michigan. The MSF may execute up to 15 written agreements per year, any unused written agreements will carryforward to future years. The MSF Board may not commit more than \$200 million in total Withholding Tax Capture Revenues under the Program.

Eligible Businesses may apply for assistance under the Program if all of the following are met:

- The Eligible Business proposes to create and maintain one or more of the following in Michigan within five years after entering into the Written Agreement:
  - A minimum of 3,000 Certified New Jobs with an average annual wage that is equal to or greater than the Prosperity Region Average Wage;
  - A minimum of 500 Certified New Jobs with an average annual wage that is equal to or greater than the Prosperity Region Average Wage; or
  - A minimum of 250 Certified New Jobs with an average annual wage that is equal to 125 percent or more of the Prosperity Region Average Wage.
- The Eligible Business agrees to maintain the number of Full-Time Jobs equal to or greater than the number of Full-Time Jobs it maintained in the State prior to expansion or location, or any Full-Time Jobs it acquired through a merger or acquisition that were located in the State prior to the expansion or location throughout the duration of the written agreement;
- The Eligible Business will maintain the number of Certified New Jobs throughout the duration of the written of the agreement. If the Authorized Business fails to maintain the requisite number of Certified New Jobs, the Authorized Business will forfeit the State Withholding Tax Capture Revenues for that year.
- The local governing body of the municipality in which the facility is located approves the expansion or new location by resolution;
- The plans for the expansion are economically sound;
- The expansion or location of the Eligible Business will increase employment opportunities and strengthen Michigan’s economy;
- Assistance under this Program is an incentive to expand or locate the Eligible Business in Michigan and address the competitive disadvantages with sites outside this state; and
- The expansion or location of the Eligible Business will result in a positive fiscal impact to the State.

The MSF Board may authorize State Withholding Tax Capture Revenues of up to 50 percent for up to five years for Eligible Businesses that, within five years after entering into the Written Agreement, propose to create and maintain a minimum of 500 Certified New Jobs with an average annual wage that is equal to or greater than the Prosperity Region Average Wage.

The MSF may authorize State Withholding Tax Capture Revenues of up to 100 percent for up to ten years for Eligible Businesses that, within five years after entering into the Written Agreement, propose to create and maintain at least one of the following:

- A minimum of 3,000 Certified New Jobs with an average annual wage that is equal to or greater than the Prosperity Region Average Wage;
- A minimum of 250 Certified New Jobs with an average annual wage that is equal to 125 percent or more of the Prosperity Region Average Wage.

Considerations for authorizing assistance under the Program shall include the following, if applicable:

- The number of Certified New Jobs to be created;
- The level in which the average annual wage exceeds the Prosperity Region Average Wage;
- Whether there is a disadvantage of expanding or locating in Michigan versus another state;
- The potential impact of the expansion or location on the economy of the State;
- Whether the Eligible Business has made a written commitment to fund some portion of costs for applicable training of the individuals that will perform the Full-Time Jobs that leads to a professional or technical certification for these individuals;
- The Eligible Business make a good-faith effort to employ, if qualified, Michigan Residents at the facility;
- The estimated cost of the withholding tax capture revenues under the Program, local support, and other State assistance; or
- Whether the expansion or location will occur without assistance under the Program.

The MSF shall enter into a written agreement with the Eligible Business with terms and conditions in accordance with the Program legislation and Program Guidelines and otherwise satisfactory to the MSF Board. The written agreement shall include at a minimum all conditions imposed upon the Authorized Business; a certification from the Authorized Business the Certified New Jobs would not be created without assistance under the Program, the estimated annual withholding tax capture to be generated; the duration and amount of assistance under the Program; revocation and repayment requirements if the Authorized Business does not comply with the written agreement; method for verifying and measuring Certified New Jobs; and an audit provision that allows for the verification of the timely completion or satisfaction of the agreement requirements and investment.

The MSF shall issue a Withholdings Certificate each calendar year to the Authorized Business with the amount of Withholding Tax Capture Revenues to be paid for that calendar year. The MSF shall receive five percent of the Withholding Tax Capture Revenue Payments authorized in any given year for administrative expenses. If the Authorized Business fails to satisfy and maintain the minimum number of Certified New Jobs, the Authorized Business will forfeit its Withholding Tax Capture Revenue payment for that calendar year.

## DEFINITIONS

- a) **Authorized Business** is an Eligible Business that has entered into a written agreement under this Program with the MSF.
- b) **Certified New Job** is a Full-Time Job created by an Authorized Business at the facility in excess of the number of Full-Time Jobs maintained in the State prior to the expansion or location and the number of Full-Time Jobs that the Authorized Business acquired through a merger or acquisition that were located in this state prior to the expansion or location. Full-Time Jobs created by a Primary Supplier may qualify as Certified New Jobs for Authorized Businesses that create a minimum of 3,000 Certified New Jobs with an average annual wage that is equal to or greater than the Prosperity Region Average Wage.



- c) **Eligible Business** means a business other than a retail establishment, professional sports stadium, casino, or that portion of an eligible business used exclusively for retail sales that proposes to create and maintain the minimum number of Certified New Jobs set forth above.
- d) **Facility** is the site or sites within the State which the Authorized Business creates Certified New Jobs.
- e) **Full-Time New Job** is a full-time job, as determined by the MSF, performed by an individual whose income and social security taxes are withheld by one or more of the follow:
  - a. An Authorized Business;
  - b. An Employee Leasing Company; or
  - c. A Professional Employer Organization on behalf of the Authorized Business.
- f) **Primary Supplier** is an entity that creates not fewer than 25 new jobs and provides both of the following to an Authorized Business:
  - a. A minimum of \$5 million in tangible personal property annually, as determined by the MSF; and
  - b. A minimum of 10% of the tangible personal property used by the Authorized Business annually, as determined by the MSF.
- g) **Prosperity Region Average Wage** is the average annual wage for the prosperity region where the facility is located. The prosperity region is each of the 10 prosperity regions identified by the Department of Technology, Management, and Budget.
- h) **Withholding Tax Capture Revenues** are the amount of Certified New Job State income tax withheld as a result of the Program.

## **GOOD JOBS FOR MICHIGAN PROGRAM OPERATING PRINCIPLES & PARAMETERS**

The MSF Board will consider assistance under the Program for projects that will result in major qualifying investments and/or job creation in Michigan. A qualified investment means an investment to a project in Michigan, and the investment, and its terms and conditions, must be acceptable to the MSF.

The MSF Board intends to consider projects that may include the following, to the extent reasonably applicable to the type of development proposed and may include any other considerations satisfactory to the MSF Board:

- Out-of-state competition
- Net-positive return to this state
- Level of investment
- Business diversification
- Shovel ready projects
- Reuse of existing facilities
- Near-term job creation
- Level of wages for new jobs
- Employer provided benefits
- Whether the project is located in a distressed or targeted community
- Strong links to Michigan suppliers

The MSF Board intends to consider projects that are site specific within one Prosperity Region. Job creation must commence after MSF approval and be completed within five years of the written agreement. The Withholding Tax Capture Revenue payments shall remain in force and effect for a period to be determined by the MSF commencing upon completion of the project, provided the minimum Certified New Job requirement has been met, and ending not more than 10 years after the commencement date.

In order to qualify for a Certified New Job under the Program, the new job must pay Michigan income tax and cannot be claimed under a Michigan Economic Growth Authority Tax Credit.

For purposes of calculating the Withholding Tax Capture Revenues to be paid for that calendar year, the MEDC intends to use wages, tips and other compensation reported in Box 16 of the Certified New Job's W-2 form. The maximum amount of total wages that may be used when determining the average annual wage for any one Certified New Job is \$250,000.

Primary Supplier Certified New Jobs are not required for Authorized Businesses that are qualifying under the 3,000 Certified New Job minimum requirement. In the event the Authorized Business has a Primary Supplier that meets the requirements set forth above, the Authorized Business must obtain approval by the MSF in order for Primary Supplier jobs to qualify as Certified New Jobs. Authorized Businesses that are eligible to include Primary Supplier Certified New Jobs, must meet the Program minimum job creation prior to Primary Supplier Certified New Jobs consideration.

## **FEES**

In order to support its reasonable costs and expenses in administering the Program, the MSF has established the following fee schedule:

- **Application Fee:** \$10,000
- **Amendment/Transfer/Assignment Fee:** \$5,000
- **Administrative Fee:** 5% of the Withholding Tax Capture Revenue payments authorized by the MSF

Application and Amendment/Transfer/Assignment Fees are due upon submission of a final application or amendment/transfer/assignment request to the MEDC. The Department of Treasury will deduct the Administrative Fee from the Withholding Tax Capture Revenue payments to the Authorized Business each year.

## **ADDITIONAL TERMS AND CONDITIONS**

The MEDC will provide administrative services to the MSF for the Program. All applicants to the Program will be subject to criminal and civil background checks and standard due diligence prior to award and execution of a written agreement.

The written agreement between the Authorized Business and the MSF will include the following terms and conditions:

- **Assignment/Transfer:** A provision that the assignment or transfer of the written agreement, or any rights or obligations thereunder, requires the prior written consent of the MSF. The MSF may at any time assign its rights in the written agreement.
- **Access to Records:** A provision requiring the Authorized Business to permit the MEDC, MSF, the Auditor General, and the Department of Technology, Management and Budget (DTMB) to visit the Authorized Business, and any other location where books and records of the Authorized Business are normally kept, to inspect the books and records, including financial records and all other information and data relevant to the terms of the written agreement.
- **Non-Discrimination:** A provision requiring the Authorized Business to agree not to discriminate against any employee or applicant for employment, with respect to their hire, tenure, terms, conditions or privileges of employment, or any matter directly or indirectly related to employment, because of race, color, religion, national origin, ancestry, age, sex, height, weight, marital status, physical or mental disability unrelated to the individual's ability to perform the duties of the particular job or position. The Authorized Business must further agree that every subcontract entered into for performance of the written agreement will contain a provision requiring nondiscrimination in employment, as specified in this Agreement, binding upon each subcontractor. This covenant is required under the Elliot Larsen Civil Rights Act, 1976 PA 453, MCL 37.2101, *et seq.*, and the Persons with Disabilities Civil Rights Act, 1976 PA 220, MCL 37.1101, *et seq.* A breach of this covenant will be regarded as material breach of the agreement.
- **Unfair Labor Practices:** A provision requiring the Authorized Business to agree that it will not enter into a contract with a subcontractor, manufacturer, or supplier whose name appears on the current United State Labor Relations Board register of employers failing to correct an unfair labor practice. This covenant is required under 1980 PA 278, MCL 423.321, *et seq.* The MSF may void the written agreement if, subsequent to an award under this Program, the name of the Authorized Business as an employer, or the name of a subcontractor, manufacturer, or supplier of the Authorized Business appears on the register.

The MSF reserves the right to revise these terms and conditions or add additional terms and conditions it deems necessary and appropriate for administration of the Program.

#### **COMPLIANCE & MONITORING PROVISIONS**

All awards made to Authorized Businesses under the Program will be performance based. The MEDC will conduct audit and verification of an Authorized Business's performance under the written agreement prior to issuing a withholdings certificate. Authorized Businesses should maintain accurate and detailed documentation necessary to support its compliance under the written agreement.

The MSF may require additional periodic reporting that may be necessary or appropriate to comply with its reporting obligations under the MSF Act or to facilitate the efficient and effective administration of the Program. Authorized Businesses may be required to provide additional reporting to the Department of Treasury.

#### **FREEDOM OF INFORMATION ACT**

All applicants should be aware that information submitted to the MSF or MEDC may be subject to disclosure under the Freedom of Information Act, 1976 PA 442, MCL 15.231, *et seq.*, as amended. Written agreements, including any attachments thereto, between the MSF and an Authorized Business are subject to complete public disclosure.

<b>Good Jobs for Michigan Program</b>	<b>Eff. 9/26/2017</b>
<b>PROCESS DOCUMENTATION</b>	

**Background:**

The Michigan Strategic Fund (MSF) is able to authorize Withholding Tax Capture Revenues under the Good Jobs for Michigan Program (the “Program”) for businesses that provide Certified New jobs in Michigan.

Companies that meet minimum thresholds may be considered for assistance under the Program as outlined in the Program Guidelines. Specific terms will be determined by a formal review of considerations outlined in the Program Guidelines and legislation that align with the Michigan Economic Development Corporation’s (“MEDC”) goals of creating more jobs, better wages, and increase investment in Michigan.

Included below, is an overview of the Program granting process from identification through performance of the agreement.

**Project Identification and Initial Review Stage:**

1. Local partners, consultants, developers, or a company may contact the local economic development agency, or MEDC business staff to discuss project that is creating new jobs in Michigan
2. MEDC business staff or local economic development agency identify the qualification using the Program Guidelines
3. MEDC business staff conducts initial review of the company’s background to determine whether the company has financial capability to undertake the project
4. MEDC business staff outlines details of a possible award under the Program, as necessary

**Project Application Stage:**

1. MEDC business staff requests the company complete the Program Application Package
2. The company completes and submits the Application Package to the MEDC
3. MEDC business staff reviews the submitted Application Package
4. MEDC staff conducts required civil and criminal background checks, consistent with the MSF background review policy

**MSF Board Preparation and Approval Stage:**

1. MEDC business staff drafts a term sheet outlining the proposed Program term for the project to be recommended to the MSF for approval
2. MEDC business staff sends the term sheet to the company for acknowledgment
3. MEDC business staff prepares a Briefing Memo (description of company’s project, award terms, and a recommendation to the MSF for approval) and a Proposed MSF Resolution

**MSF Action Stage:**

1. MEDC business staff provides Briefing Memo and Proposed MSF Resolution to MSF Board
2. MEDC business staff presents Briefing Memo and Proposed MSF Resolution to the MSF Board for consideration and action at monthly meetings

**Preparation and Execution of Agreement Stage:**

1. MEDC legal staff prepares agreement
2. MEDC legal staff sends agreement to the company for signature
3. The company signs agreement and sends to MEDC legal staff for countersignature by MSF Fund Manager
4. MEDC legal staff sends executed copy of the agreement to the company and the Michigan Department of Treasury.
5. The Department of Treasury calculates the amount of Withholding Tax Revenues to be transferred from the General Fund to the Good Jobs for Michigan Fund each calendar year based on the executed agreements.

**MEDC Compliance Stage (Reporting Period):**

1. The company submits annual job creation reports, annual progress reports, and any other requirements of the agreement
2. MEDC compliance staff monitors job creation reports, annual progress reports, and any other requirements of the agreement, as necessary
3. MEDC compliance staff provides the company and the Department of Treasury a Withholdings Certificate each calendar year, with the Authorized Business name and federal employer identification number and the amount of the withholding tax capture to be paid
4. The company files a copy of the withholdings certificate with the Department of Treasury to request payment.
5. The Department of Treasury issues payment within 90 days of the receipt of the withholdings certificate.
6. The Department of Treasury retains an amount equal to 5% of the withholding tax capture for payment to the MSF for administrative expenses.

## MEMORANDUM

**Date:** September 26, 2017  
**To:** Michigan Strategic Fund Board  
**From:** Natalie Chmiko, Director, International Trade  
**Subject:** *International Trade Small Business Service- FY18 Contractor Recommendation*

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### Action

The MEDC requests that the MSF Board approve the Joint Evaluation Committee (JEC) recommendation for FY18 Small Business Service contractors and award amounts. The selected contractors include the Michigan Small Business Development Center (SBDC), Foster Swift Collins & Smith PC, Michigan State University International Business Center (MSU-IBC), and Ibt Online.

### Background

On July 25, 2017 the MSF Board approved the release of the FY2018 Small Business Services Request for Proposals in the amount of \$270,000. Six proposals were received, see Exhibit A. The JEC met on August 31, 2017 to discuss written reviews and agreed to a consensus score for each contractor. After reviewing the price proposals, the JEC recommended funding four of the six proposals.

### Recommendation

MEDC staff recommends that the MSF Board approve \$270,000 to be awarded to the SBDC, Foster Swift Collins & Smith PC, MSU-IBC, and Ibt Online to provide the following contracted services:

- **SBDC:** 1) International search engine optimization (SEO) report 2) Early stage export counseling and initial export readiness assessment.
- **Foster Swift Collins & Smith PC:** 1) Legal essentials to exporting toolkit group training program, which includes protection of trademark/service mark and other intellectual property analysis, foreign agent/distributor due diligence and contract best practices, export control overview compliance training 2) Individualized legal essentials to exporting toolkit training services 3) Legal essentials to Export topics short guided overview online video resource 4) Online export success introductory training online module
- **MSU-IBC:** 1) Michigan Export Growth Program (MEGP), which assists small to medium-sized Michigan companies by identifying global markets and engaging in those markets with their products/services through the compilation of country and industry specific market research reports. 2) International trade seminars and workshops for companies and Michigan based economic development professionals.
- **IBT Partners:** Website localization including country-specific websites that are fully localized, translated and adapted for the target markets, based upon the Michigan client company's American English U.S. website.

**Exhibit A - Scores of Proposals (Sorted in Descending Order)**

Organization	Requested Amount	Final Score*	Recommended Award
<b>Foster Swift Collins &amp; Smith PC</b>	\$50,600	100	\$50,600
<b>MSU-IBC</b>	\$59,175	95	\$59,175
<b>SBDC</b>	\$115,000	92	\$106,225
<b>Ibt Online</b>	\$60,000	78	\$54,000
<b>Gower Global</b>	Billed hourly, no package price	58	\$0
<b>Global Business Development Firm</b>	\$50,000	51	\$0
<b>Total</b>	<b>\$334,775</b>	<b>N/A</b>	<b>\$270,000</b>

\*Overall JEC consensus score, out of 100.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION**

**2017-**

**APPROVAL OF JEC RECOMMENDATION  
INTERNATIONAL TRADE PROGRAM SMALL BUSINESS SERVICES**

**WHEREAS**, the Michigan legislature passed legislation establishing the 21<sup>st</sup> Century Jobs Fund initiative that was signed into law;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the Michigan Strategic Fund (“MSF”) for 21<sup>st</sup> Century Jobs Fund programs;

**WHEREAS**, MCL 125.2088k requires that the MSF Board establish a competitive process to award grants;

**WHEREAS**, at its July 25, 2017 meeting via MSF Resolution 2017-110, the MSF Board, at the recommendation of the MEDC, authorized the issuance of the International Trade Program Small Business Services Request for Proposals (the “Small Business Services RFP”) and allocated funds;

**WHEREAS**, the MSF Fund Manager via delegated authority appointed a Joint Evaluation Committee to review the submissions (the “JEC”);

**WHEREAS**, the JEC has evaluated all six (6) proposals received in accordance with the requirements of the RFP, including all statutory requirements, and the scoring and evaluation criteria adopted by the MSF Board on July 25, 2017;

**WHEREAS**, the JEC determined that four (4) proposals satisfied the requirements of the RFP, including all statutory requirements, and earned sufficient scores under the scoring and evaluation criteria adopted by the MSF Board; and

**WHEREAS**, the JEC recommends that the entities identified in Exhibit A to this resolution receive awards in the amounts listed for FY2018 (the “Small Business Services Awards”), consistent with the funding allocation approved by the MSF Board via MSF Resolution 2017-110.

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF Board approves the Small Business Services Awards;

**BE IT FURTHER RESOLVED**, the MSF Board may, at its sole discretion, extend the grant periods of the Small Business Services Awards for up to an additional four (4) years and may modify the amount of the Small Business Services Awards, subject to available funds; and



**BE IT FURTHER RESOLVED**, that MSF Fund Manager or the MSF Chairperson, with only one required to act and in coordination with MEDC Staff, is authorized to the negotiate final terms and conditions of the Small Business Services Awards and to execute all documents necessary to effectuate the Small Business Services Awards.

Ayes:

Nays:

Recused:

Lansing, Michigan  
September 26, 2017

**Exhibit A**

<b>Entity</b>	<b>Funding Amount</b>
Michigan – Small Business Development Center (MI-SBDC)	\$106,225
Foster Swift Collins & Smith PC	\$50,600
Michigan State University – International Business Center (MSU-IBC)	\$59,175
Ibt Online	\$54,000

## MEMORANDUM

**Date:** September 26, 2017

**To:** Michigan Strategic Fund (“MSF”) Board Members

**From:** Trevor Friedeberg, Senior Business Development Project Manager

**Subject:** Amazon.com.dedc, LLC (“Company” or “Applicant”)  
Michigan Business Development Program Performance-based Grant Request

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### Summary

This is a request from the Applicant for a \$4.5 million performance-based grant. This project involves the creation of 1,025 Qualified New Jobs and a capital investment of up to \$40 million in the Charter Township of Shelby, Macomb County.

The Applicant has demonstrated a need for the funding. The Company is examining other sites outside of Michigan for the proposed project including other Midwestern states, as well as Canada, for this regional fulfillment center. In order to make the operation move at the level of efficiency necessary there are some road improvements necessary. Additionally, to meet the Company’s hiring needs, there is concern about the availability and ability to hire the appropriate workforce. Providing this performance based incentive will help the Company offset some of the costs related to infrastructure improvements and talent recruitment and make the case that Michigan is the prime location for this project.

### Background

Founded in 1994, Amazon.com is the largest internet-based retailer in the world by total sales and market capitalization. The Company started as an online bookstore, later diversifying to sell DVDs, Blu-rays, CDs, video downloads/streaming, MP3 downloads/streaming, audiobook downloads/streaming, software, video games, electronics, apparel, furniture, food, toys and jewelry. The Company employs over 200,000 professionals worldwide.

The Applicant has received incentives from the MSF in the past. In December of 2016, the Company was awarded a \$7.5 million Michigan Business Development Program performance based grant for the creation of 1,000 jobs in the City of Livonia, Wayne County. Though the Company has not requested any disbursements nor created any jobs, construction is nearing completion and hiring has begun at the facility.

Additionally, the Applicant received a second Michigan Business Development Program Grant award of \$5 million on June 27, 2017 for the creation of 1,600 jobs and investment of \$140 million in the City of Romulus, Wayne County. Everything is moving forward with the completion of site preparation for construction and the project is on track.

The Applicant plans to construct a new 1 million square foot build to suit fulfillment center in the Charter Township of Shelby, make investments and create jobs related to general warehousing and storage. This

project will further augment the Company's commitment to Michigan and continue to create more jobs in the Southeast Michigan region.

The MEDC staff has completed a civil and criminal background check for the entity and individuals related to this project.

### **Considerations**

- a) The Applicant is a "Qualified Business", as defined in MCL 125.2088r(7)(b), that is located and operates in Michigan.
- b) The project will be located in the Charter Township of Shelby. The Charter Township of Shelby has offered a "staff, financial, or economic commitment to the project" in the form of a tax abatement on eligible real and/or personal property.
- c) The Applicant has demonstrated a need for the funding. The Company has examined other sites outside of Michigan for this project, specifically Canada and other Midwestern states as well. There are some road improvements necessary to get the site capable of handling the necessary volume moving through the site. Additionally, to meet the Company's hiring needs, there is concern about the availability and ability to hire the appropriate workforce. Providing this performance based incentive will help the Company offset some of the costs related to infrastructure improvements and talent recruitment and make the case that Michigan is the prime location for this project.
- d) The Applicant plans to create 1,025 Qualified New Jobs above a statewide base employment level of 277.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: project is not a retail project; project is not a retention project; involves out-of-state competition; has a net positive return to Michigan; has a strong level of investment; employer benefits are available to all associates.

### **Recommendation**

MEDC Staff recommends the following (collectively, "Recommendation"):

- a) Approval of the MBDP Proposal as outlined in the attached term sheet (collectively, "MBDP Proposal");
- b) Closing the MBDP Proposal, subject to available funding under the MBDP at the time of closing ("Available Funding"), satisfactory completion of due diligence (collectively, "Due Diligence"), finalization of all MBDP transaction documents; and
- c) Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 60 days.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION 2017-**

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO  
AMAZON.COM.DEDC, LLC**

**WHEREAS**, the Michigan legislature passed legislation establishing the 21<sup>st</sup> Century Jobs Trust Fund initiative that was signed into law;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the Michigan Strategic Fund (“MSF”) for 21<sup>st</sup> Century Jobs Trust Fund programs;

**WHEREAS**, pursuant to MCL 125.2088r, the MSF shall create and operate the Michigan Business Development Program (“MBDP”) to provide grants, loans and other economic assistance to qualified businesses that make qualified investments or provide qualified new jobs in Michigan;

**WHEREAS**, on December 21, 2011, by Resolution 2011-184, the MSF (i) created the MBDP, and (ii) adopted the guidelines for the MBDP (“Guidelines”);

**WHEREAS**, pursuant to SFCR 125.2088r-1, the MSF approved the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate awards and decisions approved under the MBDP in accordance with the Guidelines (“Transaction Documents”);

**WHEREAS**, the Guidelines require that MBDP awards over \$1 million must be approved by the MSF Board;

**WHEREAS**, Amazon.com.dedc, LLC (“Company”) has requested a performance based MBDP grant of up to \$4,500,000 (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”); and

**WHEREAS**, the MEDC recommends that the MSF approve the Company’s Grant Request in accordance with the Term Sheet, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents, within 120 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 60 days (“MBDP Award Recommendation”).

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board approves the MBDP Award Recommendation.

Ayes:

Nays:

Recused:

Lansing, Michigan  
September 26, 2017



## **MICHIGAN BUSINESS DEVELOPMENT PROGRAM Performance Based Incentive - Term Sheet - Definitions**

This document contains terms and definitions, which will be used to structure this incentive. While the MBDP is operated and funded through the MSF, recommendation for approval of a MBDP incentive award is presented by the Michigan Economic Development Corporation ("MEDC") to the MSF. Exhibit A will be presented to the MSF for consideration.

### **Terms and Definitions:**

**Base Employment Level:** The number of jobs currently maintained in Michigan by the Company and Brilliance Audio, Inc, or any combination ("Company Group") based on data submitted by the Company to the MEDC reflecting the Company Group's employment level in Michigan prior to the proposed project. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement ("Agreement") between the MSF and the Company.

**Qualified New Job Creation:** The minimum number of total Qualified New Jobs the Company shall be required to create in Michigan (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required), and each Qualified New Job must be in excess of the Base Employment Level. The final terms and conditions of the requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.

**Company Investment:** The Company anticipates investment of up to \$40 million for new building construction and machinery and equipment, or any combination thereof, for the Project.

**Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide: a property tax abatement on real/and or personal property related to the project. The final terms and conditions demonstrating this support shall be included in the final Agreement.

**Disbursement Milestones:** The final terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award shall be included in the final Agreement, including that before any disbursement is made to the Company, the Company Group must have maintained: (i) the Base Employment Level (exclusive of the number of Qualified New Jobs then created) and (ii) any Qualified New Jobs created for which disbursements by the MSF have been made, and the Company must otherwise be in compliance with all terms and conditions of the final Agreement, and further shall include:

- a. Disbursement Milestone 1:** Up to \$3,500,000      Upon demonstrated creation of 800 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than December 31, 2019.
  
- b. Disbursement Milestone 2:** Up to \$1,000,000      Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 225 additional Qualified New Jobs (for a total of 1,025 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2020.

**Repayment Provisions:** Repayment provisions are required by law. The Repayment terms and conditions will be effective through the Term of the Agreement and shall be defined in the final Agreement. The final repayment provisions may require repayment of some or all of the disbursements made by the MSF, including if the Company Group moves 25% or more of their employees out of Michigan, if the Company Group fails to maintain the Base

MICHIGAN ECONOMIC  
DEVELOPMENT CORPORATION

Employment Level in Michigan, if the Company Group fails to maintain the Qualified New Jobs incented by this Award.

**Reporting Requirements:** Periodic reporting will be required with this program. The detailed information needed from the Company will be included in the final Agreement, but will include Project reporting for such things as: amount of proposed incentive, amount of actual incentive received by Company; amount of proposed and actual investment made by Company for Project; the committed number of new jobs and the actual number of new jobs created as a result of the Project.

**Public Announcements:** The Company shall not make, or cause, any announcement of the proposed MBDP Incentive Award parameters outlined in this letter before the date of approval by the MSF of the MBDP Incentive Award, unless prior authorized and coordinated with the MEDC. At the request and expense of the MSF or the MEDC, the Company will cooperate with the MSF or the MEDC to promote the Project through one or more of the placement of a sign, plaque, media coverage or other public presentation at the Project or other location acceptable to the Parties.

This Term Sheet is intended to constitute a term sheet, only. The terms and conditions of this Term Sheet shall not bind either the parties hereto or their successors, assigns or agents unless or until the parties enter into a final agreement addressing the matters contained herein. There is no legally binding or enforceable contract between the parties pertaining to the subject matter of this Term Sheet, as of the date of the Term Sheet is signed, and statements of intent or understandings herein shall not be deemed to constitute any offer, acceptance, or legally binding agreement and do not create any rights or obligations for or on the part of any party hereto.



**EXHIBIT A**  
**MICHIGAN BUSINESS DEVELOPMENT PROGRAM**  
**Performance Based Incentive - Term Sheet - Summary**

The following is a summary of the highlights of the project and basic terms for which the Company desires grant support from the Michigan Strategic Fund ("MSF") under the Michigan Business Development Program ("MBDP").

**Date:** August 14, 2017, 2017

**Company Name:** Amazon.com.dedc, LLC and/or its affiliates and subsidiaries.

**Project Location:** Shelby Township

**MBDP Incentive Type:** Performance Base Grant

**Maximum Amount of MBDP Incentive:** Up to \$4,500,000

**Base Employment Level:** At least 277

**Qualified New Jobs:** At least 1,025

**Municipality Supporting Project:** Shelby Township has agreed to provide staff, financial or economic assistance in support of the project.

**Start Date for Measurement of Creation of Qualified New Jobs:** Date of MSF Board Approval

**Term of the Agreement:** June 30, 2021

**Milestone Based Incentive:** Disbursements will be made over a 2 year period and will be performance based on job creation as follows:  
Milestone 1: \$3,500,000 for the creation of 800 jobs.  
Milestone 2: \$1,000,000 for the creation of 225 jobs.

*The detailed numbers, and statutorily required repayment and reporting provisions, will be reflected in the subsequent transaction documents.*

**Acknowledged as received by:**

Amazon.com.dedc, LLC  
 By: Braden Cox  
DocuSigned by:  
312937755852456...  
 Printed Name: Braden Cox  
 Its: Vice President

Michigan Economic Development Corporation  
 By: Trevor Friedberg  
 Printed Name: Trevor Friedberg  
 Its: Sr. Business Development Project Manager



## MEMORANDUM

**Date:** September 26, 2017

**To:** Michigan Strategic Fund (“MSF”) Board Members

**From:** Mike Gietzen, Senior Business Development Project Manager

**Subject:** Newell Brands Inc. (“Company” or “Applicant”)  
Michigan Business Development Program Performance-based Grant Request

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### Summary

This is a request from Newell Brands Inc. for a \$1,479,000 performance-based grant. This project involves the creation of 87 Qualified New Jobs and a capital investment of up to \$7,298,600 in the City of Kalamazoo within Kalamazoo County.

As a result of the acquisition of Jarden, Newell Brands is requiring an expansion of the Company’s existing design capabilities in order to accommodate the additional product lines. The Company currently has R&D operations in Hoboken, New Jersey; Chicago, Illinois; and in Kalamazoo, Michigan, all of which are well-situated to house the new design functions. Newell Brands is evaluating which of the locations and what level of growth should occur at each of these centers to meet their expansion needs.

The Kalamazoo location would require the most new construction to meet the needed expansion. Additionally, the Kalamazoo Newell Design Center has been a magnet for talented, creative workers into the Kalamazoo area. As a result, Newell Brands has had a very positive experience in Kalamazoo. However, the Company has concerns about the ability continue to create a pipeline of talent and continue attracting talent to the Kalamazoo. To accommodate for the new employment levels, the Company must address the financial risk that salaries may have to be increased above budgeted levels to compete in a limited talent pool. Incentive assistance was necessary to ensure the project move forward in Michigan.

### Background

The Company began in 1903 as Newell Manufacturing Company in Ogdensburg, NY. In 1999 it became known as Newell Rubbermaid, and after its recent acquisition of Jarden, became Newell Brands. Today the Company is a leading global consumer goods manufacturing company with a strong portfolio of well-known market-leading brands, including Paper Mate®, Sharpie®, EXPO®, Parker®, Elmer’s®, Coleman®, K2®, Rawlings®, Irwin®, Lenox®, Oster®, Sunbeam®, Rubbermaid Commercial Products®, Graco®, Baby Jogger®, Aprica®, Calphalon®, Rubbermaid®, Goody®, First Alert®, FoodSaver®, Jostens®, NUK®, Yankee Candle®, Bionaire®, Breville®, Crock-Pot®, FoodSaver®, Health o meter®, Holmes®, Mr. Coffee®, Oster®, Patton®, Rainbow®, Rival®, Seal-a-Meal®, skybar®, Sunbeam®, and VillaWare®.

On March 27, 2013, the MSF Board authorized a \$2,000,000 Performance-based grant for Newell Rubbermaid to construct a new product design and testing facility in Kalamazoo, which was anticipated to result in the creation of 100 Qualified New Jobs. The Kalamazoo Design Center was opened in 2014 with the objective of bringing together multiple disciplines within the full range of product design and innovation disciplines including graphic and industrial design, prototyping, usability, color, material and trend analysis. The Company has created 113 new jobs at the facility, meeting all performance milestones under the grant and is currently in the maintenance period.

As a result of the acquisition of Jarden, Newell Brands is requiring an expansion of the Company's existing design capabilities in order to accommodate the additional product lines. A review of the existing footprint at the Design Center indicated that a 22,225 sq. ft. expansion to the west of the existing facility would be needed to house new growth at the Kalamazoo facility. The Company estimates it will invest \$7.2 million and create 87 new jobs related to the expansion.

The MEDC has completed a civil and criminal background check for the entity and individuals related to this project.

### **Considerations**

- a) The Applicant is a "Qualified Business", as defined in MCL 125.2088r(7)(b), that is located and operates in Michigan.
- b) The project will be located in the City of Kalamazoo. The City of Kalamazoo has offered a "staff, financial, or economic commitment to the project" in the form of a tax abatement, estimated to be worth \$1,515,000, which will help reduce the overall cost of doing the project in Michigan.
- c) The Applicant has demonstrated a need for the funding. As to be expected following the merger of two large global companies, integration activities and plans for realignment/growth have created tremendous competition for capital within the Company. Incentive assistance makes the Kalamazoo location more cost-competitive among the other locations under consideration, none of which require the level of new construction as would be required in Kalamazoo. In addition to mitigating the capital costs the Company has identified concerns about the depth of the labor market in Kalamazoo. To accommodate for the new employment levels the Company must address the financial risk that salaries may have to be increased above budgeted levels to compete in a limited talent pool.
- d) The Applicant plans to create 87 Qualified New Jobs above a statewide base employment level of 113.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: involves out-of-state competition from New Jersey and Illinois, shovel-ready project with the support of the MSF, diversification of Michigan economy, prospect of near-term job creation, high wage level for new jobs, and is projected to result in a net positive return for the State of Michigan.

### **Recommendation**

MEDC Staff recommends the following (collectively, "Recommendation"):

- a) Approval of the MBDP Proposal as outlined in the attached term sheet (collectively, "MBDP Proposal");
- b) Closing the MBDP Proposal, subject to available funding under the MBDP at the time of closing ("Available Funding"), satisfactory completion of due diligence (collectively, "Due Diligence"), finalization of all MBDP transaction documents; and
- c) Commitment will remain valid for 120 days with approval for the MSF Fund Manager to extend the commitment an additional 60 days.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION 2017-**

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO  
NEWELL BRANDS INC.**

**WHEREAS**, the Michigan legislature passed legislation establishing the 21<sup>st</sup> Century Jobs Trust Fund initiative that was signed into law;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the Michigan Strategic Fund (“MSF”) for 21<sup>st</sup> Century Jobs Trust Fund programs;

**WHEREAS**, pursuant to MCL 125.2088r, the MSF shall create and operate the Michigan Business Development Program (“MBDP”) to provide grants, loans and other economic assistance to qualified businesses that make qualified investments or provide qualified new jobs in Michigan;

**WHEREAS**, on December 21, 2011, by Resolution 2011-184, the MSF (i) created the MBDP, and (ii) adopted the guidelines for the MBDP (“Guidelines”);

**WHEREAS**, pursuant to SFCR 125.2088r-1, the MSF approved the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate awards and decisions approved under the MBDP in accordance with the Guidelines (“Transaction Documents”);

**WHEREAS**, the Guidelines require that MBDP awards over \$1 million must be approved by the MSF Board;

**WHEREAS**, Newell Brands Inc. (“Company”) has requested a performance based MBDP grant of up to \$1,479,000 (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”); and

**WHEREAS**, the MEDC recommends that the MSF approve the Company’s Grant Request in accordance with the Term Sheet, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents, within 120 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 60 days (“MBDP Award Recommendation”).

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board approves the MBDP Award Recommendation.

Ayes:

Nays:

Recused:

Lansing, Michigan  
September 26, 2017

MICHIGAN ECONOMIC  
DEVELOPMENT CORPORATION

**MICHIGAN BUSINESS DEVELOPMENT PROGRAM  
Performance Based Incentive - Term Sheet - Definitions**

This document contains terms and definitions, which will be used to structure this incentive. While the MBDP is operated and funded through the MSF, recommendation for approval of a MBDP incentive award is presented by the Michigan Economic Development Corporation ("MEDC") to the MSF. Exhibit A will be presented to the MSF for consideration.

**Terms and Definitions:**

**Base Employment Level:** The number of jobs currently maintained in Michigan by the Company based on data submitted by the Company to the MEDC reflecting the Company's employment level in Michigan prior to the proposed project. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement ("Agreement") between the MSF and the Company.

**Qualified New Job Creation:** The minimum number of total Qualified New Jobs the Company shall be required to create in Michigan (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required), and each Qualified New Job must be in excess of the Base Employment Level. The final terms and conditions of the requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.

**Company Investment:** The Company anticipates investment of up to \$7,298,600 for new construction, computers and IT, and furniture and fixtures, *or any combination thereof, for the Project.*

**Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide: the City of Kalamazoo has committed to a property tax abatement related to the Project. The final terms and conditions demonstrating this support shall be included in the final Agreement.

**Disbursement Milestones:** The final terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award shall be included in the final Agreement, including that before any disbursement is made to the Company, the Company must have maintained: (i) the Base Employment Level (exclusive of the number of Qualified New Jobs then created) and (ii) any Qualified New Jobs created for which disbursements by the MSF have been made, and the Company must otherwise be in compliance with all terms and conditions of the final Agreement, and further shall include::

- a. **Disbursement Milestone 1:** Up to \$629,000      Upon demonstrated creation of 37 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than June 30, 2018.
- b. **Disbursement Milestone 2:** Up to \$425,000      Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 25 additional Qualified New Jobs (for a total of 62 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2019.
- c. **Disbursement Milestone 3:** Up to \$425,000      Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 25 additional Qualified New Jobs (for a total of 87 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2020.

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MICHIGAN ECONOMIC  
DEVELOPMENT CORPORATION

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**Repayment Provisions:** Repayment provisions are required by law. The Repayment terms and conditions will be effective through the Term of the Agreement and shall be defined in the final Agreement. The final repayment provisions may require repayment of some or all of the disbursements made by the MSF, including if the Company moves 25% or more of their employees out of Michigan, if the Company fails to maintain the Base Employment Level in Michigan, if the Company fails to maintain the Qualified New Jobs incented by this Award.

**Reporting Requirements:** Periodic reporting will be required with this program. The detailed information needed from the Company will be included in the final Agreement, but will include Project reporting for such things as: amount of proposed incentive, amount of actual incentive received by Company; amount of proposed and actual investment made by Company for Project; the committed number of new jobs and the actual number of new jobs created as a result of the Project.

**Public Announcements:** The Company shall not make, or cause, any announcement of the proposed MBDP Incentive Award parameters outlined in this letter before the date of approval by the MSF of the MBDP Incentive Award, unless prior authorized and coordinated with the MEDC. At the request and expense of the MSF or the MEDC, the Company will cooperate with the MSF or the MEDC to promote the Project through one or more of the placement of a sign, plaque, media coverage or other public presentation at the Project or other location acceptable to the Parties.

MICHIGAN ECONOMIC  
DEVELOPMENT CORPORATION

**EXHIBIT A**  
**MICHIGAN BUSINESS DEVELOPMENT PROGRAM**  
**Performance Based Incentive - Term Sheet - Summary**

The following is a summary of the highlights of the project and basic terms for which the Company desires grant support from the Michigan Strategic Fund ("MSF") under the Michigan Business Development Program ("MBDP").

**Date:** 9/5/2017

**Company Name:** Newell Brands and/or its affiliates and subsidiaries.

**Project Location:** 3300 Research Way  
Kalamazoo, Michigan 49008

**MBDP Incentive Type:** Performance Based Grant

**Maximum Amount of MBDP Incentive:** Up to \$1,479,000

**Base Employment Level:** At least 113

**Qualified New Jobs:** At least 87 at the Project Location.

**Municipality Supporting Project:** The City of Kalamazoo has agreed to provide staff, financial or economic assistance in support of the project.

**Start Date for Measurement of Creation of Qualified New Jobs:** August 15, 2017 (Accepted date of Offer Letter)

**Term of the Agreement:** June 30, 2021


**Milestone Based Incentive:** Disbursements will be made over a 4 year period and will be performance based on job creation as follows:  
Milestone 1: \$629,000 for the creation of 37 jobs.  
Milestone 2: \$425,000 for the creation of 25 jobs.  
Milestone 3: \$425,000 for the creation of 25 jobs.

*The detailed numbers, and statutorily required repayment and reporting provisions, will be reflected in the subsequent transaction documents.*

**Acknowledged as received by:**

Newell Brands

By:



Printed Name:

Alan Cranston

Its:

\_\_\_\_\_

Michigan Economic Development Corporation

By:



Printed Name:

Michael Gietzen

Its:

Business Development Project Mgr.

Newell Brands

## MEMORANDUM

**Date:** September 26, 2017

**To:** Michigan Strategic Fund (“MSF”) Board

**From:** Mike Gietzen, Senior Business Development Project Manager

**Subject:** Southwest Michigan First Corporation (“Company” or “Applicant”)  
Amendment to Approved Michigan Business Development Program Loan Agreement

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### Request

The Company is requesting an amendment to its existing Michigan Business Development Program (MBDP) performance based Loan Agreement by extending out the repayment terms an additional five years to support a new expansion project by Newell Brands at their Kalamazoo Design Center.

### Background

On March 27, 2013, The Company was awarded a \$4 million Michigan Business Development Performance-based Loan to design, build, and lease a 35,000 sq. ft. design and testing facility for Newell Rubbermaid Inc. The MSF Board also awarded Newell Rubbermaid Inc. a \$2 million Michigan Business Development Performance-based grant for the creation of 100 Qualified New Jobs.

As a result of the acquisition of Jarden in 2016, Newell Brands is requiring an expansion of the Company’s existing design capabilities in order to accommodate the additional product lines. The Company currently has R&D operations in Hoboken, New Jersey; Chicago, Illinois; and in Kalamazoo, Michigan, all of which are well-situated to house the new design functions. Newell Brands is evaluating which of the locations and what level of growth should occur at each of these centers to meet their expansion needs. The anticipated Project will require an expansion of 22,000 sq. ft. to their existing Design Center in Kalamazoo which will create an additional 87 Qualified New Jobs above the 113 jobs that have been created since 2013. The Company anticipates that it will invest \$7.3 million into the project through new construction, computers and IT, and furniture and fixtures. In order to accommodate this growth, the Company is seeking an amendment to its existing MBDP Loan Agreement.

The original Loan Agreement required annual interest payments of \$40,000 every April 1 for 5 years ending in 2018, with the outstanding loan balance due October 31, 2018. To date, the Company has made all required payments. The proposed amendment will restructure the repayment terms to extend the payments and fix annual P&I payments at \$140,000 commencing April 1, 2019. The outstanding balance will be due on October 31, 2023.

### Recommendation

MEDC Staff recommends the following (collectively, “Recommendation”):

- a) Amend the MBDP Agreement by amending the repayment terms as outlined in Exhibit A.
- b) All other aspects of the approval remain unchanged.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION 2017-**

**APPROVAL OF AMENDMENTS TO THE  
MICHIGAN BUSINESS DEVELOPMENT PROGRAM LOAN TO  
SOUTHWEST MICHIGAN FIRST CORPORATION**

**WHEREAS**, the Michigan legislature passed legislation establishing the 21<sup>st</sup> Century Jobs Trust Fund initiative that was signed into law;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the Michigan Strategic Fund (“MSF”) for 21<sup>st</sup> Century Jobs Trust Fund programs;

**WHEREAS**, pursuant to MCL 125.2088r, the MSF shall create and operate the Michigan Business Development Program (“MBDP”) to provide grants, loans and other economic assistance to qualified businesses that make qualified investments or provide qualified new jobs in Michigan;

**WHEREAS**, on December 21, 2011, by Resolution 2011-184, the MSF (i) created the MBDP, and (ii) adopted the guidelines for the MBDP (“Guidelines”);

**WHEREAS**, pursuant to SFCR 125.2088r-1, the MSF approved the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate awards and decisions approved under the MBDP in accordance with the Guidelines (“Transaction Documents”);

**WHEREAS**, the Guidelines require that MBDP awards over \$1 million must be approved by the MSF Board;

**WHEREAS**, on March 27, 2013, by Resolution No. 2013-051, the MSF approved a performance based MBDP loan of up to \$4 million (“Loan”) for Southwest Michigan First Corporation (“Company”);

**WHEREAS**, the Company has requested that the Loan be amended to provide for a revised repayment schedule, along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”); and

**WHEREAS**, the MEDC recommends that the MSF approve the Company’s Loan amendment request in accordance with the Term Sheet, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents within 120 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 60 days (“Loan Amendment”).

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board approves the Loan Amendment.

Ayes:

Nays:

Recused:

Lansing, Michigan  
September 26, 2017



## **EXHIBIT A**

### Term Sheet

**Amend the Loan to reflect:**

- Borrowers:** Southwest Michigan First Corporation and Southwest Michigan Builders, LLC (and/or such other affiliated entit(ies) having an ownership or other interest in the collateral noted below), jointly and severally.
- Interest Rate:** 1% per annum on the outstanding principal balance.
- Repayment Terms:** Fixed annual payments of principal and interest of a minimum of \$140,000, starting 04/01/19 and continuing through 04/01/23, with a balloon payment of all outstanding amounts due on 10/01/23, unless accelerated prior thereto as a result of default; all payments applied first to costs, fees, interest, then principal. No prepayment penalty.

## MEMORANDUM

**Date:** September 26, 2017

**To:** Michigan Strategic Fund Board

**From:** Christine Whitz, Director, Community Development Block Grant Program

**Subject:** *Community Development Block Grant Program  
2017 Infrastructure Capacity Enhancement Grants (ICE)*

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### Request

Fourteen (14) units of general local government (UGLG) are requesting a total of \$23,260,230 in Community Development Block Grant (CDBG) funds for infrastructure improvements in their communities. In addition, MEDC staff is requesting \$255,371 in CDBG funds to provide CDBG Certified Grant Administrators (CGA) to assist these communities with the compliance and administrative requirements of the awards.

### Background

On November 22, 2016, the Michigan Strategic Fund (MSF) approved a set aside of up to \$20,000,000 in CDBG funds for a competitive round of Infrastructure Capacity Enhancement (ICE) grants. Activities eligible for funding included upgrades or replacement of existing public infrastructure related to water, sewer and wastewater systems. These activities included: water lines and related facilities; sanitary and storm sewer lines and related facilities; and wastewater treatment plants and related activities, with only road replacement activities related to these activities being eligible.

The MSF received forty-eight (48) Part I Applications requesting \$72,478,670. The fourteen UGLGs recommended have completed a full application, and are on target to complete HUD's environmental review. This would allow them to start construction immediately following the execution of the grant agreement.

While twelve communities were initially selected, two additional communities warranted funding based on overall scoring and project need, accounting for \$3,260,230 in addition to the original request made in November, 2016.

Program specific requirements and screening guidelines are addressed in **Appendix A**.

A list of the fourteen recommended projects is attached as **Appendix B** to this resolution and totals \$23,515,601 which includes the additional \$255,371 in administrative cost. The list includes the CDBG applicants, project description, percentage of low and moderate income people living in the community, grant amount requested, grant administration amount requested and local match commitment.

**Recommendation**

MEDC Staff recommends the MSF to authorize:

- The increase of \$3,515,601 to the original set aside of \$20,000,000 in November, 2016 to fund ICE projects and,
- A total of \$23,515,601 for the fourteen projects listed in **Appendix B** of this resolution.

## APPENDIX A – Programmatic Requirements & Screening Guidelines

### Program Requirements

The projects were evaluated utilizing the CDBG requirements. It has been determined that the projects meet the following requirements to qualify as an eligible project under the CDBG program:

- **National Objective:**  
The projects qualify for CBDG funding as the project’s activities will benefit all residents of the project area and at least 51 percent of the residents of the community are low and moderate income persons as determined by census data provided by the U.S. Department of Housing and Urban Development or an income survey previously approved by staff. The projects meet a national objective by providing benefit to at least 51 percent low and moderate income persons.
- **Eligible Activity:**  
The projects involve eligible activities identified in Section 105(a)(2) of Title I of the Housing and Community Development Act of 1974, as amended.

### Screening Guidelines

All recommended projects have met the following criteria:

1. Located in a Community listed on the CDBG Low-Moderate Income Community Customer list and the project benefits the entire community.
2. Shall be for an existing system capital replacement or upgrade, not system expansion or maintenance.
3. Community has a locally approved Capital Improvements Plan (CIP) and the proposed project is specifically identified within the CIP as a non-maintenance capital expenditure.
4. Includes only eligible CDBG activities and Community owns or is able to acquire easement to the property encompassing the project.
5. Community is contributing a minimum cash match equal to 10% of total project costs.
6. Communities demonstrate a management/maintenance plan for the proposed project for its useful life.
7. Timeline of project to be completed by December 31, 2019.
8. Grant request between \$500,000 and \$2,000,000. (One grant request per community)
9. Community was not awarded a grant under the 2016 ICE funding round.
10. Community had a set of project plans and specifications.

The projects being recommended were scored and given priority based on:

- The need for the proposed project clearly defined and supported one or more of the following concerns:
  - Health, Sanitation and Security
  - Aging Infrastructure
  - Capacity concerns of existing but burdened systems (future growth not eligible)
- The use of Green Infrastructure clearly defined.
- Plans and specifications complete and sealed by an engineer at time of application
- Community formally engaged in the Redevelopment Ready Communities® program
- Community either a Master or Select community in Michigan’s Main Street program

The MEDC staff has concluded that the projects meet the minimum program requirements and screening guidelines to be eligible under the CDBG program.

**APPENDIX B - Infrastructure Capacity Enhancement (ICE) Recommended Projects**

<b>Applicant/ Communities</b>	<b>Project Description</b>	<b>Percent Low/Mod</b>	<b>CDBG Request</b>	<b>Admin Cost Request</b>	<b>Total Local Match</b>
City of Adrian	Sanitary Sewer Improvements	53.2%	\$1,890,000	\$25,280	\$1,360,000
City of Bad Axe	Water Main Installation and Sanitary Sewer Improvements	53.8%	\$1,620,000	\$13,500	\$180,000
Village of Buckley	New Well House and Water Main Improvements	72.4%	\$1,251,810	\$30,000	\$139,090
City of Coleman	Waste Stabilization and Pump Station Improvements	61.0%	\$1,800,000	\$14,000	\$200,000
City of Croswell	Water Well and Filtration Plant Improvements	51.7%	\$1,881,000	\$14,000	\$209,000
Village of Deckerville	Water Storage Tower Improvements	55.9%	\$1,260,000	\$13,750	\$140,000
City of Grand Haven	Harbor Drive Road, Water and Sewer Improvements	62.2%	\$1,151,590	\$20,025	\$127,955
City of Grayling	Sewer Improvements	62.5%	\$1,531,530	\$30,000	\$170,170
City of Harrison	Water and Sewer Improvements	60.7%	\$2,000,000	\$28,000	\$300,000
City of Hillsdale	Sanitary Sewer, Storm Sewer, and Water Main Replacements and Improvements.	52.2%	\$1,880,300	\$28,960	\$237,700
Village of Lake Odessa	Sixth and Fifth Avenue Water Main Replacements, and Storm Water Drainage Improvements.	55.1%	\$2,000,000	(Staff CGA)	\$220,000
City of Lapeer	Sanitary Sewer and Pump Station Improvements	55.1%	\$1,869,000	\$7,856	\$231,000
Village of Roscommon	Rebuilding Sanitary Sewer Gravity Main, Waste Water Lift Station Upgrades, and Water Main Replacement.	65.1%	\$2,000,000	\$30,000	\$292,500
Village of Vernon	Sanitary Sewer and Storm Sewer System Improvements	70.6%	\$1,125,000	(Staff CGA)	\$125,000
<b>TOTAL</b>			<b>\$23,260,230</b>	<b>\$255,371</b>	<b>\$3,932,415</b>

## MICHIGAN STRATEGIC FUND

### RESOLUTION 2017- \_\_\_\_\_

#### APPROVAL OF INFRASTRUCTURE CAPACITY ENHANCEMENT (ICE) GRANTS

**WHEREAS**, Executive Order 1999-1, issued pursuant to Article V of the Michigan Constitution of 1963 and the laws of State of Michigan, consolidated the State's economic development functions and programs and their accompanying powers of the Michigan Strategic Fund ("MSF");

**WHEREAS**, Executive Order 1999-1 transferred from the Michigan Jobs Commission to the MSF all authority, powers, duties, functions, grants, and responsibilities, including the functions of budgeting, procurement, personnel, and management related functions, of the Community Development Block Grant ("CDBG") program;

**WHEREAS**, The CDBG program has policies, criteria, and parameters that are enumerated in the Program Guidelines, as amended (the "Criteria"). The MSF, by Resolution 2015-039, authorized and approved the Consolidated Plan and the Criteria and the MSF, by Resolution 2017-086, authorized and approved the 2017 Application Guide which includes guidelines for area benefit grants;

**WHEREAS**, pursuant to SFCR 10.1-1, the MSF approved the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate awards or decisions approved under the CDBG program;

**WHEREAS**, the Communities listed in Exhibit A (the "Community") have submitted a complete application for approval requesting funding to be used to fund their Infrastructure Capacity Enhancement (ICE) Project (the "Project");

**WHEREAS**, the CDBG program staff reviewed the proposed Project in light of the Criteria, Guide and HUD regulations and concluded the Project is eligible for funding, is not speculative in nature, is economically sound, is ready to proceed, and at least 51% of the project beneficiaries are low and moderate income persons.

**WHEREAS**, staff recommends an increase of \$3,515,601 to the original set aside of \$20,000,000 in November, 2016 to fund ICE projects and, that a grant agreement be authorized and entered into with the Communities identified in **Exhibit A** for funds from the CDBG program for the reasons set forth in this Resolution.

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF authorizes grants to the Communities identified in **Exhibit A** not to exceed \$23,515,601 for the payment or reimbursement of costs associated with their Project contingent upon the MSF's continued receipt of CDBG funds, and availability of adequate funds; and

**BE IT FURTHER RESOLVED**, the MSF Fund Manager, in coordination with MEDC staff is directed to negotiate the terms of a grant agreement for the Project consistent with this Resolution; and

**BE IT FURTHER RESOLVED**, if the Community fails to execute and return the grant agreement to staff within 180 days of the date this Resolution is adopted, this Resolution shall be of no further force and effect and shall be void.

Ayes:

Nays:

Recused:

Lansing, Michigan  
September 26, 2017

<b>Applicant/ Communities</b>	<b>Project Description</b>	<b>Percent Low/Mod</b>	<b>CDBG Request</b>	<b>Admin Cost Request</b>	<b>Total Local Match</b>
City of Adrian	Sanitary Sewer Improvements	53.2%	\$1,890,000	\$25,280	\$1,360,000
City of Bad Axe	Water Main Installation and Sanitary Sewer Improvements	53.8%	\$1,620,000	\$13,500	\$180,000
Village of Buckley	New Well House and Water Main Improvements	72.4%	\$1,251,810	\$30,000	\$139,090
City of Coleman	Waste Stabilization and Pump Station Improvements	61.0%	\$1,800,000	\$14,000	\$200,000
City of Croswell	Water Well and Filtration Plant Improvements	51.7%	\$1,881,000	\$14,000	\$209,000
Village of Deckerville	Water Storage Tower Improvements	55.9%	\$1,260,000	\$13,750	\$140,000
City of Grand Haven	Harbor Drive Road, Water and Sewer Improvements	62.2%	\$1,151,590	\$20,025	\$127,955
City of Grayling	Sewer Improvements	62.5%	\$1,531,530	\$30,000	\$170,170
City of Harrison	Water and Sewer Improvements	60.7%	\$2,000,000	\$28,000	\$300,000
City of Hillsdale	Sanitary Sewer, Storm Sewer, and Water Main Replacements and Improvements.	52.2%	\$1,880,300	\$28,960	\$237,700
Village of Lake Odessa	Sixth and Fifth Avenue Water Main Replacements, and Storm Water Drainage Improvements.	55.1%	\$2,000,000	(Staff CGA)	\$220,000
City of Lapeer	Sanitary Sewer and Pump Station Improvements	55.1%	\$1,869,000	\$7,856	\$231,000
Village of Roscommon	Rebuilding Sanitary Sewer Gravity Main, Waste Water Lift Station Upgrades, and Water Main Replacement.	65.1%	\$2,000,000	\$30,000	\$292,500
Village of Vernon	Sanitary Sewer and Storm Sewer System Improvements	70.6%	\$1,125,000	(Staff CGA)	\$125,000
<b>TOTAL</b>			<b>\$23,260,230</b>	<b>\$255,371</b>	<b>\$3,932,415</b>



**MEMORANDUM**

**Date:** September 26, 2017

**To:** Michigan Strategic Fund Board

**From:** Nate Scramlin, Senior Community Assistance Team Specialist  
Julius Edwards, Manager, Underwriting and Incentive Structuring  
Lisa Edmonds, MCRP and Brownfield Program Specialist

**Subject:** City of Lansing Brownfield Redevelopment Authority - Request for Approval of an Act 381 Work Plan – Oliver Towers Redevelopment

George F. Eyde Family, LLC or Related Party - Request for Approval of a Michigan Community Revitalization Program Other Economic Assistance Award – Oliver Towers Redevelopment

**Request**

The proposed project is a mixed-use, multi-story redevelopment of the vacant, 8-story “Oliver Towers” building located in heart of Downtown Lansing just north of the State Capitol. The project will include approximately 4,430 square feet of office/retail space on the first floor, along with 103 market rate residential units on floors two through eight. The proposed project will be undertaken by the George F. Eyde Family, LLC and will redevelop 1.6 acres of property located at 310 N. Seymour Avenue in the City of Lansing. The project is located in a downtown and qualifies for a Michigan Community Revitalization Program (MCRP) award and Act 381 work plan because it has been deemed a functionally obsolete property.

In order to alleviate brownfield conditions and prepare the proposed project site for redevelopment, the City of Lansing Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of \$967,796.

George F. Eyde Family, LLC is also requesting approval of a MCRP incentive in the amount of \$2,400,000 in the form of an Other Economic Assistance Loan Participation award. The proposed award includes \$1,000,000 to be forgiven upon construction completion and achievement of other performance-based criteria.

The total cost to complete the proposed renovation is estimated at \$13,698,710. The building has been vacant for nearly 15 years and requires extensive interior demolition and remediation of mold growth and asbestos containing materials. These required non-value added renovation activities coupled with relatively low residential and commercial markets rents has necessitated the request for MCRP assistance to complete the redevelopment of the property. Additionally, it is anticipated that the project will

generate less than 1.0% cash-on-cash return. The development team has been able to secure traditional debt on the project of \$5 million. Additionally, the development team is contributing sources to the project that total more than 45% of the total development cost. To bridge the remaining financing gap the development team is requesting consideration for up to a \$2,400,000 in MCRP award.

*The project deviates from the MCRP parameters that limit developer and related-party consulting fees to 4.0% of the total development cost. MEDC staff is comfortable with this deviation as the development team is deferring 100% of the development fees and the deferment will not impact repayment of the MSF award. Additionally, staff is requesting to advance up to 25% of “Eligible Investment” on a property that has not been designated as historic.*

The eligible activities will alleviate brownfield conditions across the site and make it suitable for redevelopment, and protect human health and the environment. Without brownfield tax increment reimbursement, the cost burden related to brownfield conditions would make the project financially unfeasible. The MCRP detailed structure is provided in **Appendix A**.

The Applicant anticipates that the project will result in total capital investment in the amount of \$13,698,710, including MCRP eligible investment of \$9,730,785, along with the creation of approximately 10 permanent full-time equivalent jobs with an average hourly wage of \$16.

### **Background**

The existing building is currently vacant and has been exceedingly underutilized for over 15 years with only the commercial portions of the building occupied since 2000. The proposed renovation project will include office/retail in addition to 103 residential units. The proposed mix of uses in this downtown location will promote many of the attributes of walkable communities.

The original building structure was built in 1971 with one addition in 1992. Redevelopment of the site has been hindered for some time due to the extensive brownfield conditions including, but not limited to, significant asbestos containing building materials and mold growth due to water intrusion. Redevelopment plans include extensive interior building demolition, new interior construction and improvements to the building facade, existing courtyard and site features. The final project will include 48,045 square feet of residential rental units and 4,430 square feet of commercial space.

The Eyde Company, of which the George F. Eyde Family, LLC is a related-party entity, specializes in Land Development, Office and Retail Sales and Leasing, Construction, Property Management, and Residential Apartment Rentals and Management. The Eyde Company holds a substantial and varied inventory in the Lansing capital area, as well as Ann Arbor and Kalamazoo. The Eyde Company has received MSF support in the past and been successful in delivering completed properties including the historic renovation of the Knapp’s Centre in downtown Lansing.

**Appendix B** addresses the programmatic requirements and **Appendix C** includes a project map and renderings.

### **Recommendation**

MEDC staff recommends approval of the following (the “Recommendation”):

- a) Local and school tax capture for the Act 381 eligible activities totaling \$967,796 Using the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$511,105;
- b) MCRP Other Economic Assistance Loan Participation Award in the amount \$2,400,000 of which \$1,000,000 will be forgiven upon construction completion and achievement of other performance-based criteria;
- c) Waiver of the 4.0% cap on developer and related-party consulting fees;
- d) Waiver to allow for the advance of up to 25% of “Eligible Investment” on a property not designated as an historic resource.

## APPENDIX A

### **FINANCING OPPORTUNITY – MCRP OTHER ECONOMIC ASSISTANCE LOAN PARTICIPATION**

The project is seeking Michigan Strategic Fund (MSF) participation in coordination with Wells Fargo Bank (Lender) as the senior lender. The Lender, along with the Borrower, has requested the MSF participate in up to \$2,400,000 of a total \$7,400,000 in construction to permanent loan financing. The MSF would be pari passu in terms of payments on its share of the loan, but would limit its payments to a level to help assist in the project maintaining a minimum debt service coverage ratio of 1.20 to 1.00. The MSF would also allow the collateral to apply first to the Lender's share in an event of liquidation. It is anticipated that disbursements to the project on the loan will be made on a pro-rata basis. The table below outlines a summary of the development sources and the proposed structure of the loan participation.

#### **SUMMARY OF DEVELOPMENT SOURCES:**

Wells Fargo Share	\$ 5,000,000	36.5%
MSF Share	\$ 2,400,000	17.5%
EPA Grant	\$ 9,900	0.1%
Developer Equity	\$ 4,213,810	30.8%
Deferred Fees	\$ 2,075,000	15.1%
<b>TOTAL</b>	<b>\$13,698,710</b>	<b>100.0%</b>

<b>MSF Facility</b>	MCRP Loan Participation and Servicing Agreement Under "Other Economic Assistance"
<b>Borrower:</b>	George F. Eyde Family, LLC
<b>Lender:</b>	Wells Fargo
<b>Total Financing Amount:</b>	Currently estimated at \$7,400,000
<b>Lender Share:</b>	Currently estimated at \$5,000,000
<b>MSF Share:</b>	Up to the lesser of 25% of "Eligible Investment" or \$2,400,000
<b>Term:</b>	To match that of the Lender, not to exceed 60 months.
<b>Amortization:</b>	To match that of the Lender, not to exceed 300 months following an interest only period.
<b>Interest Rate:</b>	On the MSF share anticipated to be 1.00% per annum.

**Repayment Terms:** Up to 36 months of monthly interest only payments followed by monthly principal and interest payments. Principal balance due at maturity.

Up to 1,000,000 of the MSF Share of the financing to be forgiven upon construction completion and achievement of other performance criteria.

**Limited Subordination of Payments**

During the amortization period, payments on the MSF Share will set periodically at level to assist the project in maintaining a debt service coverage ratio 1.20 to 1.00.

**Collateral:** To match that of the Lender, currently anticipated being a mortgage lien on the property, assignment of leases and rents, and a security interest in the TIF reimbursements. MSF share of collateral will be subordinated to that of the Lender.

**Guarantee:** Anticipated to be the limited unsecured guarantee of George F. Eyde Manager, LLC.

**MSF Fees:** The MSF shall be paid a one-time fee equal to one percent of the MSF's share of the loan. The Lender may charge the borrower for this fee.

**Funding:** The MSF will fund up to \$2,400,000 to be disbursed following closing of the financing and other performance criteria.

**Other Conditions:** The MSF's investment will be contingent upon the following:

- A minimum owner equity contribution of \$4,200,000 to the project.
- Receipt of a "Guaranteed Maximum Price" construction contract.
- Receipt of Final Project Budget

## **APPENDIX B – Programmatic Requirements & Screening Guidelines**

### **Property Eligibility**

The project is located within the boundaries of the City of Lansing, which is a Qualified Local Governmental Unit, and has been deemed functionally obsolete as verified by a Michigan Certified Assessing Officer (MCAO) on April 22, 2016.

The property is the subject of a Brownfield Plan, duly approved by the City of Lansing Brownfield Redevelopment Authority on September 11, 2015 and concurred with by City of Lansing on November 9, 2015.

### **MCRP Program and its Guidelines**

On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program (MCRP) and on September 22, 2015, the MSF Board approved its restated program guidelines. The primary intended objective of the MCRP is to provide incentives to persons that make eligible investments on eligible property in Michigan. The total eligible investment for this project is estimated to be \$9,730,785.

### **Source of Information**

It is the role of the Project Management staff (MEDC Staff) to review for eligibility, completeness, and adherence to MCRP guidelines, the information provided by the applicant and to manage the MSF's investment. Explanatory and background information is supplied in summary form to provide context for the request and is drawn exclusively from materials submitted by the applicant, and, as applicable, from other relevant third party sources utilized by staff.

As required under the MCRP, the following statutory criteria is being considered by the MSF:

**A. The importance of the project to the community in which it is located:**

The majority of the Oliver Towers property has sat vacant for nearly 15 years showing continual decline and diminishing the values of surrounding properties. The City of Lansing's master plan currently identifies mixed-use redevelopment as a high priority for the downtown district. This project will put the property back to full use, increasing urban density in the downtown area. As previously stated, the project will provide 103 additional housing units and 4,430 square feet of retail/office space to the downtown area which is a priority for the City and region. This is a high priority project in the city of Lansing.

**B. If the project will act as a catalyst for additional revitalization of the community in which it is located:**

The project will add new commercial and residential tenants to the downtown. These additions are expected to act as a catalyst for new development and growth. The addition of new people in the downtown is also expected to increase the economic vitality of local businesses.

**C. The amount of local community and financial support for the project:**

The City of Lansing Brownfield Redevelopment Authority and the City Council approved a brownfield plan for the reimbursement of eligible activities in the amount of \$967,796, and the City's portion of that is estimated to be \$456,691.

**D. The applicant's financial need for a community revitalization incentive:**

The development team has been able to secure traditional debt on the project of \$5 million. Additionally, the development team is contributing sources to the project that total more than 45% of the total development cost. To bridge the remaining financing gap the development team is requesting consideration for up to a \$2,400,000 MCRP award. Including the benefit of the proposed MCRP award the projections show the development team receiving less than a 1% cash-on-cash return on the project.

**E. The extent of reuse of vacant buildings, reuse of historical buildings, and redevelopment of blighted property:**

Through a complete renovation this project will bring new life back into the Oliver Towers building in downtown Lansing—one that has stood vacant and underutilized for many years.

**F. Creation of jobs:**

This project anticipates the creation of 10 jobs with an average hourly wage estimated to be \$16.

**G. The level of private sector and other contributions, including, but not limited to, federal funds and federal tax credits:**

Wells Fargo is providing permanent term debt of approximately \$5 million. The development team is contributing private equity of over 30% of the total development cost, and deferring their developer fee.

**H. Whether the project is financially and economically sound:**

Upon reaching stabilized occupancy, it is anticipated that the project will be able to achieve a debt service coverage ratio (DSCR) of greater than 1.20 to 1.00 assuming full amortization of the debt. Additionally, the projected DSCR is based on a relatively conservative residential vacancy rate of 8% and very reasonable rental rates.

MEDC staff performed a review of the proposed rental structure. Staff is comfortable with the proposed rents, which are projected to be slightly lower than recently completed projects in the area with MSF support.

**I. Whether the project increases the density of the area:**

This project will significantly increase the density of the area with the creation of 103 new residential units in downtown Lansing.

**J. Whether the project promotes mixed-use development and walkable communities:**

With the addition of over 4,000 square feet of new commercial space on the first floor, and 103 new residential units on the next 7 floors, foot traffic on the street will certainly increase. Due to the location of the building, new residents will have access to a number of retail, cultural, and recreational amenities all within a 5 minute walk of their front door.

**K. Whether the project converts abandoned public buildings to private use:**

This project does not involve any abandoned public buildings. The City of Lansing Housing Commission did at one point own the building but has since sold the building to the developer.

**L. Whether the project promotes sustainable development:**

The project will be reusing as much of the existing building as possible while utilizing existing services already available in the area. Several residential units will be less than 500 square feet in size. The applicant worked with European design architects to promote/implement efficiency design concepts for living units. This style of development also promotes walkability principles and environmentally friendly transportation choices.

**M. Whether the project involves the rehabilitation of a historic resource:**

This project does not involve the rehabilitation of a historic resource.

**N. Whether the project addresses area-wide redevelopment:**

The Oliver Towers project addresses the Lansing community's area-wide redevelopment goals by providing additional commercial and residential development in the downtown. The project meets the goals of the Master Plan by creating development that is mixed use and is pedestrian friendly.

**O. Whether the project addresses underserved markets of commerce:**

This project will bring additional commercial activity to the downtown and, through the development of additional residences, a significant increase in patrons to new and existing downtown businesses.

**P. The level and extent of environmental contamination:**

Asbestos abatement will be necessary prior to demolition activities in order to protect human health.

**Q. If the rehabilitation of the historic resource will meet the federal Secretary of the Interior's standards for rehabilitation and guidelines for rehabilitating historic buildings (36 CFR 67):**

This project does not involve the rehabilitation of a historic resource.



**R. Whether the project will compete with or affect existing Michigan businesses within the same industry:**

This project is not expected to compete with existing Michigan businesses however it is expected to bolster many of the business owners in downtown Lansing with the addition of 103 new residences in downtown Lansing.

**S. Any other additional criteria approved by the board that are specific to each individual project and are consistent with the findings and intent of this chapter:**

No additional criterial needs to be considered.

**Brownfield Act 381 Program Additional Project Information:**

**A. Reuse of functionally obsolete buildings and/or redevelopment of blighted property:**

This project will completely rehabilitate the functionally obsolete Oliver Towers building.

**B. Whether project will create a new brownfield property in the State:**

No new Brownfields will be created by this project.

**Tax Capture Breakdown**

There are 67.2061 non-homestead mills available for capture, with school millage equaling 24 mills and local millage equaling 43.2061 mills. There is an OPRA tax abatement on the property for the first 7 years, which makes the blended ratio for the overall project 52.81% to 47.19%, school to local, respectively. Tax increment capture will begin in 2017 and is estimated to continue for 11 years. The requested tax capture for MSF eligible activities breaks down as follows:

School tax capture	(52.81%)	\$	511,105
Local tax capture	(47.19%)	\$	456,691
<b>TOTAL</b>		\$	<b>967,796</b>

**Cost of MSF Eligible Activities**

Demolition		\$	590,000
Lead, Asbestos, or Mold Abatement			6,200
Infrastructure Improvements			57,500
Sub-Total		\$	653,700
Contingency (15%)		+	97,125
Sub-Total		\$	750,825
Interest (5%)		+	203,471
Sub-Total		\$	954,296
Brownfield/Work Plan Preparation		+	13,500
<b>TOTAL</b>		\$	<b>967,796</b>

## APPENDIX C – Project Map and Renderings

### Map



**BEFORE PHOTOS**







**SALE & REDEVELOPMENT**  
**APPROX 1.59 ACRES** CALL 517-372-7996 LHC

**RENDERINGS**



**MICHIGAN STRATEGIC FUND  
RESOLUTION 2017-**

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM  
OTHER ECONOMIC ASSISTANCE LOAN PARTICIPATION AWARD TO  
GEORGE F. EYDE FAMILY, LLC OR RELATED ENTITY  
(OLIVER TOWER PROJECT)**

**WHEREAS**, the Michigan legislature amended the Michigan Strategic Fund Act, MCL 125.2011 et. seq., to add Chapter 8C (being MCL 125.2090a – MCL 125.2090d) to enable the Michigan Strategic Fund (“MSF”) to create and operate the Michigan Community Revitalization Program (“MCRP”) to provide incentives in the form of grants, loans and other economic assistance for redevelopment of communities in Michigan;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF for the MCRP;

**WHEREAS**, on December 21, 2011, by Resolution 2011-185, the MSF (i) created the MCRP, (ii) adopted the guidelines for the MCRP, as later amended (“Guidelines”);

**WHEREAS**, pursuant to SFCR 2090-1(3), the MSF approved the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate awards and decisions approved under the MCRP (“Transaction Documents”);

**WHEREAS**, the Guidelines require that MCRP awards over \$1 million must be approved by the MSF Board;

**WHEREAS**, Wells Fargo Bank (“Lender”) will be providing financing to George F. Eyde Family, LLC or a related entity (“Proposed Borrower”) of approximately \$7,400,000 toward the renovation and site improvements to real property (“Project”);

**WHEREAS**, the Lender and the Proposed Borrower have requested an Other Economic Assistance Performance Based Loan Participation award from the MSF under the MCRP for the Project in an amount not to exceed \$2,400,000 (“Award Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

**WHEREAS**, the MEDC has recommended that the MSF approve the Award Request in accordance with the Term Sheet and Guidelines, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents for the Award Request within 120 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 90 days (“MCRP Award Recommendation”);

**NOW THEREFORE, BE IT RESOLVED**, the MSF Board approves the MCRP Award Recommendation.

Ayes:

Nays:

Recused:

Lansing, Michigan  
September 26, 2017



## **Exhibit A**

### **“Term Sheet”**

#### **LOAN FACILITY**

<b>MSF Facility</b>	MCRP Loan Participation and Servicing Agreement Under “Other Economic Assistance”
<b>Borrower:</b>	George F. Eyde Family, LLC
<b>Lender:</b>	Wells Fargo
<b>Total Financing Amount:</b>	Currently estimated at \$7,400,000
<b>Lender Share:</b>	Currently estimated at \$5,000,000
<b>MSF Share:</b>	Up to the lesser of 25% of “Eligible Investment” or \$2,400,000
<b>Term:</b>	To match that of the Lender, not to exceed 60 months.
<b>Amortization:</b>	To match that of the Lender, not to exceed 300 months following an interest only period.
<b>Interest Rate:</b>	On the MSF share anticipated to be 1.00% per annum.
<b>Repayment Terms:</b>	Up to 36 months of monthly interest only payments followed by monthly principal and interest payments. Principal balance due at maturity.  Up to 1,000,000 of the MSF Share of the financing to be forgiven upon construction completion and achievement of other performance criteria.
	<b>Limited Subordination of Payments</b> During the amortization period, payments on the MSF Share will set periodically at level to assist the project in maintaining a debt service coverage ratio 1.20 to 1.00.
<b>Collateral:</b>	To match that of the Lender, currently anticipated being a mortgage lien on the property, assignment of leases and rents, and a security interest in the TIF reimbursements. MSF share of collateral will be subordinated to that of the Lender.
<b>Guarantee:</b>	Anticipated to be the limited unsecured guarantee of George F. Eyde Manager, LLC.
<b>MSF Fees:</b>	The MSF shall be paid a one-time fee equal to one percent of the MSF’s share of the loan. The Lender may charge the borrower for this fee.
<b>Funding:</b>	The MSF will fund up to \$2,400,000 to be disbursed following closing of the financing and other performance criteria.
<b>Other Conditions:</b>	The MSF’s investment will be contingent upon the following: <ul style="list-style-type: none"><li>• A minimum owner equity contribution of \$4,200,000 to the project.</li><li>• Receipt of a “Guaranteed Maximum Price” construction contract.</li><li>• Receipt of Final Project Budget</li></ul>

**MICHIGAN STRATEGIC FUND**

**RESOLUTION 2017 -**

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN  
CITY OF LANSING BROWNFIELD REDEVELOPMENT AUTHORITY  
OLIVER TOWERS REDEVELOPMENT**

**WHEREAS**, the Michigan Economic Growth Authority (“MEGA”) has been established by 1995 PA 24, as amended (the “Act”);

**WHEREAS**, 2002 PA 727 amended 1996 PA 381, MCL 125.2651 et seq, to empower local brownfield redevelopment authorities to request the MEGA Board to approve a brownfield project work plan and, thereby, capture taxes levied for school operating purposes for the project;

**WHEREAS**, Executive Order 2012-9 transferred all the authority, powers, duties, functions, responsibilities, records, personnel, property, unexpended balances of appropriations, allocations or other funds of the MEGA to the MSF;

**WHEREAS**, captured school operating tax revenues may be used under 1996 PA 381 as amended, for infrastructure improvements that directly benefit eligible property, for lead, asbestos, or mold abatement, and for demolition and site preparation that are not response activities under the Natural Resources and Environmental Protection Act, 1994 PA 451;

**WHEREAS**, the City of Lansing Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 310 N. Seymour Avenue within the City of Lansing, known as Oliver Towers Redevelopment (the “Project”);

**WHEREAS**, the City of Lansing is a “qualified local governmental unit” and is eligible to provide for a) demolition; b) lead, asbestos, or mold abatement; c) public infrastructure improvements; d) site preparation; e) brownfield and work plan preparation; f) brownfield and work plan implementation and g) interest as provided under 2007 PA 204 and;

**WHEREAS**, the Authority is requesting MSF approval to capture additional taxes levied for school operating purposes to provide for the reimbursement of the cost of eligible activities on an eligible property; and

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF, and has reviewed the application and recommends approval of the Brownfield Work Plan by the MSF Board.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as 52.81% to 47.19% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of demolition, lead, asbestos, or mold abatement and infrastructure improvements as presented in the Work Plan dated July 19, 2017. Any change in millage that increases the capture percentage of school taxes in the ratio above by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on costs of MSF eligible activities with a



maximum of \$750,825 for the principal activity costs of non-environmental activities and a contingency, a maximum of \$203,471 in interest, a maximum of \$13,500 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$511,105.

**BE IT FURTHER RESOLVED**, that the MSF Board authorizes the MSF Fund Manager, to provide written notification to the Authority, in the form of a letter which incorporates the terms set forth in this Resolution and consistent with the limitations of the Act, and that this approval is further conditioned upon the Authority, or the City , as appropriate, maintaining adequate records regarding: a) all taxes captured for the project; and b) receipts or other appropriate documentation of the cost of eligible activities. The records shall be made available for review upon request by MSF or MEDC staff.

**BE IT FURTHER RESOLVED**, that they MSF Board is authorizing that capture of taxes levied for school operating purposes for the payment of interest, up to a maximum of \$203,471 related to the eligible activities for the Project.

Ayes:

Nays:

Recused:

Lansing, Michigan  
September 26, 2017

**MEMORANDUM**

**Date:** September 26, 2017

**To:** Michigan Strategic Fund Board

**From:** Nate Scramlin, Senior Community Assistance Team Specialist  
Julius Edwards, Manager, Underwriting and Incentive Structuring  
Lisa Edmonds, MCRP and Brownfield Program Specialist

**Subject:** City of East Lansing Brownfield Redevelopment Authority - Request for Approval of an Act 381 Work Plan – Center City District

**HB BM East Lansing LLC or Related Entities - Request for Approval of a Michigan Community Revitalization Program Other Economic Assistance Award – Center City District**

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**Request**

The Center City District is an extensive infill redevelopment project in downtown East Lansing. The project will include buildings fronting on both Grand River Avenue and Albert Avenue. The two major new structures, one a 12-story mixed-use building along Grand River Avenue, and the other to include a 5-story parking garage along Albert Avenue, with ground floor retail space and 5 additional floors of rental housing above one section of the parking garage, resulting in a 10-story mixed-use building. The proposed project will be undertaken by Harbor Bay Real Estate Advisors, LLC, developed through a single-purpose entity HB BM East Lansing LLC organized to complete the project. The development team will redevelop just over 2 acres of property located at 201 E. Grand River in the City of East Lansing, however the entire project includes multiple addresses along Grand River Avenue and Albert Avenue. The project is located in a downtown and qualifies for a Michigan Community Revitalization Program (MCRP) award and Act 381 work plan because the property, and those properties adjacent and contiguous, is qualified as a facility.

In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the City of East Lansing Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of \$53,861,536.

HB BM East Lansing LLC and Related Entities are requesting approval of a MCRP award in an amount of up to \$6,750,000 in the form of an Other Economic Assistance Loan Participation.

The total cost to complete the proposed redevelopment of the Center City District project is estimated at \$126.6 million. The need for a MCRP award is driven by the high cost to assemble the properties in an

urban setting such as Downtown East Lansing, the cost associated with relocating existing commercial tenants, and the anticipated payment of prevailing wages for the construction of the development. Even with the proposed MCRP award it is anticipated that the development team will receive less than a 10% cash-on-cash return. The development team has been able to secure \$70.3 million in traditional senior financing and the East Lansing Brownfield Redevelopment Authority will bond for nearly \$25 million to assist in the cost of constructing the public parking deck and other infrastructure improvements. It is anticipated the development team will be contributing nearly 20% of the total development cost in the form of equity and deferred developer and other related-party fees. The remaining financing gap will be filled by the requested \$6.75 million MCRP award. The MCRP detailed structure is provided in **Appendix A**.

*The project deviates from the MCRP parameters as the pro forma debt service coverage ratio is less than 1.10 to 1.00 based on the committed financing for the project. Staff is comfortable with this deviation due to the financial strength of the development team and its ability to secure debt with a 30 year amortization upon the project reaching stabilization. Assuming a 30 year amortization on the senior financing the average debt service coverage ratio of over 1.20 to 1.00.*

*Additionally, the project deviates from the MCRP parameter that limits developer and related-party consulting fees to 4.0% of the total development cost. MEDC staff is comfortable with this deviation as the development team is deferring over 80% of the fees and the fees do not impact repayment of the MSF award.*

The eligible activities will alleviate Brownfield conditions across the site and make it suitable for redevelopment, and protect human health and the environment. Without Brownfield tax increment reimbursement, the cost burden related to Brownfield conditions would make the project financially unfeasible.

The Applicant anticipates that the project will result in total capital investment in the amount of \$126,603,899 along with the creation of approximately 125 permanent full-time equivalent jobs with an average hourly wage of \$26.44.

### **Background**

The Center City District project plans to invest \$126.6 million in the heart of downtown East Lansing. It will replace an obsolete, underutilized two-story commercial structures and a surface lot with a mixed-use, transit orientated development (TOD). The development will utilize urban, pedestrian focused design principles, in order to create a timeless asset that will yield tremendous economic results, both in jobs and overall investment. The specific uses of the development are as follows:

- 12-story Grand River building, which includes 273 market rate apartments, as well as 22,225 SF anchor retail space at the base of the building occupied by Target Corporation (lease is signed).
- 10-story Albert Ave building, which includes 92 age restricted apartments (55+ years of age), as well as a 5-story, 620-car ramp, and lastly, 23,917 SF of retail at the base.

The Target store will be its new “flexible format” store. Target’s flexible format is a new design specifically tailored to urban, dense locations. The format includes a grocery component, amongst other urban features designed for an optimal pedestrian experience. Target has rolled out over 40 of these types of stores across the country, with another 50 which are in the design and/or construction stage. It will represent a high watermark for East Lansing in walkable urban retail amenities, and will change downtown East Lansing into a true retail destination, creating a more walkable community. The presence of hundreds of new residents and shoppers will also encourage other mixed-use development.

The market rate residential tower above Target will showcase a series of innovative, urban design techniques in order to attract a versatile tenant demographic. Approximately 50% of the units will be single occupant units; either micros, studios or 1-bedroom units. The balance will be 2-bedroom units. Adjacent to the Target residential tower, will be the 10-story Albert Tower, containing a 5-story, 620-space parking garage; over 23,000 SF of retail space on the ground level fronting Albert; and 92 age-restricted (55 and up) active-adult apartments. Lastly, this portion of the project also includes substantial improvements to the streetscape and public space along Albert Avenue.

The City of East Lansing will maintain ownership of the land currently utilized as a surface parking and enter into a Master Development Agreement with the development team that will establish a ground lease between the City and the developers allowing for development of the property. Additionally, as part of the Master Development Agreement, upon completion the City will own the 620 space parking structure and lease 318 space back to the development team for private use.

Lead and asbestos abatement will be necessary prior to demolition activities in order to protect human health. Site demolition will consist of removal of abandoned utilities, parking lots, and building foundations. Utilities to be removed consist of on-site storm, sanitary, and water mains and utility structures. Building demolition includes a demolition survey, the actual demolition of the three buildings on the subject property, and fill, compaction, and rough grading to balance the site where the buildings were located. Site preparation activities include surveying, staking, grading & earth retention, clearing & grubbing, site erosion control, foundation work, and other activities. Infrastructure improvements include the construction of a 5-story, 620-car public parking deck which is necessary to support the new development as well as significant public space & complete street improvements to Albert Avenue creating a more welcoming and walkable realm. A low-impact design, urban storm water management system will also be installed to decrease stress on existing city systems. Interest costs will be reimbursed due to the interest costs on the loans that the developer will need to obtain in order to complete the eligible activities.

Harbor Bay and its family affiliates have been around since 1856, comprising of multiple generations of successful real estate development, investment and management. Together, they have developed in excess of \$1.5B in real estate. Notable projects include: (1) Hilton-Rochester -- 264 keys, 7,687 SF of ballroom space, 19-stories, (2) Hub at Minneapolis -- 421 units, 10,556 SF of retail, 26 stories, (3) ENDI - Duluth -- 143 units, 14,000 SF of retail, (4) Kroger Distribution Center -- Oconomowoc, WI -- 1.1M SF Food Distribution Facility, (5) Preserve on Maine -- Rochester, MN -- 205 units market rate apartments. This is the first project the development team at Harbor Bay Real Estate Advisors, LLC is seeking incentives for from the Michigan Strategic Fund (MSF).

**Appendix B** addresses the programmatic requirements and **Appendix C** includes a project map and renderings.

**Recommendation**

MEDC staff recommends approval of the following (the “Recommendation”):

- a) Local and school tax capture for the Act 381 eligible activities totaling \$53,861,536. Using the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$18,393,714;
- b) MCRP Performance-Based Loan Participation Award in the amount of \$6,750,000 for Harbor HB BM East Lansing LLC or related entities;
- c) Waiver of the MCRP parameter that requires a minimum debt service coverage ratio of 1.20 to 1.00. Staff is comfortable with this deviation due to the financial strength of the development team and its ability to secure 30 year amortizing financing upon the project reaching stabilized occupancy;
- d) Waiver of the 4.0% cap on developer and other related-party consulting fees. The development team is deferring approximately 80% of these fees.

## APPENDIX A

### **FINANCING OPPORTUNITY – MCRP OTHER ECONOMIC ASSISTANCE LOAN PARTICIPATION**

The project is seeking Michigan Strategic Fund (MSF) participation in coordination with First National Bank of Omaha (Lender) as the senior lender. The Lender, along with the Borrower, has requested the MSF participate in up to \$6,750,000 of a total of \$77,050,000 in construction to permanent loan financing. The MSF would be pari passu in terms of payments on its share of the loan, but would limit its payments to a level to help assist in the project maintaining a minimum debt service coverage ratio of 1.15 to 1.00. The MSF would also allow the collateral to apply first to the Lender's share in an event of liquidation. It is anticipated that disbursements to the project on the loan will be made on a pro-rata basis. Below outlines a summary of the development sources and the proposed structure of the loan participation.

#### **SUMMARY OF DEVELOPMENT SOURCES:**

First National Bank Share	\$ 70,300,000	55.5%
MSF Share	\$ 6,750,000	5.3%
Bond Debt	\$ 24,389,518	19.3%
Owner Equity	\$ 20,564,381	16.2%
Deferred Fees	\$ 4,600,000	3.7%
<b>TOTAL</b>	<b>\$126,603,899</b>	<b>100.0%</b>

<b>MSF Facility</b>	MCRP Loan Participation and Servicing Agreement Under "Other Economic Assistance"
<b>Borrower:</b>	HB BM East Lansing LLC
<b>Lender:</b>	First National Bank of Omaha
<b>Total Financing Amount:</b>	Currently estimated at \$77,050,000
<b>Lender Share:</b>	Currently estimated at \$70,300,000
<b>MSF Share:</b>	Up to the lesser of 20% of "Eligible Investment" or \$6,750,000
<b>Term:</b>	To match that of the Lender, not to exceed 60 months.
<b>Amortization:</b>	To match that of the Lender, not to exceed 300 months following an interest only period.
<b>Interest Rate:</b>	On the MSF share anticipated to be 1.00% per annum.

**Repayment Terms:** Up to 36 months of monthly interest only payments followed by monthly principal and interest payments. Principal balance due at maturity.

**Limited Subordination of Payments**

During the amortization period, payments on the MSF Share will set periodically at level to assist the project in maintaining a debt service coverage ratio 1.15 to 1.00.

**Collateral:** To match that of the Lender, currently anticipated being a mortgage lien on the property, assignment of leases and rents, and a security interest in the TIF reimbursements. MSF share of collateral will be subordinated to that of the Lender.

**Guarantee:** To match that of the Lender, currently anticipated to be the unsecured personal guarantees of the owners. MSF share of guarantees will be subordinated to that of the Lender.

**MSF Fees:** The MSF shall be paid a one-time fee equal to one percent of the MSF's share of the loan. The Lender may charge the borrower for this fee.

**Funding:** The MSF will fund up to \$6,750,000 to be disbursed following closing of the financing and other performance criteria.

**Other Conditions:** The MSF's investment will be contingent upon the following:

- A minimum owner equity contribution of \$20,000,000 to the project.
- Receipt of a "Guaranteed Maximum Price" construction contract.
- Receipt of Final Project Budget
- Receipt of Executed Master Development Agreement with the City of East Lansing

## **APPENDIX B – Programmatic Requirements & Screening Guidelines**

### **Property Eligibility**

The project is located within the boundaries of the City of East Lansing, which is a Qualified Local Governmental Unit, and has been determined to be a facility as verified by Michigan Department of Environmental Quality (DEQ).

The property is the subject of a Brownfield Plan, duly approved by the City of East Lansing Brownfield Redevelopment Authority on May 25, 2017, and concurred with by the City of East Lansing on June 20, 2017.

In addition, the project is requesting from the DEQ \$120,330 in TIF.

### **MCRP Program and its Guidelines**

On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program (MCRP) and on September 22, 2015, the MSF Board approved its restated program guidelines. The primary intended objective of the MCRP is to provide incentives to persons that make eligible investments on eligible property in Michigan. The total eligible investment for this project is estimated to be \$76,554,029.

### **Source of Information**

It is the role of the Project Management staff (MEDC Staff) to review for eligibility, completeness, and adherence to MCRP guidelines, the information provided by the applicant and to manage the MSF's investment. Explanatory and background information is supplied in summary form to provide context for the request and is drawn exclusively from materials submitted by the applicant, and, as applicable, from other relevant third party sources utilized by staff.

As required under the MCRP, the following statutory criteria is being considered by the MSF:

**A. The importance of the project to the community in which it is located:**

The Center City project plans to invest over \$126 million in the heart of downtown East Lansing. It will replace obsolete, underutilized two-story commercial structures and a surface lot with a mixed-use, transit orientated development (TOD). The development will utilize urban, pedestrian focused design principles, in order to create a timeless asset that will yield tremendous economic results, both in jobs and overall investment. The City of East Lansing's Master Plan describes many goals and objectives targeting new walkable, mixed-use, high density development as an overall priority.

**B. If the project will act as a catalyst for additional revitalization of the community in which it is located:**

The Center City project will certainly act as a catalyst for additional revitalization of the East Lansing community. A development of this magnitude, and the additional businesses and residents it brings with it will have a tremendous economic impact on neighboring properties,



while sending a significant message to the development community that East Lansing is a city on the rise.

**C. The amount of local community and financial support for the project:**

The City of Lansing Brownfield Redevelopment Authority and the City Council approved a brownfield plan for the reimbursement of eligible activities in the amount of \$53,861,536, and the City's portion of that is estimated to be \$35,467,822. To assist with the construction of the public parking deck, the City of East Lansing BRA will also bond for nearly \$25 million which will be paid back via tax increment revenues.

**D. The applicant's financial need for a community revitalization incentive:**

The total cost to complete the proposed redevelopment of the Center City District project is estimated at \$126.6 million. The need for a MCRP award is driven by the high cost to assemble the properties in an urban setting such as Downtown East Lansing, the cost associated with relocating existing commercial tenants, and the anticipated payment of prevailing wages for the construction of the development. Even with the proposed MCRP award it is anticipated that the development team will receive less than a 10% cash-on-cash return. The development team has able to secure \$70.3 million in traditional senior financing and the East Lansing Brownfield Redevelopment Authority will bond for nearly \$25 million to assist in the cost of constructing the public parking deck and other infrastructure improvements. It is anticipated the development team will be contributing nearly 20% of the total development cost in the form of equity and deferred developer and other related-party fees. The remaining financing gap will be filled by the requested \$6.75 million MCRP award.

**E. The extent of reuse of vacant buildings, reuse of historical buildings, and redevelopment of blighted property:**

This project does not involve the reuse of vacant or historic buildings, or the redevelopment of blighted property.

**F. Creation of jobs:**

This project anticipates the creation of 125 jobs with an average hourly wage estimated to be \$26.44.

**G. The level of private sector and other contributions, including, but not limited to, federal funds and federal tax credits:**

First National Bank of Omaha is providing permanent term debt of approximately \$70.3 million. The development team is contributing private equity of over 16% of the total development cost, estimated at nearly \$20.5 million, and deferring their developer fee.

**H. Whether the project is financially and economically sound:**

Upon reaching stabilized occupancy and the development securing 30 year amortizing debt, it is anticipated that the project will be able to achieve a debt service coverage ratio (DSCR) of greater than 1.20 to 1.00 assuming full amortization of the debt. Additionally, the project will be supported by unsecured personal guarantees from the development team.

A review of the proposed rental structure was performed by MEDC staff. Staff has determined that the proposed rents the 2 bedroom residential units and the commercial space are above market for the area, but achievable. The MCRP investment has been structured in a fashion that provides flexible repayment terms and can be adjusted if the project is unable to meet the projected rent levels or faces any other financial difficulties.

**I. Whether the project increases the density of the area:**

This project greatly increases the density of the area with the addition of 364 residential units in downtown East Lansing.

**J. Whether the project promotes mixed-use development and walkable communities:**

The Center City District Project epitomizes mixed-use and walkable. There is a Capital Area Transportation Authority (CATA) stop directly in front of the building, providing for transit orientated development fundamentals. Further, the project boasts a series of uses (residential, retail, parking) all intertwined together, in order to create a dynamic, mixed-use culture.

**K. Whether the project converts abandoned public buildings to private use:**

The project does not involve abandoned public buildings.

**L. Whether the project promotes sustainable development:**

Sustainable green development starts with a pedestrian focused mentality. "Pedestrian focused" is at the very core of the Center City District project. It will create a community, anchored by a solid-credit grocer, where residents and community members can live, socialize and interact. Further, the project will contain a green roof on top of the parking deck and utilize a low-impact design storm water system.

**M. Whether the project involves the rehabilitation of a historic resource:**

The project does not involve the rehabilitation of a historic resource.

**N. Whether the project addresses area-wide redevelopment:**

The Center City District project will redevelop functionally obsolete 2-story vacant retail buildings, as well as a very large 60,000 SF surface parking lot. Urban design principles practiced nationwide have concluded by means of several studies that surface parking lots in urban areas are a poor use of space. The Center City District project will create value in its redevelopment by utilizing the air space, thus creating density, in a mixed-use, transformational nature.

**O. Whether the project addresses underserved markets of commerce:**

Downtown East Lansing has been yearning for a game-changing, dynamic retail project and with the addition of a walkable grocery store option via the flex format Target store, the Center City project will bring that type of retail, which will inevitably serve as a spring board for even more development in the downtown area.

**P. The level and extent of environmental contamination:**

Recognized environmental conditions (RECs) were identified including previous subject property uses in the 1920s as printing operations and an auto wash station, and historical uses of an adjacent property as a dry cleaner. Phase II results of soil and groundwater samples collected showed chromium, lead and benzene were detected above Michigan Department of Environmental Quality standards and these conditions will be remediated in the construction process.

**Q. If the rehabilitation of the historic resource will meet the federal Secretary of the Interior's standards for rehabilitation and guidelines for rehabilitating historic buildings (36 CFR 67):**

This project does not involve the rehabilitation of a historic resource.

**R. Whether the project will compete with or affect existing Michigan businesses within the same industry:**

It is not believed that this project will compete or affect existing Michigan businesses within the same industry.

**S. Any other additional criteria approved by the board that are specific to each individual project and are consistent with the findings and intent of this chapter:**

No additional criteria needs to be considered.

**Brownfield Act 381 Program Additional Project Information:**

**A. Reuse of functionally obsolete buildings and/or redevelopment of blighted property:**

This project will demolish and redevelop multiple obsolete buildings into a high-density mixed-use development.

**B. Whether project will create a new brownfield property in the State:**

This project will not create a new Brownfield property in the State.

**Tax Capture Breakdown**

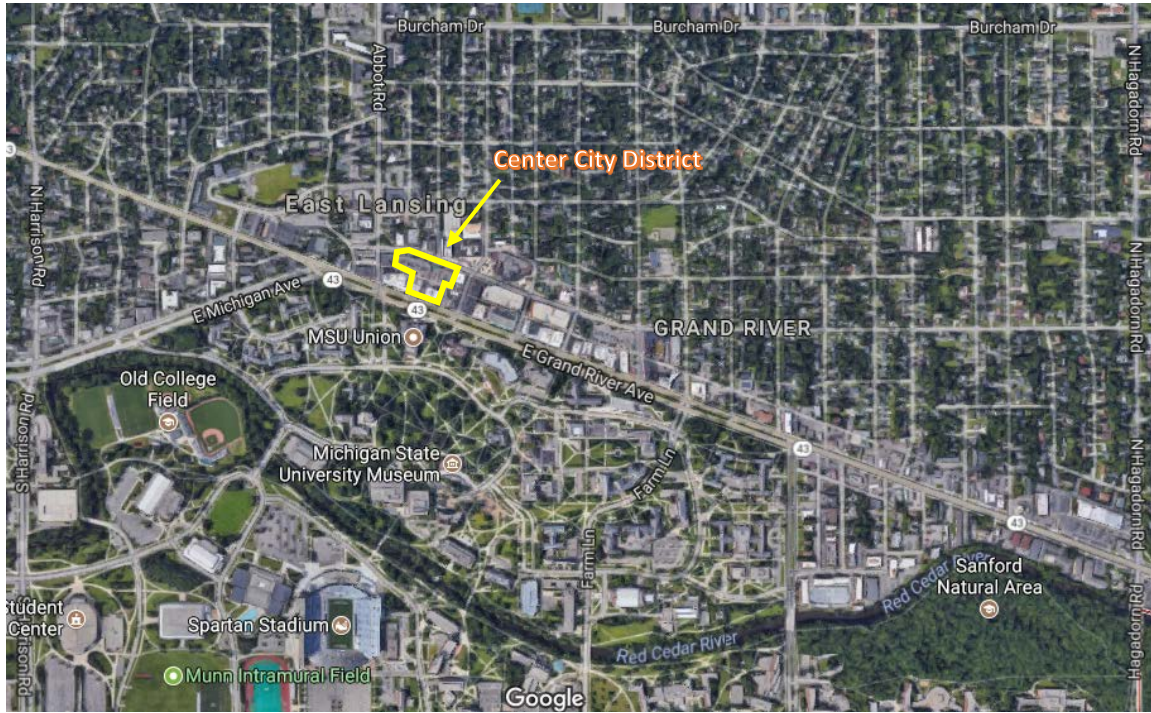
There are 70.2687 non-homestead mills available for capture, with school millage equaling 24 mills (34.15%) and local millage equaling 46.2687 mills (65.85%). Tax increment capture will begin in 2020 and is estimated to continue for 30 years. The requested tax capture for MSF eligible activities breaks down as follows:

School tax capture	(34.15%)	\$ 18,393,714
Local tax capture	(65.85%)	\$ <u>35,467,822</u>
<b>TOTAL</b>		<b>\$ 53,861,536</b>

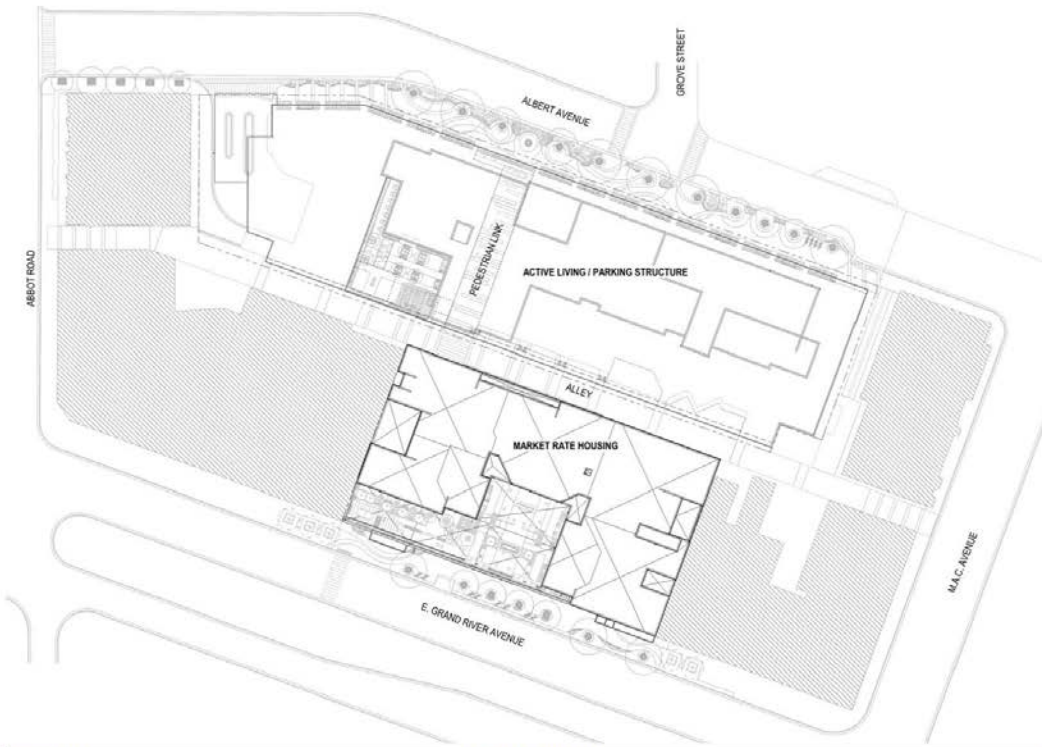
**Cost of MSF Eligible Activities**

Demolition	\$	621,276
Lead, Asbestos, or Mold Abatement		128,810
Infrastructure Improvements		20,620,309
Site Preparation	+	4,223,179
Sub-Total	\$	<u>25,593,574</u>
Contingency (9%)	+	1,990,887
Sub-Total	\$	<u>27,584,461</u>
Interest (5%)	+	26,262,075
Sub-Total	\$	<u>53,846,536</u>
Brownfield/Work Plan Preparation	+	15,000
<b>TOTAL</b>	<b>\$</b>	<b><u>53,831,536</u></b>

## APPENDIX C – Project Map and Renderings



Site Plan





















**MICHIGAN STRATEGIC FUND  
RESOLUTION 2017-**

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM  
OTHER ECONOMIC ASSISTANCE LOAN PARTICIPATION AWARD TO  
HB BM EAST LANSING LLC OR RELATED ENTITIES  
(CENTER CITY DISTRICT)**

**WHEREAS**, the Michigan legislature amended the Michigan Strategic Fund Act, MCL 125.2011 et. seq., to add Chapter 8C (being MCL 125.2090a – MCL 125.2090d) to enable the Michigan Strategic Fund (“MSF”) to create and operate the Michigan Community Revitalization Program (“MCRP”) to provide incentives in the form of grants, loans and other economic assistance for redevelopment of communities in Michigan;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF for the MCRP;

**WHEREAS**, on December 21, 2011, by Resolution 2011-185, the MSF (i) created the MCRP, (ii) adopted the guidelines for the MCRP, as later amended (“Guidelines”);

**WHEREAS**, pursuant to SFCR 2090-1(3), the MSF approved the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate awards and decisions approved under the MCRP (“Transaction Documents”);

**WHEREAS**, the Guidelines require that MCRP awards over \$1 million must be approved by the MSF Board;

**WHEREAS**, First National Bank of Omaha (“Lender”) will be providing financing to HB BM East Lansing LLC or related entities (“Proposed Borrower”) of approximately \$77,050,000 toward the redevelopment activities and site improvements to real property (“Project”);

**WHEREAS**, the Lender and the Proposed Borrower have requested an Other Economic Assistance Performance Based Loan Participation award from the MSF under the MCRP for the Project in an amount not to exceed \$6,750,000 (“Award Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

**WHEREAS**, the MEDC has recommended that the MSF approve the Award Request in accordance with the Term Sheet and Guidelines, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents for the Award Request within 120 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 90 days (“MCRP Award Recommendation”);

**NOW THEREFORE, BE IT RESOLVED**, the MSF Board approves the MCRP Award Recommendation.

Ayes:

Nays:

Recused:

Lansing, Michigan  
September 26, 2017

## **Exhibit A**

### **“Term Sheet”**

#### **LOAN FACILITY**

##### **MSF Facility**

MCRP Loan Participation and Servicing Agreement  
Under “Other Economic Assistance”

<b>Borrower:</b>	HB BM East Lansing LLC
<b>Lender:</b>	First National Bank of Omaha
<b>Total Financing Amount:</b>	Currently estimated at \$77,050,000
<b>Lender Share:</b>	Currently estimated at \$70,300,000
<b>MSF Share:</b>	Up to the lesser of 20% of “Eligible Investment” or \$6,750,000
<b>Term:</b>	To match that of the Lender, not to exceed 60 months.
<b>Amortization:</b>	To match that of the Lender, not to exceed 300 months following an interest only period.
<b>Interest Rate:</b>	On the MSF share anticipated to be 1.00% per annum.
<b>Repayment Terms:</b>	Up to 36 months of monthly interest only payments followed by monthly principal and interest payments. Principal balance due at maturity.

#### **Limited Subordination of Payments**

During the amortization period, payments on the MSF Share will set periodically at level to assist the project in maintaining a debt service coverage ratio 1.15 to 1.00.

<b>Collateral:</b>	To match that of the Lender, currently anticipated being a mortgage lien on the property, assignment of leases and rents, and a security interest in the TIF reimbursements. MSF share of collateral will be subordinated to that of the Lender.
<b>Guarantee:</b>	To match that of the Lender, currently anticipated to be the unsecured personal guarantees of the owners. MSF share of guarantees will be subordinated to that of the Lender.
<b>MSF Fees:</b>	The MSF shall be paid a one-time fee equal to one percent of the MSF’s share of the loan. The Lender may charge the borrower for this fee.
<b>Funding:</b>	The MSF will fund up to \$6,750,000 to be disbursed following closing of the financing and other performance criteria.
<b>Other Conditions:</b>	The MSF’s investment will be contingent upon the following: <ul style="list-style-type: none"><li>• A minimum owner equity contribution of \$20,000,000 to the project.</li><li>• Receipt of a “Guaranteed Maximum Price” construction contract.</li><li>• Receipt of Final Project Budget</li><li>• Receipt of Executed Master Development Agreement with the City of East Lansing</li></ul>

**MICHIGAN STRATEGIC FUND**

**RESOLUTION 2017 -**

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN  
CITY OF EAST LANSING BROWNFIELD REDEVELOPMENT AUTHORITY  
CENTER CITY DISTRICT**

**WHEREAS**, the Michigan Economic Growth Authority (“MEGA”) has been established by 1995 PA 24, as amended (the “Act”);

**WHEREAS**, 2002 PA 727 amended 1996 PA 381, MCL 125.2651 et seq, to empower local brownfield redevelopment authorities to request the MEGA Board to approve a brownfield project work plan and, thereby, capture taxes levied for school operating purposes for the project;

**WHEREAS**, Executive Order 2012-9 transferred all the authority, powers, duties, functions, responsibilities, records, personnel, property, unexpended balances of appropriations, allocations or other funds of the MEGA to the MSF;

**WHEREAS**, captured school operating tax revenues may be used under 1996 PA 381 as amended, for infrastructure improvements that directly benefit eligible property, for lead, asbestos, or mold abatement, and for demolition and site preparation that are not response activities under the Natural Resources and Environmental Protection Act, 1994 PA 451;

**WHEREAS**, the City of East Lansing Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 125 & 133, 135 and 201-209 East Grand River Avenue and 200 Albert Avenue within the City of East Lansing, known as Center City District (the “Project”);

**WHEREAS**, the City of East Lansing is a “qualified local governmental unit” and is eligible to provide for a) demolition; b) lead, asbestos, or mold abatement; c) public infrastructure improvements; d) site preparation; e) brownfield and work plan preparation; f) brownfield and work plan implementation and g) interest as provided under 2007 PA 204 and;

**WHEREAS**, the Authority is requesting MSF approval to capture additional taxes levied for school operating purposes to provide for the reimbursement of the cost of eligible activities on an eligible property; and

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF, and has reviewed the application and recommends approval of the Brownfield Work Plan by the MSF Board.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as 34.15% to 65.85% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, lead, asbestos, or mold abatement and infrastructure improvements as presented in the Work Plan dated September 12, 2017. Any change in millage that increases the capture percentage of school taxes in the ratio above by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization

for the capture of taxes levied for school operating purposes is based on costs of MSF eligible activities with a maximum of \$27,584,461 for the principal activity costs of non-environmental activities and a contingency, a maximum of \$26,262,075 in interest, a maximum of \$15,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$18,393,714.

**BE IT FURTHER RESOLVED**, that the MSF Board authorizes the MSF Fund Manager, to provide written notification to the Authority, in the form of a letter which incorporates the terms set forth in this Resolution and consistent with the limitations of the Act, and that this approval is further conditioned upon the Authority, or the City, as appropriate, maintaining adequate records regarding: a) all taxes captured for the project; and b) receipts or other appropriate documentation of the cost of eligible activities. The records shall be made available for review upon request by MSF or MEDC staff.

**BE IT FURTHER RESOLVED**, that the MSF Board is authorizing that capture of taxes levied for school operating purposes for the payment of interest, up to a maximum of \$26,262,075 related to the eligible activities for the Project.

Ayes:

Nays:

Recused:

Lansing, Michigan  
September 26, 2017



**MEMORANDUM**

**Date:** September 26, 2017

**To:** Michigan Strategic Fund Board

**From:** Charles Donaldson, Community Assistance Team Specialist  
Lynda Franke, Underwriting and Incentive Structuring Specialist  
Mary Kramer, Senior MCRP and Brownfield Program Specialist

**Subject:** 550 Bears, LLC and Uptown Reinvestment Corporation - Request for Approval Michigan Community Revitalization Program Performance-Based Grant - Culinary Arts Project

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**Request**

The Culinary Arts Project will rehabilitate the currently vacant Woolworth Building into the new and expanded Mott Community College (MCC) Culinary Arts Teaching Facility, which will include commercial dining and bakery components on Saginaw Street in Downtown Flint. The project will redevelop 0.28 acres of property located at 550 South Saginaw Street in the City of Flint. The project is located in a downtown and qualifies for a Michigan Community Revitalization Program (MCRP) award because it is functionally obsolete.

550 Bears, LLC and Uptown Reinvestment Corporation (Applicants) are requesting approval of a MCRP incentive in the amount of \$1,500,000 in the form of a performance-based grant.

Mott Community College has committed \$3.25 million of voter approved capital bonds supported by a local community tax millage to the project. Despite this commitment, rehabbing a vacant and functionally obsolete building in downtown Flint requires significant additional capital. Uptown Reinvestment Corporation (URC) has committed \$842,000 in leveraged loan funds and the C.S. Mott Foundation has donated the building and \$4 million in leveraged loan funds. New Market Tax Credits (NMTC) will represent approximately \$3.1 million of the project budget and the MCRP grant will fill the financing gap of \$1.5 million to complete the project. The City of Flint has approved an eight-year OPRA, with a value of approximately \$750,000. The Applicants are undertaking this project without the expectation of economic return, but rather to meet community development goals of revitalizing the downtown. Owner investment is just under 7% of the total project cost. The owner will not profit from a developer fee. Staff requests a waiver of the 10% owner equity MCRP Incentive Parameter. It is anticipated that the project will not be able to meet a debt service coverage ratio of 1.2 to 1 in the first several years of operation. Staff is comfortable with this parameter deviation due to the fact that the project does not have any traditional financing. Additionally, staff recommend exceeding the grant level parameter of \$750,000 due to the tight cash flow and community benefit to the project. MCRP detailed structure is provided in **Appendix A.**



The Applicants anticipate that the Culinary Arts Project will result in total capital investment in the amount of \$12,649,687, along with the creation of approximately 12 permanent full-time equivalent jobs with an average hourly wage of \$20.00.

### **Background**

Located at the corner of Second Street and Saginaw Street along Flint's downtown corridor, the former, two-story F.W. Woolworth Building was constructed in the 1920s and housed a variety of retail selections until the 1970s. It has been vacant for several years now and its current dilapidated condition contrasts with many of the rehabilitated structures downtown.

The developer, in partnership with MCC, is now moving forward with plans to renovate the building into a collegiate culinary arts facility. MCC currently offers a Certificate and Associate degrees in Culinary Arts, Baking and Pastry Arts, and an Associate degree in Food Service Management. However, culinary student enrollment is at capacity for the current facilities in which these programs operate and the ability to offer more advanced courses is also limited by space constraints. Furthermore, to receive accreditation from the American Culinary Federation, MCC must renovate existing space to meet those requirements. Through this accreditation process and benchmarking of other programs nationwide, a different model was identified that moves culinary arts programs from their campuses into the community at a stand-alone facility space that is more visible and accessible to the public.

The renovated 35,000 square foot structure will house two culinary arts teaching kitchens, two bakery teaching kitchens, a meat fabrication teaching laboratory, a fine dining student-staffed restaurant connected to a baked goods café, and a large dividable meeting space to teach all aspects of the food service industry to students attending MCC. Relocation of the MCC program to the Woolworth Building would allow for doubling of teaching and kitchen space, as well as expansions in curriculum due to dedicated space for meat fabrication and temperature controlled spaces for chocolates and wine. In addition to its current full-service restaurant Applewood Café on MCC's campus, the new facility will provide an additional dining space that will provide further real-world experience to students and expand lunch service to the downtown area with the ability to support community events.

550 Bears, LLC is a single purpose entity created for this project by URC. URC was the developer of the Flint Health and Wellness District project that involved the relocation of the Flint Farmers Market, the opening of the Michigan State University - College of Medicine Flint campus, the Genesys PACE facility and the demolition of the Genesee tower to make room for an urban park. In total, the project spanned four city blocks and totaled over the \$30 million in investment. The MSF participated as an equity partner with URC for over \$5.5 million in MCRP funds. URC's most recent project is the renovation of the Capitol Theatre, which will open in the fall of 2017 and received \$5.5 million in MCRP equity investment from the MSF. URC has also participated as the non-profit co-developer with Uptown developments on nearly a dozen other redevelopment projects within downtown Flint.

**Appendix B** addresses the programmatic requirements and **Appendix C** includes a project map and renderings.

**Recommendation**

MEDC staff recommends approval of the following (the “Recommendation”):

- a) A MCRP performance-based grant in the amount of \$1,500,000 for 550 Bears, LLC and Uptown Reinvestment Corporation.
- b) Approval of deviations from the MCRP Incentive Parameters as follows: 1) minimum Debt Service Coverage Ratio of 1.2 to 1, 2) minimum owner equity of 10%, and 3) maximum of \$750,000 for an MCRP grant.

## APPENDIX A – Summary of Terms

- 1. Company Name:** 550 Bears, L.L.C., Uptown Reinvestment Corp., and/or a Related Entity or an Entities To Be Formed under the New Markets Tax Credit Structure (collectively "Company" or "Borrower" or "Applicant")
- 2. Company Address:** 519 S. Saginaw St. Suite 200  
Flint, MI 48502
- 3. MCRP Incentive Type:** Performance-Based Grant
- 4. Maximum Amount of MCRP Incentive:** Lesser of 20% of the Eligible Investment, as defined by the Program Guidelines, or \$1,500,000 ("MCRP Incentive Award"). No MCRP Incentive Award will be provided if the amount invested by the Company on the Project is less than the Minimum Eligible Investment, as defined below.
- 5. Project Description ("Project"):** The project involves the renovation and rehabilitation of the Woolworth building in downtown Flint, Michigan into a collegiate level Culinary Arts teaching facility. The structure will house culinary arts and bakery teaching kitchens, a meat fabrication teaching laboratory, a fine dining space connected to a baked goods café, a large dividable meeting space and all ancillary functions to teach all aspects of the food service industry to students attending Mott Community College.
- 6. Anticipated Minimum Eligible Investment:** \$6,453,656      The minimum is based on 80% of the total Eligible Investment amount requested on the MCRP incentive application. The Eligible Investment on the Project is anticipated to include:
  - Demolition
  - Building Alteration/Rehabilitation/Improvement
  - Site Improvements
  - Addition of Machinery, Equipment or Fixtures to the Project (limited to \$629,038)
  - Professional Fees

7. **Start Date for Measurement of Eligible Investment:** January 1, 2017
8. **Project Qualifying As:** Functionally Obsolete
9. **Conditions to Close:** Prior to closing on the MCRP grant, the Applicant must submit construction drawings, a guaranteed maximum price construction contract, a final project budget, commitment documentation for all of the NMTC funding, and evidence of available owner equity.
10. **Progress and Milestones & Disbursement:** The final terms and conditions of each of the Progress Milestones shall be included in the final Agreement, including that before any disbursement is made to the Applicant, the Applicant must demonstrate timely completion of all Progress Milestones, as required, and otherwise be in full compliance with all terms and conditions of the final Agreement. The MSF Fund Manager, in coordination with Michigan Economic Development Corporation (MEDC) Staff, is authorized to negotiate the final terms and conditions of the final Agreement to be used to memorialize MCRP awards on the MSF's behalf in accordance with the Guidelines and are anticipated to include:
- a. Pre-improvement Progress Milestone: Copies of all executed loan agreements, notes and mortgages, evidencing that the applicant has closed on financing in the minimum amount of \$12,649,687, a recorded deed to show the transfer of ownership for 550 S. Saginaw Street to 550 Bears, LLC or Uptown Reinvestment Corporation, documentation of state approval of the OPRA, and other milestones to be determined.
  - b. Completion of the Project Progress Milestone: Issuance of a certificate of occupancy on terms and conditions satisfactory to the MSF Fund Manager and evidence that any developer fee received by the applicants was reinvested into the project.
11. **Municipality supporting the Project (“Municipal Support”):** The City of Flint has approved an eight-year OPRA, with an estimated value of approximately \$750,000.
12. **Term of Agreement:** From execution of the final Agreement until the date three (3) years after the completion of the final Progress Milestone.
13. **Repayment and Penalty Terms:** Some repayment and penalty provisions are required by law. The repayment and penalty terms and conditions will be effective through the Term of the Agreement and shall be defined in the final Agreement, and may include any or all of the following: a penalty, reduction of all or a portion of the MCRP Incentive Award, repayment of any portion of any disbursement of the MCRP Incentive Award, or ineligibility of the Applicant and its sponsors for any support or economic assistance from the MSF, as the case may be, if the Applicant fails to comply with the Agreement, any reporting requirements defined in the final Agreement, or otherwise violates the MSF Act.
14. **Final Terms and Conditions:** The MSF Fund Manager, in coordination with MEDC Staff, is authorized to negotiate the final terms and conditions of the final Agreement to be used to memorialize

MCRP awards on the MSF's behalf in accordance with the Guidelines and is anticipated to include the terms described above.

## **APPENDIX B – Programmatic Requirements & Screening Guidelines**

### **MCRP Program and its Guidelines**

On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program (MCRP) and on September 22, 2015, the MSF Board approved its restated program guidelines. The primary intended objective of the MCRP is to provide incentives to persons that make eligible investments on eligible property in Michigan. The total eligible investment for this project is estimated to be \$7,567,070.

### **Source of Information**

It is the role of the Project Management staff (MEDC Staff) to review for eligibility, completeness, and adherence to MCRP guidelines, the information provided by the applicants and to manage the MSF's investment. Explanatory and background information is supplied in summary form to provide context for the request and is drawn exclusively from materials submitted by the applicants, and, as applicable, from other relevant third party sources utilized by staff.

As required under the MCRP, the following statutory criteria is being considered by the MSF:

#### **A. The importance of the project to the community in which it is located:**

The project is located in the middle of Flint's downtown corridor. The two-story F.W. Woolworth Building housed a variety of retail selections until the 1970s. It has been vacant for several years now and its current dilapidated condition contrasts with many of the rehabilitated structures downtown. The relocation of the MCC culinary arts facility to the downtown will benefit residents, students, and downtown businesses. There will be increased educational opportunities and new food and dining options for residents. Downtown businesses will benefit from the increased foot traffic and additional students and faculty downtown.

Relocation of MCC's culinary programs to downtown also provides opportunities for greater collaboration between the Flint Farmers' Market, MSU's School of Public Health, and the University of Michigan – Flint Health Science programs and adds to the growing "health and wellness district" established there. This emerging "health and wellness district" provides residents with infrastructure and anchor institutions that offer improved access to jobs, healthy foods, healthcare, and other essential services. Additionally, another resource that provides an educational presence demonstrating healthy food preparation and consumption is very timely in regards to ongoing health concerns resulting from the Flint Water Crisis.

#### **B. If the project will act as a catalyst for additional revitalization of the community in which it is located:**

Flint and Genesee County residents, students, and surrounding businesses will all be greatly impacted by the renovation of the Woolworth Building. The project has the potential to catalyze additional revitalization efforts throughout the downtown corridor and beyond. Furthermore, a reduction in blight located amongst other rehabilitated buildings will increase taxable value, providing the community with funds for more public resources.

The momentum of downtown investment continues to gain traction as several other projects in the downtown are also moving forward. The renovation of the historic Capitol Theatre and other past projects demonstrate the commitment by private investors, the community, and the State. The revitalization efforts in downtown Flint are effective and improving the overall economic climate and perception of the community. This project will only add to that progress.

**C. The amount of local community and financial support for the project:**

The City of Flint has approved an Obsolete Property Rehabilitation Act (OPRA) tax abatement for the property that will freeze local taxes for eight years and has an estimated value of \$750,000. The C.S. Mott Foundation is donating the property.

**D. The applicant's financial need for a community revitalization incentive:**

The project will not support traditional debt. The Applicants have attracted an NMTC allocation, as well as funding from the C.S. Mott Foundation and Mott Community College. A \$1.5 million gap remains, which is proposed to be filled by an MCRP grant.

**E. The extent of reuse of vacant buildings, reuse of historical buildings, and redevelopment of blighted property:**

The project will reuse and rehabilitate the currently vacant building. The project will transform the building from a vacant blighted property into a newly rehabilitated mixed use development.

**F. Creation of jobs:**

The project is expected to create an estimated 12 permanent full-time equivalent jobs from retail and office tenants with an average hourly wage of \$20.00. These new jobs will provide new customers to multiple downtown businesses.

**G. The level of private sector and other contributions, including, but not limited to, federal funds and federal tax credits:**

This project has significant local private sector, public sector, and foundation support. MCC has committed over \$3.25 million to the project. URC has committed \$842,000 in leveraged loan funds and the C.S. Mott Foundation has donated the building and \$4 million in leveraged loan funds. New Market Tax Credits will also represent approximately \$3.1 million of the project budget.

**H. Whether the project is financially and economically sound:**

The economic benefit to this project will be community-wide. The project is not expected to be a profit maker for the developer. The eight-year OPRA and the MCRP grant make this project achievable.

**I. Whether the project increases the density of the area:**

This is a rehabilitation project of an existing building. There will be no physical change in density. However, the reuse of the existing building will increase the number of people working in the downtown.

**J. Whether the project promotes mixed-use development and walkable communities:**

The project is adding new commercial and office space to the downtown. It promotes walkable communities by filling in long-vacant space, which will drive additional foot-traffic to the area. The building is zero-lot line developed, offers large retail windows on the first floor and is fronted by large, walkable sidewalks.

**K. Whether the project converts abandoned public buildings to private use:**

The site was not recently publicly owned.

**L. Whether the project promotes sustainable development:**

The project will utilize several sustainable “green” elements, such as LED lighting, an excess food digestion system, variable kitchen hood exhaust systems, high efficiency HVAC systems and computerized controls, and many other high-efficiency/low-energy systems.

**M. Whether the project involves the rehabilitation of a historic resource:**

The site is not considered to be a historic resource.

**N. Whether the project addresses area-wide redevelopment:**

Restoration of the Woolworth Building builds on the momentum of redevelopment in and around downtown Flint spear-headed by private development in partnership with foundations and agencies like the MEDC. Significant efforts to revitalize downtown Flint have been undertaken in recent years to address urban blight and economic stagnancy that have plagued Flint in recent decades. The result of the downtown investment includes new market-rate housing options, over 20 new businesses, and many new commercial ventures all of which contribute to the vibrancy and culture of the community and provide jobs to residents.

**O. Whether the project addresses underserved markets of commerce:**

The project will house MCC’s culinary programs that will train students for a growing job market in Michigan’s culinary and food service industries. This training will provide the community with an excellent supply of committed servers, chefs, and managers who are trained and educated in healthy food preparation and restaurant management. Entrepreneurial ventures formed by MCC graduates will create new businesses that diversify the local economy and create jobs.

**P. The level and extent of environmental contamination:**

The Phase I environmental report found no Recognized Environmental Concerns. However, it is expected that approximately \$100,000 in asbestos abatement will need to occur.

**Q. If the rehabilitation of the historic resource will meet the federal Secretary of the Interior's standards for rehabilitation and guidelines for rehabilitating historic buildings (36 CFR 67):**

The project does not include a historic resource.



**R. Whether the project will compete with or affect existing Michigan businesses within the same industry:**

The project is not expected to provide undue competition with other Michigan businesses within the same industry. The project includes the relocation of the MCC Culinary Arts Facility to downtown Flint.

**S. Any other additional criteria approved by the board that are specific to each individual project and are consistent with the findings and intent of this chapter:**

No other criteria to consider.

## APPENDIX C – Project Map and Renderings





**MICHIGAN STRATEGIC FUND**

**RESOLUTION 2017 -**

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM  
PERFORMANCE BASED GRANT AWARD TO  
550 BEARS, LLC and UPTOWN REINVESTMENT CORPORATION**

**WHEREAS**, the Michigan legislature amended the Michigan Strategic Fund Act, MCL 125.2011 et. seq., to add Chapter 8C (being MCL 125.2090a – MCL 125.2090d) to enable the Michigan Strategic Fund (“MSF”) to create and operate the Michigan Community Revitalization Program (“MCRP”) to provide incentives in the form of grants, loans and other economic assistance for redevelopment of communities in Michigan;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF for the MCRP;

**WHEREAS**, on December 21, 2011, by Resolution 2011-185, the MSF (i) created the MCRP, (ii) adopted the guidelines for the MCRP, as later amended (“Guidelines”);

**WHEREAS**, pursuant to SFCR 125.2090-1, the MSF approved the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate awards and decisions approved under the MCRP, (“Transaction Documents”);

**WHEREAS**, the Guidelines require that MCRP awards over \$1 million must be approved by the MSF Board;

**WHEREAS**, 550 Bears, LLC and Uptown Reinvestment Corporation (“Companies”) have requested a performance based grant of up to \$1,500,000 (“Award Request”), along with other general terms and conditions.

**WHEREAS**, it is anticipated that the project will not meet the following MCRP Incentive Parameters: (1) minimum debt service coverage ratio of 1.2 to 1, (2) minimum owner equity of 10 percent, and (3) maximum MCRP grant amount of \$750,000. MEDC staff is recommending a deviation from these parameters;

**WHEREAS**, the MEDC has recommended that the MSF approve the Company’s Award Request subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents within 180 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 90 days (“MCRP Award Recommendation”); and

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board approves the MCRP Award Recommendation;

Ayes:

Nays:

Recused:

Lansing, Michigan  
September 26, 2017



**MEMORANDUM**

**Date:** September 26, 2017

**To:** Michigan Strategic Fund Board

**From:** Charles Donaldson, Community Assistance Team Specialist  
Julius Edwards, Manager, Underwriter and Incentive Structuring  
Emanuel Odom, Underwriting and Incentive Structuring Specialist  
Mary Kramer, Senior MCRP and Brownfield Programs Specialist

**Subject:** Alma College and Alma Opera Block, LLC - Request for Approval Michigan Community Revitalization Program Performance-Based Grant

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**Request**

The proposed project will be undertaken by Alma College and Alma Opera Block, LLC to complete the redevelopment of 0.5 acres of property located at 101-113 Superior Street in the City of Alma. The project is located in a downtown and qualifies for a Michigan Community Revitalization Program (MCRP) award because it is functionally obsolete and a historic resource.

Alma College and Alma Opera Block, LLC (Applicants) are requesting approval of a MCRP incentive in the amount of up to \$1,500,000 in the form of a performance-based grant.

The request is for up to 50% of eligible investment, as this project is a historic preservation project. MCRP legislation allows that annually the MSF may consider support for up to three single projects that shall not exceed 50% of the eligible investment up to \$10,000,000 for the specific purpose of historic preservation. This project is the second project being considered for up to 50% of eligible investment in fiscal year 2017.

Alma College is proposing to complete redevelopment of the building and will master lease all of the residential units and make them available as residences for Alma College students. However, due to the very weak retail and commercial economic conditions in Alma, it is not possible to secure the necessary level of traditional financing to complete the project. The total cost to complete the proposed renovation is estimated at \$5.2 million which is more than double the appraised value for the building following completion (estimated at \$2.7 million). The low appraised value can be directly linked to the relatively low rental rates and weak commercial rental market in the area, which limits the level of traditional debt the project can secure. The development team is in the process of securing permanent term debt of approximately \$2 million from Chemical Bank, which is offering a maximum loan equal to 75% of the appraised value. To bridge the significant gap between the appraised value and the cost to develop the project, the development team is contributing private equity of over 18% of the total development cost and deferring 100% of its developer fees. The project is also utilizing Federal Historic Tax Credits (HTCs) which the developers will be monetizing through an investment by Chemical Bank. The

remaining gap would be filled by the proposed MCRP award. MCRP detailed structure is provided in **Appendix A.**

The Applicants anticipate that the project will result in total capital investment in the amount of \$5,218,035, along with the creation of approximately 42 permanent full-time equivalent jobs with an average hourly wage of \$9.00.

### **Background**

The Wright Opera Block encompasses a partial city block of downtown Alma and consists of three adjacent buildings located on a single parcel. The main buildings are two and three stories with a full basement and an adjacent single story building to the rear. In 2010, a fire occurred and caused major fire damage to the retail spaces and upper opera hall. The building also had significant structural damage and was scheduled for demolition in early 2011.

In June 2014, the MSF Board approved a MCRP grant for \$1 million and a Community Development Block Grant (CDBG) grant for approximately \$420,000, to support this project. The project failed to meet the necessary milestones and the awards were terminated in 2016 prior to any funding from the MSF being disbursed to the project. The prior developer expended approximately \$4.7 million on redeveloping the property prior to halting renovation activities. The current request is for a MCRP grant of \$1.5 million to allow for the acquisition of the property, clean up of any outstanding liens, and completion of the project's renovation and related public infrastructure activities by Alma College. It is not anticipated that the project will request any new CDBG funding and it is expected that all renovation activities will be completed with the MCRP award and other traditional financing.

The current applicant understands that the costs incurred and paid for by the prior developer will not be considered as part of "eligible investment" for the current applicant and are shown in this application as part of the acquisition costs. For purposes of the federal historic tax credit, the applicant will be allowed to count the vast majority of its \$1.37 million acquisition basis as qualified rehabilitation expenses. No "eligible investment" for purposes of the MCRP program has yet been incurred by the current applicants.

The project will historically renovate the buildings with the upper two floors of the main building being master leased by Alma College and utilized as Alma College student residences (totaling approximately 20,303 square feet with 16 units). The lower floors of the main building and the accessory building at the rear of the property known as the Boiler Plant will be rehabilitated into 10-12 retail rental units (totaling approximately 15,605 square feet) completed to a white-box state. The basement of the buildings will be used for storage (approximately 15,878 square feet) and support services.

The project is being undertaken by Alma College and Alma Opera Block, LLC. Alma Opera Block, LLC is a single purpose entity created for the purposes of carrying out the proposed renovation. Alma College is a private, liberal arts college located in Alma, Michigan, with an enrollment of approximately 1,400 students. Alma College has completed a large number of development projects in the last fifteen years including new dormitory construction, upgrades to athletic facilities, and a new recreation center. Alma College has not received incentives from the MSF.

**Appendix B** addresses the programmatic requirements and **Appendix C** includes a project map and renderings.

**Recommendation**

MEDC staff recommends approval of the following (the “Recommendation”):

- a) A MCRP performance-based grant for up to 50 percent of eligible investment but not more than \$1,500,000 for Alma College and Alma Opera Block, LLC.
- b) Approval for the allowance of up to 50% of eligible investment to advance to the project for the purpose of historic renovation. Legislation allows that annually the MSF may consider support for up to three single projects that shall not exceed 50% of the eligible investment for the specific purpose of historic preservation.



## APPENDIX A – Summary of Terms

1. **Company Name:** Alma College and Alma Opera Block, LLC
2. **Company Address:** Alma College and Alma Opera Block, LLC  
614 West Superior Street  
Alma, Michigan 48801
3. **MCRP Incentive Type:** Performance Based Grant
4. **Maximum Amount of MCRP Incentive:** Lesser of 50% of the Eligible Investment, as defined by the Program Guidelines, or \$1,500,000 (“MCRP Incentive Award”)
5. **Project Description (“Project”):** The Wright Opera Block Project will rehabilitate three currently vacant and historic, multi-story buildings into a new mixed-use development, which will include approximately 20,303 square feet of residential space with 16 units and 10-12 commercial retail spaces totaling approximately 15,605 square feet on Superior Street in Downtown Alma. The project also includes basement renovations for both residential and commercial tenant storage spaces totaling approximately 15,878 square feet.
6. **Anticipated Minimum Eligible Investment:** \$2,390,637      The minimum is based on 80% of the total Eligible Investment amount requested on the MCRP incentive application. The Eligible Investment on the Project is anticipated to include:
  - Building Alteration/Rehabilitation/Improvement
  - Addition of Machinery, Equipment or Fixtures to the Project
  - Professional Fees
7. **Start Date for Measurement of Eligible Investment:** August 1, 2017
8. **Project Qualifying As:**
  - Functionally Obsolete
  - Historic Resource
9. **Conditions to Close:** Prior to closing on the MCRP grant, the applicant must submit a guaranteed maximum price construction contract and resolutions designating the person and their title who are authorized to execute the MCRP agreement on behalf of the applicants.

- 10. Progress and Milestones & Disbursement:** The final terms and conditions of each of the Progress Milestones shall be included in the final Agreement, including that before any disbursement is made to the Applicant, the Applicant must demonstrate timely completion of all Progress Milestones, as required, and otherwise be in full compliance with all terms and conditions of the final Agreement. The MSF Fund Manager, in coordination with Michigan Economic Development Corporation (MEDC) Staff, is authorized to negotiate the final terms and conditions of the final Agreement to be used to memorialize MCRP awards on the MSF's behalf in accordance with the Guidelines and are anticipated to include:
- a. Pre-improvement Progress Milestone: Written certification from the senior lender, Chemical Bank, or a copy of the executed loan agreement, note and mortgage, evidencing that the applicant has closed on financing in the minimum amount of \$2,000,000; documentation of local and state approval of the transfer of the OPRA to Alma Opera Block, LLC; and a recorded deed to show that the property transferred to either Alma College or Alma Opera Block, LLC.
  - b. Completion of the Project Progress Milestone: Issuance of a certificate of occupancy on terms and conditions satisfactory to the MSF Fund Manager.
- 11. Municipality supporting the Project (“Municipal Support”):** The city of Alma is supporting the project with an Obsolete Property Rehabilitation Act (OPRA) tax abatement. The city estimates its contribution from the OPRA at \$984,000. The OPRA Certificate was issued in 2013 for a 12 year period and the transfer of the OPRA to the MCRP Applicant is anticipated to be approved in Fall 2017.
- 12. Term of Agreement:** From execution of the final Agreement until the date three (3) years after the completion of the final Progress Milestone.
- 13. Repayment and Penalty Terms:** Some repayment and penalty provisions are required by law. The repayment and penalty terms and conditions will be effective through the Term of the Agreement and shall be defined in the final Agreement, and may include any or all of the following: a penalty, reduction of all or a portion of the MCRP Incentive Award, repayment of any portion of any disbursement of the MCRP Incentive Award, or ineligibility of the Applicant and its sponsors for any support or economic assistance from the MSF, as the case may be, if the Applicant fails to comply with the Agreement, any reporting requirements defined in the final Agreement, or otherwise violates the MSF Act.
- 14. Final Terms and Conditions:** The MSF Fund Manager, in coordination with MEDC Staff, is authorized to negotiate the final terms and conditions of the final Agreement to be used to memorialize MCRP awards on the MSF's behalf in accordance with the Guidelines and is anticipated to include the terms described above.

## **APPENDIX B – Programmatic Requirements & Screening Guidelines**

### **MCRP Program and its Guidelines**

On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program (MCRP) and on September 22, 2015, the MSF Board approved its restated program guidelines. The primary intended objective of the MCRP is to provide incentives to persons that make eligible investments on eligible property in Michigan. The total eligible investment for this project is estimated to be \$2,988,296.

### **Source of Information**

It is the role of the Project Management staff (MEDC Staff) to review for eligibility, completeness, and adherence to MCRP guidelines, the information provided by the applicant and to manage the MSF's investment. Explanatory and background information is supplied in summary form to provide context for the request and is drawn exclusively from materials submitted by the applicant, and, as applicable, from other relevant third party sources utilized by staff.

As required under the MCRP, the following statutory criteria is being considered by the MSF:

**A. The importance of the project to the community in which it is located:**

The important attributes to the downtown are its historic character, mixed-use make up, and being pedestrian friendly. All of these features are enhanced with this project. Providing retail on the first floors enhances walkability and stimulates economic activity in the downtown. In addition, the use of the upper floors as residences encourages more pedestrian use of the downtown during off peak hours after 5:00 pm and on weekends. The renovation is located in the center of the downtown. It is a critical building at this location of the downtown because of its unique architecture and large visual scale/mass. Once the building is rehabilitated, the building will make a dramatic improvement to the sense of place in the downtown. This area as a whole will become more of an attraction for various downtown consumer and leisure activities.

**B. If the project will act as a catalyst for additional revitalization of the community in which it is located:**

The Wright Opera Block Project sits at the main intersection of downtown Alma and is an important redevelopment project. It is the central visual and physical element of the downtown district and is anticipated to be an important trigger for new economic revitalization of the downtown. The project will add new commercial and residential tenants to the downtown. These additions are expected to act as a catalyst for new development and growth. The addition of new people in the downtown is also expected to increase the economy of local businesses.

**C. The amount of local community and financial support for the project:**

The city of Alma has provided financial assistance to the project in the form of an Obsolete Property Rehabilitation Act (OPRA) tax abatement. The City of Alma estimates its contribution from the OPRA at \$984,000. The OPRA Certificate was issued in 2013 for a twelve year period and the transfer of the Certificate is anticipated to be approved in the Fall of 2017.

**D. The applicant's financial need for a community revitalization incentive:**

The total cost to complete the proposed renovation is estimated at \$5.2 million which is more than double the appraised value for the building following completion (estimated at \$2.7 million). The low appraised value can be directly linked to the relatively low rental rates and weak commercial rental market in the area, which limits the level of traditional debt the project can secure. The development team is in the process of securing permanent term debt of approximately \$2 million from Chemical Bank, which is offering a maximum loan equal to 75% of the appraised value. To bridge the significant gap between the appraised value and the cost to develop the project, the development team is contributing private equity of over 18% of the total development cost and deferring 100% of its developer fees. The project is also utilizing Federal Historic Tax Credits (HTCs) which the developers will be monetizing through an investment by Chemical Bank. The remaining gap would be filled by the proposed MCRP award.

**E. The extent of reuse of vacant buildings, reuse of historical buildings, and redevelopment of blighted property:**

The project will reuse and rehabilitate the vacant, historic Wright Opera House and associated buildings. The historic renovation will be consistent with the Secretary of the Interiors Standards for Historic Preservation. The building was built in 1880 and is significant because it is the city's key Italianate commercial building because of its size and elaborate brick detailing. The project will transform the building from a vacant blighted property into a newly rehabilitated mixed use development.

**F. Creation of jobs:**

The project is expected to create an estimated 42 permanent full-time equivalent jobs from residential operations and retail tenants with an average hourly wage of \$9.00. These new residents and jobs are expected to provide new customers to multiple downtown businesses.

**G. The level of private sector and other contributions, including, but not limited to, federal funds and federal tax credits:**

Chemical Bank is providing permanent term debt of approximately \$2.0 million. The development team is contributing private equity of over 18% of the total development cost, and deferring their developer fee. The project is utilizing Federal Historic Tax Credits (HTCs) which the developers will be monetizing through investment by Chemical Bank.

**H. Whether the project is financially and economically sound:**

The project's residential units will be master leased by Alma College. The commercial space will be offered at reasonable lease rates and the project has been underwritten assuming a conservative vacancy rate of 30%. Additionally, the project will be supported by financial support of Alma College. Following achievement of stabilized occupancy it is anticipated that the project will be able to achieve a debt service coverage ratio of greater than 1.20 to 1.00.

**I. Whether the project increases the density of the area:**

This is a rehabilitation project of an existing building. There will be no physical change in density. However, the reuse of the existing building and the addition of new commercial and residential tenants will increase the number of people working and living in the downtown.

**J. Whether the project promotes mixed-use development and walkable communities:**

The project is within four blocks walking distance from Alma College, a small liberal arts college of approximately 1,400 students. The project site is also within easy walking distance of most of the downtown areas and fully embraces the walkable community's goals. The project is adding new residential and retail space to the downtown. It promotes walkable communities by filling in long-vacant space, which will drive additional foot-traffic to the area. The building is zero-lot line developed, offers large retail windows on the first floor and is fronted by large, walkable sidewalks.

**K. Whether the project converts abandoned public buildings to private use:**

The site was not recently publicly owned.

**L. Whether the project promotes sustainable development:**

This project promotes sustainable development through the reuse of the current vacant structure rather than demolishing and adding those materials to the waste stream. The project will utilize several sustainable "green" elements, such as LED lighting, high efficiency HVAC systems, and many other high-efficiency/low-energy systems.

**M. Whether the project involves the rehabilitation of a historic resource:**

The Wright Opera Block project includes the rehabilitation of the historic Wright Opera House and associated buildings. The buildings will be historically renovated according to the Secretary of Interior's Standards for Historic Preservation. The project is also utilizing historic tax credits.

**N. Whether the project addresses area-wide redevelopment:**

The Wright Opera Block project addresses the community's area-wide redevelopment goals by providing additional commercial and residential development in the downtown. The project meets these goals by creating development that is mixed use, has historic character, and is pedestrian friendly. The new residences will encourage more pedestrian use of the downtown during the evenings and weekends.

**O. Whether the project addresses underserved markets of commerce:**

The project will add new residential and retail tenants to Alma. This project will bring new retail services where there is still a lack of economic activity and new investment. This project will address the lack of supply and ongoing demand for housing in the downtown.

**P. The level and extent of environmental contamination:**

The developer has completed a Phase I environmental analysis on the property. The Phase I identified asbestos in the burned sections of the building, asbestos in roofing materials, asbestos pipe insulation in the basement areas, and lead paint in some areas. The asbestos has been fully

identified, mitigated, and certified per relevant environmental laws and standards. The property does have minimal additional environmental clean-up work to be performed consisting primarily of lead based paint removal.

**Q. If the rehabilitation of the historic resource will meet the federal Secretary of the Interior's standards for rehabilitation and guidelines for rehabilitating historic buildings (36 CFR 67):**

The historic building will be renovated according to the Secretary of Interior's Standards for Historic Preservation. The project includes the rehabilitation of the historic Wright Opera House and associated buildings located in downtown Alma. The building was built in 1880 and is significant as the City's key Italianate commercial building.

**R. Whether the project will compete with or affect existing Michigan businesses within the same industry:**

The project is adding new residential and retail space to the downtown in a rehabilitated historic building. The project will not compete with or affect any existing Michigan businesses.

**S. Any other additional criteria approved by the board that are specific to each individual project and are consistent with the findings and intent of this chapter:**

No other criteria to consider.

**APPENDIX C – Project Map and Renderings**







**MICHIGAN STRATEGIC FUND**

**RESOLUTION 2017 -**

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM  
PERFORMANCE BASED GRANT AWARD TO  
ALMA COLLEGE AND ALMA OPERA BLOCK, LLC  
(WRIGHT OPERA BLOCK)**

**WHEREAS**, the Michigan legislature amended the Michigan Strategic Fund Act, MCL 125.2011 et. seq., to add Chapter 8C (being MCL 125.2090a – MCL 125.2090d) to enable the Michigan Strategic Fund (“MSF”) to create and operate the Michigan Community Revitalization Program (“MCRP”) to provide incentives in the form of grants, loans and other economic assistance for redevelopment of communities in Michigan;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF for the MCRP;

**WHEREAS**, on December 21, 2011, by Resolution 2011-185, the MSF (i) created the MCRP, (ii) adopted the guidelines for the MCRP, as later amended (“Guidelines”);

**WHEREAS**, pursuant to SFCR 125.2090-1, the MSF approved the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate awards and decisions approved under the MCRP, (“Transaction Documents”);

**WHEREAS**, the Guidelines require that MCRP awards over \$1 million must be approved by the MSF Board;

**WHEREAS**, Alma College and Alma Opera Block, LLC (“Companies”) have requested a performance based grant of up to \$1,500,000 (“Award Request”), along with other general terms and conditions;

**WHEREAS**, the request is for up to 50% of eligible investment costs, as this project is a historic preservation project. MCRP legislation allows that annually the MSF may consider support up to three single projects that shall not exceed 50% of the eligible investment up to \$10,000,000 for the specific purpose of historic preservation. This project is the second project being considered for up to 50% of eligible investment this fiscal year;

**WHEREAS**, the MEDC has recommended that the MSF approve the Company’s Award Request subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents within 180 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 30 days (“MCRP Award Recommendation”); and

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board approves the MCRP Award Recommendation.

Ayes:

Nays:

Recused:

Lansing, Michigan  
September 26, 2017

**MEMORANDUM**

**Date:** September 26, 2017

**To:** Michigan Strategic Fund Board

**From:** Ryan Kilpatrick, Senior CA Team Specialist  
Lynda Franke, Commercial Real Estate Investment Specialist  
Mary Kramer, Senior MCRP and Brownfield Programs Specialist

**Subject:** City of Holland Brownfield Redevelopment Authority  
Request for Approval of an Act 381 Work Plan  
Geenen DeKock Properties, L.L.C. and West 8<sup>th</sup> Development LLC  
Redevelopment Project

**Geenen DeKock Properties, L.L.C. - Request for Approval Michigan  
Community Revitalization Program Other Economic Assistance Loan  
Participation**

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**Request**

Geenen DeKock Properties, L.L.C. (GDK) will redevelop 23 properties located on the west end of the downtown Holland business district, in phases. The Act 381 Work Plan includes the entire 11.75 acre site. The proposed MCRP award would be utilized for Phase I which includes the construction of a new mixed-use building as well as a complete rehabilitation of the existing Holland Sentinel Building. The city of Holland plans to issue bonds and construct a 380-space parking structure as part of the project. The city will also rehabilitate the Civic Center property and invest in a park across Pine Avenue from the project, infrastructure transmission and distribution, and expansions/improvements to 9th Street in the vicinity of the project. The project is located in a downtown and qualifies for a Michigan Community Revitalization Program (MCRP) award and Act 381 work plan because it is a facility and functionally obsolete.

In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the City of Holland Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of \$17,766,736.

Geenen DeKock Properties, L.L.C. (Applicant) is requesting approval of a MCRP incentive in the amount of \$1,000,000 in the form of an Other Economic Assistance Performance-Based Loan Participation.

The proposed project has maximized available private debt and equity in this project based upon the projected cash flow and rate of return. The debt coverage ratio for the project is stabilized at 1.20, which meets MCRP parameters. The minimum threshold established by Macatawa Bank is only 1.0 on the project to service the \$5,000,000 private loan. The development team will be contributing \$3,100,000 in

equity to the project or slightly more than 34% of total project cost. This leaves a remaining financial gap of approximately \$1,000,000. Without the MEDC participation, additional equity would be required. However, this would push project returns below an acceptable level (approximately 7%). The low interest MCRP loan participation allows for the project to continue to move forward. Furthermore, significant costs are present on the site related to Brownfield conditions. The eligible activities will alleviate Brownfield conditions across the site and make it suitable for redevelopment, and protect human health and the environment. Without Brownfield tax increment reimbursement, the cost burden related to Brownfield conditions would make the project financially unfeasible. MCRP detailed structure is provided in **Appendix A**.

The Applicant anticipates that the overall GDK project will result in total capital investment of over \$40 million and the creation of approximately 80 permanent full-time equivalent jobs with an average hourly wage of \$15. Of that total, Phase I of the project, which is the MCRP portion, is anticipated to result in total capital investment in the amount of \$9,100,000, along with the creation of approximately 15 permanent full-time equivalent jobs with an average hourly wage of \$15.

### **Background**

Geenen DeKock Properties, L.L.C. will redevelop the property in phases, which is located on the west end of the downtown business district, and consists of most of the city block between 8th and 9th Streets and between River and Pine Avenues in Holland, Michigan. The city of Holland will issue bonds and construct a 380-space, 151,000 square foot parking structure as part of the project. The city will also rehabilitate the Civic Center and invest in a park across Pine Avenue from the project, infrastructure transmission and distribution, and expansions/improvements to 9th Street in the vicinity of the project.

The MCRP Application seeks support for Phase I of this project which includes the construction of a new five-story, mixed-use building as well as a complete rehabilitation of the existing Holland Sentinel Building. The new construction will include approximately 12,800 square feet of retail space and 13,000 square feet of market rate residential apartments consisting of 16 units. The rehabilitation of the existing Holland Sentinel Building will include 12,700 square feet of space for the Holland Sentinel as well as 4,000 square feet of restaurant space.

Phase II of the project will include demolition of two obsolete structures and construction of a four-story, mixed-use building adjacent to the Holland Sentinel building with approximately 16 market rate apartments and over 4,000 square feet of retail space on the first floor. In addition, a two-story approximately 27,000 square foot multiplex theater will be constructed with 13,000 square feet of first floor retail space.

The balance of the project will include demolition of seven buildings and construction of three or four new mixed-use buildings that will likely include additional first floor retail and approximately 68 market rate residential apartments. The city will construct the parking deck and complete improvements to the Civic Center and infrastructure as part of this phase.

Demolition activities will be necessary to prepare the site for new construction. Site preparation activities include excavation, dewatering, and grading. Infrastructure improvements include sidewalk repairs, curb replacement, snow melt installation, lighting, and a 380-space public parking deck to support the new

development. Interest costs will be reimbursed to the developer and to the city for the public bonds necessary to finance the parking deck and infrastructure improvements.

Geenen DeKock Properties has not applied for MSF incentive support for any previous projects. Chuck Geenen and Doug DeKock are co-owners of GDK Construction, a full-service, west Michigan based contracting company with significant experience building high-quality, commercial real estate across the State of Michigan.

**Appendix B** addresses the programmatic requirements and **Appendix C** includes a project map and renderings.

**Recommendation**

MEDC staff recommends approval of the following (the “Recommendation”):

- a) Local and school tax capture for the Act 381 eligible activities totaling \$17,766,736. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$8,407,219.
- b) A MCRP Other Economic Assistance Performance-Based Loan Participation in the amount of \$1,000,000 for Geenen DeKock Properties, L.L.C.

## APPENDIX A – MCRP Financial Structure

### FINANCING OPPORTUNITY – MCRP OTHER ECONOMIC ASSISTANCE LOAN PARTICIPATION

#### SUMMARY OF DEVELOPMENT SOURCES:

Bank Share	\$	5,000,000	54.94%
MSF Share	\$	1,000,000	10.99%
Developer Equity	\$	3,100,000	34.07%
<b>TOTAL</b>	<b>\$</b>	<b>9,100,000</b>	<b>100.00%</b>

#### LOAN FACILITY

<b>MSF Facility:</b>	MCRP Loan Participation and Servicing Agreement Under “Other Economic Assistance”
<b>Borrower:</b>	Geenen DeKock Properties, L.L.C. or a Related Entity
<b>Lender:</b>	Macatawa Bank
<b>Total Amount of Loans:</b>	Currently estimated at \$6,000,000
<b>Lender Share:</b>	Currently estimated at \$5,000,000
<b>MSF Share:</b>	Up to the lesser of 20% of “Eligible Investment” or \$1,000,000
<b>Term:</b>	To match that of the lender, not to exceed 120 months.
<b>Amortization:</b>	To match that of the Lender, not to exceed 300 months.
<b>Interest Rate:</b>	Anticipated to be 1% per annum on the MSF Share.
<b>Repayment Terms:</b>	Up to 120 months of interest only payments, with a balloon payment at maturity.
<b>Collateral:</b>	To match that of the Lender, the MSF Share will be subordinated.
<b>Guarantee:</b>	To match that of the Lender, the MSF Share will be subordinated.
<b>Fee:</b>	The MSF shall be paid a one-time fee equal to one percent of the MSF’s share of the loan. The Lender may charge the borrower for this fee.
<b>Funding:</b>	The MSF will fund up to the MSF Share amount to be disbursed following closing of the Loan and other performance criteria.

**Other Conditions:**

The MSF's investment will be contingent upon the following:

A minimum owner equity contribution of \$3,100,000 to Phase I of the project.

## **APPENDIX B – Programmatic Requirements & Screening Guidelines**

### **Property Eligibility**

The project is located within the boundaries of the city of Holland, which is a Qualified Local Governmental Unit, and has been determined to be a facility as verified by Michigan Department of Environmental Quality (DEQ) on June 19, 2017.

The property is the subject of a Brownfield Plan, duly approved by the City of Holland on July 20, 2016.

### **MCRP Program and its Guidelines**

On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program (MCRP) and on September 22, 2015, the MSF Board approved its restated program guidelines. The primary intended objective of the MCRP is to provide incentives to persons that make eligible investments on eligible property in Michigan. The total eligible investment for this project is estimated to be \$5,990,545.

### **Source of Information**

It is the role of the Project Management staff (MEDC Staff) to review for eligibility, completeness, and adherence to MCRP guidelines, the information provided by the applicant and to manage the MSF's investment. Explanatory and background information is supplied in summary form to provide context for the request and is drawn exclusively from materials submitted by the applicant, and, as applicable, from other relevant third party sources utilized by staff.

As required under the MCRP, the following statutory criteria is being considered by the MSF:

**A. The importance of the project to the community in which it is located:**

The project represents infill development that will increase density with the addition of a new mixed-use building in the downtown. The project promotes mixed-use development with the addition of new residential units atop first floor retail space in walkable downtown Holland. The project will rehabilitate and reuse the existing Holland Sentinel Building and the overall project will address redevelopment of an entire city block. The project will incorporate the use of energy efficient mechanicals, appliances and building materials.

**B. If the project will act as a catalyst for additional revitalization of the community in which it is located:**

The project is located at the west end of downtown and will extend residential and retail to Pine Avenue. This will assist in the drive to extend the business district in the direction of Lake Macatawa to the west. Additionally, the overall project proposes to redevelop the entire city block and it will very likely promote other investments in the downtown through ancillary development and tenant improvements and investment.



**C. The amount of local community and financial support for the project:**

The city of Holland intends to construct a 380-space parking structure and complete rehabilitation of the Civic Center. The city has approved brownfield tax increment financing (local portion is estimated to be \$9.3 million which also supports the parking deck) and Neighborhood Enterprise Zone property tax abatements for the residential portion of the project for a 10-year term with a projected savings of approximately \$385,000.

**D. The applicant's financial need for a community revitalization incentive:**

The project requires financial assistance based on the current available rental rates in the downtown and the cost of necessary building materials to provide a high quality downtown project. In order to achieve a desired return on investment, the requested assistance from the MCRP and Brownfield TIF program are critical to the success of the overall project.

**E. The extent of reuse of vacant buildings, reuse of historical buildings, and redevelopment of blighted property:**

The project will rehabilitate and reuse the existing Holland Sentinel Building and the overall project will address redevelopment of an entire city block.

**F. Creation of jobs:**

Phase I of the project is estimated to create 15 full-time equivalent retail and restaurant jobs with an average hourly wage of \$15.

**G. The level of private sector and other contributions, including, but not limited to, federal funds and federal tax credits:**

The project has attracted a \$5 million loan from Macatawa Bank and will be supported by \$3.1 million in equity contributions.

**H. Whether the project is financially and economically sound:**

The stabilized debt service coverage ratio for this project is 1.20. The commercial spaces are already leased, and the residential units are anticipated to lease up without difficulty.

**I. Whether the project increases the density of the area:**

This project will provide an additional 54,300 square feet of redeveloped space, including 13,000 square feet of new residential units, 12,800 square feet of retail space, a 4,000 square foot restaurant, 12,700 square feet of office space, and common area space.

**J. Whether the project promotes mixed-use development and walkable communities:**

The project will include significant infill development along a large segment of the northern half of 8<sup>th</sup> Street. The infill will dramatically improve the walkability of this block of downtown and is expected to enhance vitality.

**K. Whether the project converts abandoned public buildings to private use:**

None of the parcels were previously abandoned public buildings.

**L. Whether the project promotes sustainable development:**

The project will incorporate the use of energy efficient mechanicals, appliances and building materials. The buildings will be completed to a minimum LEED standard.

**M. Whether the project involves the rehabilitation of a historic resource:**

None of the buildings in question are registered historic resources.

**N. Whether the project addresses area-wide redevelopment:**

The block of 8<sup>th</sup> Street that is proposed for redevelopment has historically experienced dramatically less investment than the adjacent blocks to the east. The proposed project is expected to catalyze additional investment in the immediate vicinity as well as to illustrate the potential for further development to the west.

**O. Whether the project addresses underserved markets of commerce:**

Downtown Holland currently has a very limited number of residential units above storefronts. This project will provide much needed market rate housing within walking distance to shops, restaurants, services and employment.

**P. The level and extent of environmental contamination:**

Portions of the property have been deemed a facility due to the presence of metals in the soil and groundwater. Due care will be undertaken during the construction process to limit soil contact and the properties will be connected to the city water system. It is expected that soils will be capped as part of the overall construction process.

**Q. If the rehabilitation of the historic resource will meet the federal Secretary of the Interior's standards for rehabilitation and guidelines for rehabilitating historic buildings (36 CFR 67):**

None of the proposed properties currently qualify as a registered historic resource.

**R. Whether the project will compete with or affect existing Michigan businesses within the same industry:**

The project is not anticipated to compete with existing businesses.

**S. Any other additional criteria approved by the board that are specific to each individual project and are consistent with the findings and intent of this chapter:**

No additional criterial needs to be considered.

**Brownfield Act 381 Program Additional Project Information:**

**A. Reuse of functionally obsolete buildings and/or redevelopment of blighted property:**

The project will include the reuse of the formerly functionally obsolete Holland Sentinel building.

**B. Whether project will create a new brownfield property in the State:**

No new Brownfields will be created by this project.

**Tax Capture Breakdown**

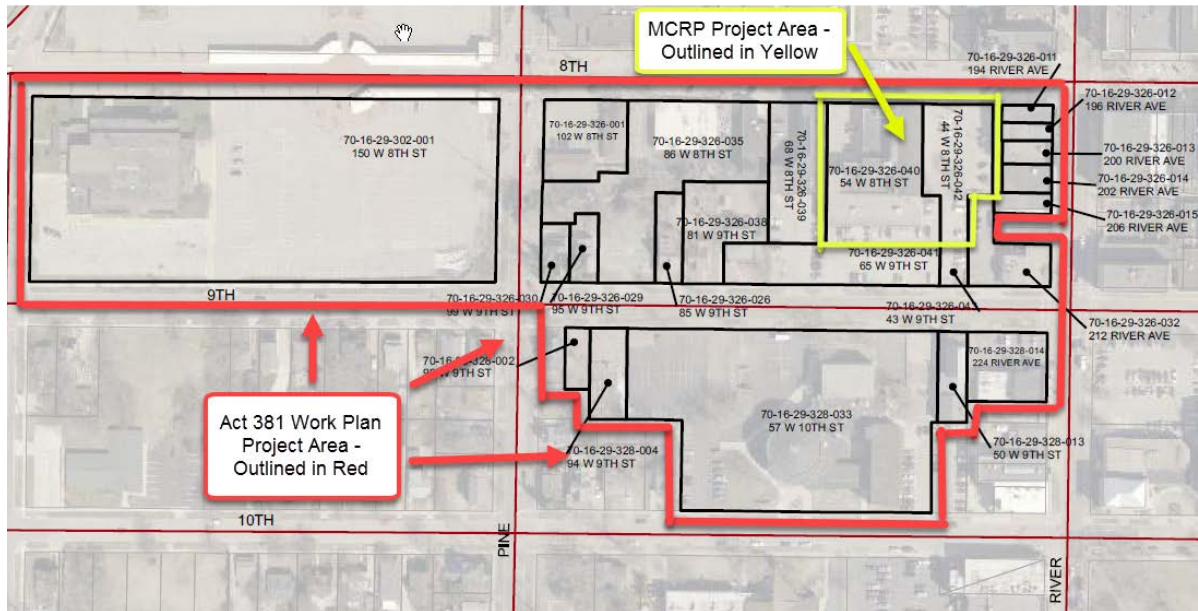
There are 48.7610 non-homestead mills available for capture, with school millage equaling 24 mills (49.22%) and local millage equaling 24.7610 mills (50.78%). Tax increment capture will begin in 2018 and is estimated to continue for 30 years. Due to Neighborhood Enterprise Zone (NEZ) tax abatements on various parcels of property, the blended ratio for the requested tax capture for MSF eligible activities breaks down as follows:

School tax capture	(47.32%)	\$	8,407,219
Local tax capture	(52.68%)	\$	<u>9,359,517</u>
<b>TOTAL</b>		<b>\$</b>	<b><u>17,766,736</u></b>

**Cost of MSF Eligible Activities**

Demolition	\$	949,962
Infrastructure Improvements		7,567,238
Site Preparation	+	919,800
Sub-Total	\$	<u>9,437,000</u>
Contingency	+	936,000
Sub-Total	\$	<u>10,373,000</u>
Interest (3% for developer-5% for city)	+	7,363,736
Sub-Total	\$	<u>17,736,736</u>
Brownfield/Work Plan Preparation	+	30,000
<b>TOTAL</b>	<b>\$</b>	<b><u>17,766,736</u></b>

## APPENDIX C – Project Map and Renderings







**MICHIGAN STRATEGIC FUND**

**RESOLUTION 2017 -**

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM  
OTHER ECONOMIC ASSISTANCE LOAN PARTICIPATION AWARD TO  
GEENEN DEKOCK PROPERTIES, L.L.C., OR RELATED ENTITY OR ENTITIES**

**WHEREAS**, the Michigan legislature amended the Michigan Strategic Fund Act, MCL 125.2011 et. seq., to add Chapter 8C (being MCL 125.2090a – MCL 125.2090d) to enable the Michigan Strategic Fund (“MSF”) to create and operate the Michigan Community Revitalization Program (“MCRP”) to provide incentives in the form of grants, loans and other economic assistance for redevelopment of communities in Michigan;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF for the MCRP;

**WHEREAS**, on December 21, 2011, by Resolution 2011-185, the MSF (i) created the MCRP, (ii) adopted the guidelines for the MCRP, as later amended (“Guidelines”);

**WHEREAS**, pursuant to SFCR 125.2090-1, the MSF approved the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate awards and decisions approved under the MCRP, (“Transaction Documents”);

**WHEREAS**, the Guidelines require that MCRP awards over \$1 million must be approved by the MSF Board;

**WHEREAS**, Geenen DeKock Properties, L.L.C. (“Company”) has requested an Other Economic Assistance Performance-Based Loan Participation award from the MSF in an amount up to \$1,000,000 (“Award Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

**WHEREAS**, the MEDC has recommended that the MSF approve the Company’s Award Request in accordance with the Term Sheet subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents within 270 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 90 days (“MCRP Award Recommendation”); and

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board approves the MCRP Award Recommendation;

Ayes:

Nays:

Recused:

Lansing, Michigan  
September 26, 2017

## **EXHIBIT A**

### **“Term Sheet”**

#### **LOAN FACILITY**

<b>MSF Facility:</b>	MCRP Loan Participation and Servicing Agreement Under “Other Economic Assistance”
<b>Borrower:</b>	Geenen DeKock Properties, L.L.C. or a Related Entity
<b>Lender:</b>	Macatawa Bank
<b>Total Amount of Loans:</b>	Currently estimated at \$6,000,000
<b>Lender Share:</b>	Currently estimated at \$5,000,000
<b>MSF Share:</b>	Up to the lesser of 20% of “Eligible Investment” or \$1,000,000
<b>Term:</b>	To match that of the lender, not to exceed 120 months.
<b>Amortization:</b>	To match that of the Lender, not to exceed 300 months.
<b>Interest Rate:</b>	Anticipated to be 1% per annum on the MSF Share.
<b>Repayment Terms:</b>	Up to 120 months of interest only payments, with a balloon payment at maturity.
<b>Collateral:</b>	To match that of the Lender, the MSF Share will be subordinated.
<b>Guarantee:</b>	To match that of the Lender, the MSF Share will be subordinated.
<b>Fee:</b>	The MSF shall be paid a one-time fee equal to one percent of the MSF’s share of the loan. The Lender may charge the borrower for this fee.
<b>Funding:</b>	The MSF will fund up to the MSF Share amount to be disbursed following closing of the Loan and other performance criteria.
<b>Other Conditions:</b>	The MSF’s investment will be contingent upon the following: A minimum owner equity contribution of \$3,100,000 to Phase I of the project.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION 2017 -**

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN  
CITY OF HOLLAND BROWNFIELD REDEVELOPMENT AUTHORITY  
GEENEN DEKOCK PROPERTIES, L.L.C. AND WEST 8<sup>TH</sup> DEVELOPMENT LLC  
REDEVELOPMENT PROJECT**

**WHEREAS**, the Michigan Economic Growth Authority (“MEGA”) has been established by 1995 PA 24, as amended (the “Act”);

**WHEREAS**, 2002 PA 727 amended 1996 PA 381, MCL 125.2651 et seq, to empower local brownfield redevelopment authorities to request the MEGA Board to approve a brownfield project work plan and, thereby, capture taxes levied for school operating purposes for the project;

**WHEREAS**, Executive Order 2012-9 transferred all the authority, powers, duties, functions, responsibilities, records, personnel, property, unexpended balances of appropriations, allocations or other funds of the MEGA to the MSF;

**WHEREAS**, captured school operating tax revenues may be used under 1996 PA 381 as amended, for infrastructure improvements that directly benefit eligible property, for lead, asbestos, or mold abatement, and for demolition and site preparation that are not response activities under the Natural Resources and Environmental Protection Act, 1994 PA 451;

**WHEREAS**, the City of Holland Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at multiple addresses within the City of Holland, known as the Geenen DeKock Properties, L.L.C. and West 8<sup>th</sup> Development LLC Redevelopment Project (the “Project”);

**WHEREAS**, the City of Holland is a “qualified local governmental unit” and is eligible to provide for a) demolition; b) lead, asbestos, or mold abatement; c) public infrastructure improvements; d) site preparation; e) brownfield and work plan preparation; f) brownfield and work plan implementation and g) interest as provided under 2007 PA 204 and

**WHEREAS**, the Authority is requesting MSF approval to capture additional taxes levied for school operating purposes to provide for the reimbursement of the cost of eligible activities on an eligible property; and

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF, and has reviewed the application and recommends approval of the Brownfield Work Plan by the MSF Board.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as 47.32% to 52.68% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, and infrastructure improvements as presented in the revised Work Plan dated September 11, 2017. Any change in millage that increases the capture percentage of school taxes in the ratio above by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied



for school operating purposes is based on costs of MSF eligible activities with a maximum of \$10,373,000 for the principal activity costs of non-environmental activities and a contingency, a maximum of \$7,363,736 in interest, and a maximum of \$30,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$8,407,219.

**BE IT FURTHER RESOLVED**, that the MSF Board authorizes the MSF Fund Manager, to provide written notification to the Authority, in the form of a letter which incorporates the terms set forth in this Resolution and consistent with the limitations of the Act, and that this approval is further conditioned upon the Authority, or the City, as appropriate, maintaining adequate records regarding: a) all taxes captured for the project; and b) receipts or other appropriate documentation of the cost of eligible activities. The records shall be made available for review upon request by MSF or MEDC staff.

**BE IT FURTHER RESOLVED**, that they MSF Board is authorizing that capture of taxes levied for school operating purposes for the payment of interest, up to a maximum of \$7,363,736 related to the eligible activities for the Project.

Ayes:

Nays:

Recused:

Lansing, Michigan  
September 26, 2017

**MEMORANDUM**

**Date:** September 26, 2017

**To:** Michigan Strategic Fund Board

**From:** Ryan Kilpatrick, Senior CA Team Representative  
Lori LaPerriere, Brownfield Specialist

**Subject:** City of Grand Rapids Brownfield Redevelopment Authority  
Request for Approval of an Act 381 Work Plan  
CWD Monroe LLC/50 Monroe

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**Request**

The proposed project will be undertaken by CWD Monroe LLC. The project will redevelop the existing three buildings located at 50 Monroe Avenue in the City of Grand Rapids. The project is located in a downtown and qualifies for an Act 381 work plan because it is a facility.

In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the City of Grand Rapids Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of \$2,274,235.

The proposed project will involve significant interior demolition of three aging structures. The building is known to be contaminated with lead and asbestos and total demolition costs are currently estimated at more than \$1.8 million. The site will also require utility upgrades and improved storm water management in order to comply with current low-impact development standards for the City of Grand Rapids. The eligible activities will alleviate Brownfield conditions across the site and make it suitable for redevelopment, and protect human health and the environment. Without Brownfield tax increment reimbursement, the cost burden related to Brownfield conditions would make the project financially unfeasible.

The Applicant anticipates that the project will result in total capital investment in the amount of \$47,400,000, along with the creation of approximately 100 permanent full-time equivalent jobs with an average hourly wage of \$18.

**Background**

CWD 50 Monroe, L.L.C. is proposing to redevelop the existing three buildings located at 50 Monroe Avenue into a boutique hotel and commercial loft office space with ground floor restaurant/retail space. The Project will include significant exterior improvements with the removal of the existing paneling, separation of the buildings by removing the existing atrium and the installation of new windows.

The Property originally consisted of three separate historic buildings that were connected in the 1980s with the construction of the atrium and the addition of the existing metal exterior paneling. The building along Monroe Avenue will be completely rehabilitated into an approximately 81,000 SF boutique hotel (estimated 130 rooms). The buildings along Ottawa, which are structurally connected, will be completely rehabilitated into approximately 11,700 SF of first floor restaurant/retail space with approximately 85,000 SF of loft office space above. The Project will also include significant site work and streetscape improvements through the addition of landscaping and hardscape.

The Project will bring back the historic integrity and character of the existing buildings and will significantly improve the overall use of the property with higher density mixed use development that will bring new life to the site and the downtown.

Lead and asbestos abatement will be necessary prior to demolition activities in order to protect human health. Demolition activities will be necessary to remove non-historic façade treatments on the exterior of the building as well as removing a significant amount of the non-structural elements within the interior of the building. Infrastructure improvements will include utility relocation and exterior hardscape elements around the perimeter of the building including urban stormwater management necessary to support the new development.

CWD Monroe LLC is a single purpose entity that is sponsored by CWD Real Estate Group, a full service investment and management company based in Grand Rapids, MI. CWD has recently completed the OMH LLC (also known as The Rowe) in downtown Grand Rapids. This was a complete restoration of the historic Rowe Hotel to create 77 market apartments and 9,500 square feet of ground floor restaurant and retail space. The project required approximately \$27 million in private investment and was awarded a \$5.4 million MCRP performance based loan to support the extraordinary costs involved with the restoration of the long vacant and abandoned structure. This project also was approved for up to \$2.5 million in brownfield tax increment financing under Act 381 to support eligible activities.

**Appendix A** addresses the programmatic requirements and **Appendix B** includes a project map and renderings.

### **Recommendation**

MEDC staff recommends approval of the following (the “Recommendation”):

- a) Local and school tax capture for the Act 381 eligible activities totaling \$2,274,235. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$1,632,812.

## **APPENDIX B – Programmatic Requirements & Screening Guidelines**

### **Property Eligibility**

The project is located within the boundaries of the City of Grand Rapids, which is a Qualified Local Governmental Unit, and has been determined to be a facility as verified by Michigan Department of Environmental Quality (DEQ).

The property is the subject of a Brownfield Plan, duly approved by the City of Grand Rapids on April 11, 2017.

### **Key Statutory Criteria**

Act 381 requires the following information to understand and explain the benefits of the project.

**a) Overall Benefit to the Public:**

The public will benefit through the reuse of a long-underutilized structure in the heart of downtown with the rehabilitation and repurposing of the buildings. Increased property taxes will be generated from the Project. New jobs and income taxes will be generated by the new tenants and increased revenue for surrounding businesses will be generated from the visitors of the hotel. The Project will increase overall density of the area and support and promote a vibrant downtown.

**b) Jobs Created (Excluding Construction and other Indirect Jobs):**

This project is expected to create approximately 100 new, full-time jobs in the office and service sectors. Anticipated average hourly rate will be \$18.

**c) Area of High Unemployment:**

The City of Grand Rapids unadjusted jobless rate was 4.1% in May, 2017.

**d) Level and Extent of Contamination Alleviated:**

Benzene and dibenzo(a,h)anthracene were present in the soil above the MDEQ Part 201 Generic Cleanup Criteria (GCC). Therefore, based on results of the analytical sampling, the site is classified as a “facility” under Part 201 of the Natural Resources and Environmental Protection Act, Act 451 P.A. 1994, as amended (Act 451), and considered “Eligible Property” under Act 381 of 1996, as amended.

**e) Reuse of Functionally Obsolete Buildings and/or Redevelopment of Blighted Property:**

The project is not qualifying as functionally obsolete or blighted. However, the proposed project will involve the renovation of three historic structures, all which will require significant upgrades to satisfy modern building code requirements and the expectations of 21<sup>st</sup> century users.

**f) Whether Project will Create a New Brownfield Property in the State:**

No new Brownfields will be created by this project.

**g) Whether the Project is Financially and Economically Sound:**

From the materials received, the MEDC infers that the project is financially and economically sound.

**h) Other Factors Considered:**

There is also DDA TIF on the property that will reimburse project related activities not to exceed \$894,850.

**Tax Capture Breakdown**

There are 29.2803 non-homestead mills available for capture, with school millage equaling 24 mills (71.8%) and local millage equaling 5.2803 mills (28.2%). Tax increment capture will begin in 2019 and is estimated to continue for 11 years. There is also DDA TIF on the property that will reimburse project related activities not to exceed \$894,850 without interest. The requested tax capture for MSF eligible activities breaks down as follows

School tax capture	(71.8%)	\$	1,632,812
Local tax capture	(28.2%)	\$	641,423
<b>TOTAL</b>		\$	<b>2,274,235</b>

**Cost of MSF Eligible Activities**

Demolition	\$	1,714,544
Lead, Asbestos		110,000
Infrastructure Improvements		116,956
Site Preparation	+	27,400
Sub-Total	\$	1,968,900
Contingency (15%)	+	295,335
Sub-Total	\$	2,264,235
Brownfield/Work Plan Preparation	+	10,000
<b>TOTAL</b>	\$	<b>2,274,235</b>

**APPENDIX C – Project Map and Renderings**



*Existing Ottawa Ave frontage (NE elevation)*



*Existing Monroe Ave frontage (NW frontage)*





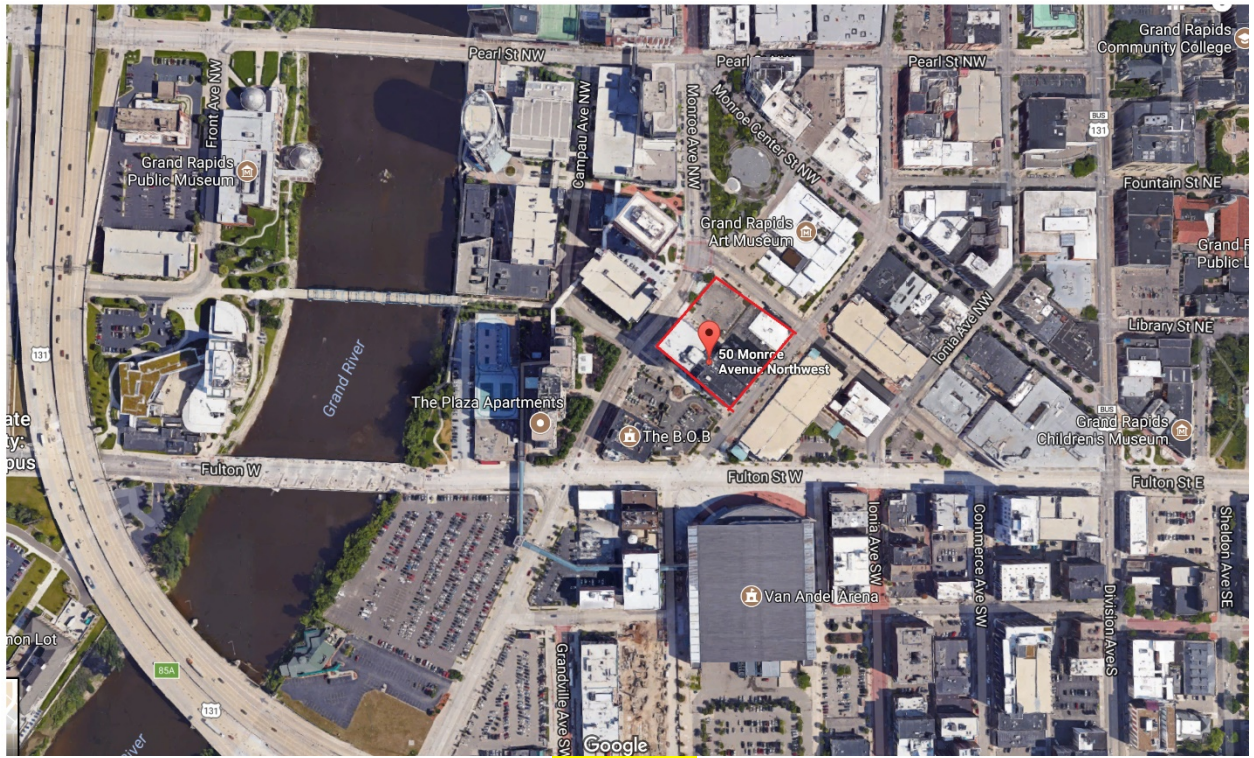
*Proposed Ottawa Ave frontage (SE elevation)*





*Proposed Monroe Ave frontage (NW elevation)*





**Project map**

**MICHIGAN STRATEGIC FUND**

**RESOLUTION 2017 -**

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN CITY OF GRAND RAPIDS  
BROWNFIELD REDEVELOPMENT AUTHORITY  
CWD 50 MONROE, L.L.C.**

**WHEREAS**, the Michigan Economic Growth Authority (“MEGA”) has been established by 1995 PA 24, as amended (the “Act”);

**WHEREAS**, 2002 PA 727 amended 1996 PA 381, MCL 125.2651 et seq, to empower local brownfield redevelopment authorities to request the MEGA Board to approve a brownfield project work plan and, thereby, capture taxes levied for school operating purposes for the project;

**WHEREAS**, Executive Order 2012-9 transferred all the authority, powers, duties, functions, responsibilities, records, personnel, property, unexpended balances of appropriations, allocations or other funds of the MEGA to the MSF;

**WHEREAS**, captured school operating tax revenues may be used under 1996 PA 381 as amended, for infrastructure improvements that directly benefit eligible property, for lead, asbestos, or mold abatement, and for demolition and site preparation that are not response activities under the Natural Resources and Environmental Protection Act, 1994 PA 451;

**WHEREAS**, the City of Grand Rapids Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 50 Monroe Avenue within the City of Grand Rapids, known as CWD 50 Monroe, L.L.C. (the “Project”);

**WHEREAS**, the City of Grand Rapids is a “qualified local governmental unit” and is eligible to provide for a) demolition; b) lead, asbestos, or mold abatement; c) public infrastructure improvements; d) site preparation; e) brownfield and work plan preparation; f) brownfield and work plan implementation and g) interest as provided under 2007 PA 204 and;

**WHEREAS**, the Authority is requesting MSF approval to capture additional taxes levied for school operating purposes to provide for the reimbursement of the cost of eligible activities on an eligible property; and

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF, and has reviewed the application and recommends approval of the Brownfield Work Plan by the MSF Board.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as 71.8% to 28.2% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, lead, asbestos abatement and infrastructure improvements as presented in the Work Plan dated May 4, 2017. Any change in millage that increases the capture percentage of school taxes in the ratio above by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on costs of MSF eligible activities with a

maximum of \$2,274,235 for the principal activity costs of non-environmental activities and a contingency, a maximum of \$10,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$1,632,812.

**BE IT FURTHER RESOLVED**, that the MSF Board authorizes the MSF Fund Manager, to provide written notification to the Authority, in the form of a letter which incorporates the terms set forth in this Resolution and consistent with the limitations of the Act, and that this approval is further conditioned upon the Authority, or the City, as appropriate, maintaining adequate records regarding: a) all taxes captured for the project; and b) receipts or other appropriate documentation of the cost of eligible activities. The records shall be made available for review upon request by MSF or MEDC staff.

**BE IT FURTHER RESOLVED**, that no taxes levied for school operating purposes shall be used to reimburse interest costs related to the eligible activities for the Project.

Ayes:

Nays:

Recused:

Lansing, Michigan  
September 26, 2017

**MEMORANDUM**

**Date:** September 26, 2017

**To:** Michigan Strategic Fund Board

**From:** Dan Leonard, Senior Community Assistance Specialist  
Rob Garza, Brownfield and MCRP Senior Program Specialist

**Subject:** County of Grand Traverse Brownfield Redevelopment Authority  
Request for Approval of an Act 381 Work Plan  
Park Place Redevelopment Area Project

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**Request**

The proposed project will be undertaken by Regency Midwest Ventures LP, and will redevelop 4.7 acres of property located at 300 East State Street in the City of Traverse City. The project is located in a downtown and qualifies for an Act 381 work plan because it is a facility.

In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the County of Grand Traverse Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of \$2,777,680.

Brownfield TIF reimbursement is needed due to the increased costs associated with removal of the existing “dome” conference space and pool areas. When the project was originally constructed, building materials were allowed that today are deemed hazardous. With the majority of both dome structures being built of asbestos and lead-containing materials, each will include increased demolition costs above and beyond what the project can support in debt from a traditional lender. The eligible activities will alleviate Brownfield conditions across the site and make it suitable for redevelopment, and protect human health and the environment. Without Brownfield tax increment reimbursement, the cost burden related to Brownfield conditions would make the project financially unfeasible.

The Applicant anticipates that the project will result in total capital investment in the amount of \$4,730,000, along with the creation of approximately 18 permanent full-time equivalent jobs with an average hourly wage of \$9.75.

**Background**

The project includes the creation of a new state-of-the-art conference center with seating for roughly 500 guests as well as improved accommodations for corporate and leisure guests through a new health/fitness center and spa facility. Furthermore, the project will create additional capacity for the existing restaurant by including outdoor seating on State Street with barrier free access to the property. All renovation efforts are necessary for the existing businesses to become more financially stable on an annual basis. Today, the property’s economic viability is seasonal in nature given the region’s heavy dependency on the tourism

market. With increased capacity in both restaurant and conference space, the hotel anticipates an overall 5-10% vacancy reduction on an annual basis. In addition, with the increase in downtown visitor rates, the project is anticipated to create roughly \$3 million in new economic activity within the community and add to the success of the city's broader downtown development strategy.

Lead, asbestos, mold abatement will be necessary prior to demolition activities in order to protect human health. Demolition activities will be necessary to complete demolition of the dome, select interior demolition and site concrete and utilities. Infrastructure improvements including streetscape improvements, an upgraded water main in the public right-of-way, and relocation of publicly serviced electric lines below street level are necessary to support the new development.

The property is currently owned by Regency Midwest Ventures, LP which owns and operates sixty-one (61) hospitality venues including both hotels and resort accommodations for both corporate and leisure guests throughout the Midwest United States. Neither Regency Midwest Ventures, LP, nor its principals have received prior financial incentives from the Michigan Strategic Fund (MSF).

**Appendix A** addresses the programmatic requirements and **Appendix B** includes a project map and renderings.

#### **Recommendation**

MEDC staff recommends approval of local and school tax capture for the Act 381 eligible activities totaling \$2,777,680. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$1,343,564.

## APPENDIX A – Programmatic Requirements & Screening Guidelines

### **Property Eligibility**

The project is located within the boundaries of the City of Traverse City, which is a Qualified Local Governmental Unit, and has been determined to be a facility as verified by Michigan Department of Environmental Quality (DEQ) on July 28, 2017.

The property is the subject of a Brownfield Plan, duly approved by the City of Traverse City on February 21, 2017 and by the Grand Traverse County Board of Commissioners on March 15, 2017.

### **Key Statutory Criteria**

Act 381 requires the following information to understand and explain the benefits of the project.

**a) Overall Benefit to the Public:**

This project's increased capacity to accommodate new patrons throughout the non-peak months of the tourism season will provide a great benefit to the community's downtown businesses and economy in general. Given the significant private investment in the property, the project will also generate a significant increase in taxable revenue for the community.

**b) Jobs Created (Excluding Construction and other Indirect Jobs):**

This project is expected to create approximately 18 new, full-time equivalent jobs in the hospitality industry and retain approximately 90 full-time equivalent jobs.

**c) Area of High Unemployment:**

The County of Grand Traverse unadjusted jobless rate was 3.4% in June 2017. This compares to the statewide seasonally adjusted average of 4% in June 2017.

**d) Level and Extent of Contamination Alleviated:**

The site has been determined to be a facility by DEQ and demolition activities will remove hazardous materials from the site. The Brownfield Plan has also identified environmental eligible activities in the event contamination is discovered after demolition of the buildings or during new construction.

**e) Reuse of Functionally Obsolete Buildings and/or Redevelopment of Blighted Property:**

The project is not qualifying as functionally obsolete or blighted.

**f) Whether Project will Create a New Brownfield Property in the State:**

No new Brownfields will be created by this project.

**g) Whether the Project is Financially and Economically Sound:**

From the materials received, the MEDC infers that the project is financially and economically sound.

**h) Other Factors Considered:**

The Traverse City DDA will incur roughly \$1.9 million in eligible activity costs related to the infrastructure needs of the project site. These costs are included in the request below.

**Tax Capture Breakdown**

There are 49.6208 non-homestead mills available for capture, with school millage equaling 24 mills (48.37%) and local millage equaling 25.6208 mills (51.63%). Tax increment capture will begin in 2018 and is estimated to continue for 30 years. The requested tax capture for MSF eligible activities breaks down as follows:

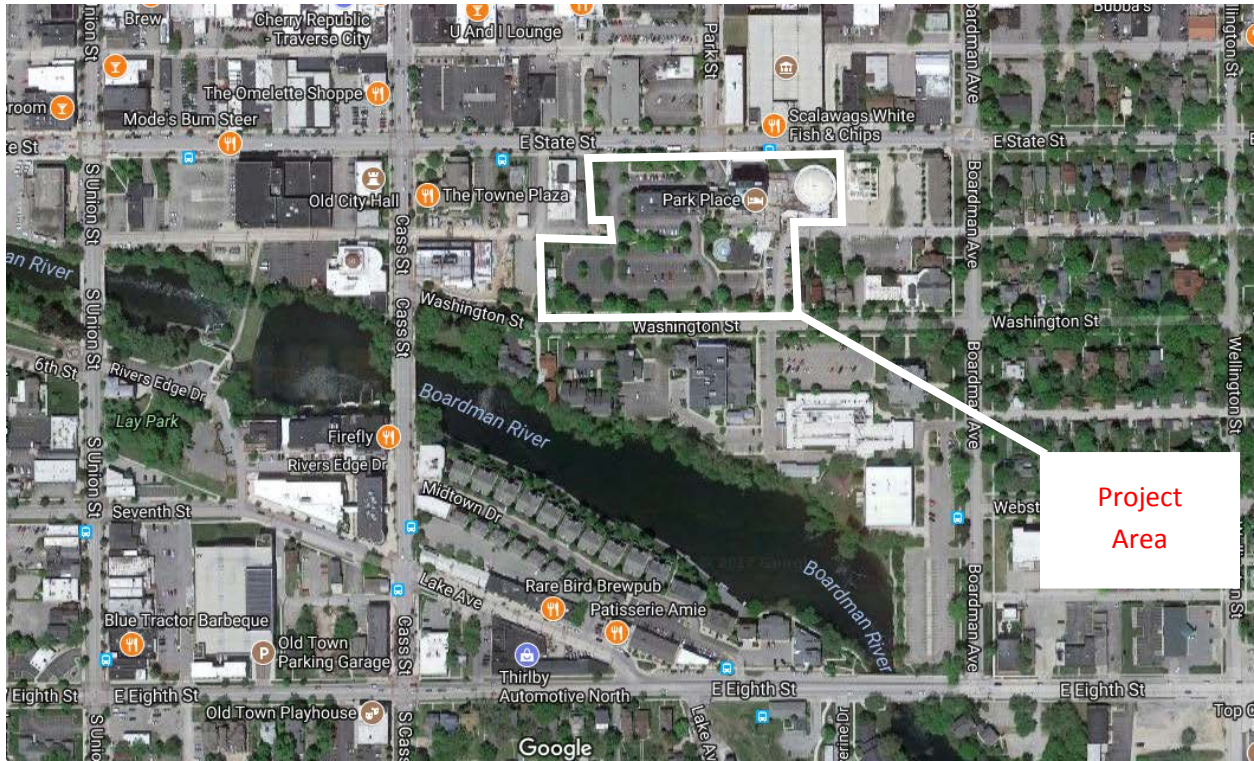
School tax capture	(48.37%)	\$	1,343,564
Local tax capture	(51.63%)	\$	<u>1,434,116</u>
<b>TOTAL</b>		<b>\$</b>	<b><u>2,777,680</u></b>

**Cost of MSF Eligible Activities**

Demolition	\$	431,080
Lead and Asbestos Abatement		376,600
Infrastructure Improvements		<u>1,940,000</u>
Sub-Total	\$	<u>2,747,680</u>
Brownfield/Work Plan Preparation	+	<u>30,000</u>
<b>TOTAL</b>	<b>\$</b>	<b><u>2,777,680</u></b>



## APPENDIX B – Project Map and Renderings



**MICHIGAN STRATEGIC FUND**

**RESOLUTION 2017 -**

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN  
COUNTY OF GRAND TRAVERSE BROWNFIELD REDEVELOPMENT AUTHORITY  
PARK PLACE REDEVELOPMENT AREA PROJECT**

**WHEREAS**, the Michigan Economic Growth Authority (“MEGA”) has been established by 1995 PA 24, as amended (the “Act”);

**WHEREAS**, 2002 PA 727 amended 1996 PA 381, MCL 125.2651 et seq, to empower local brownfield redevelopment authorities to request the MEGA Board to approve a brownfield project work plan and, thereby, capture taxes levied for school operating purposes for the project;

**WHEREAS**, Executive Order 2012-9 transferred all the authority, powers, duties, functions, responsibilities, records, personnel, property, unexpended balances of appropriations, allocations or other funds of the MEGA to the MSF;

**WHEREAS**, captured school operating tax revenues may be used under 1996 PA 381 as amended, for infrastructure improvements that directly benefit eligible property, for lead, asbestos, or mold abatement, and for demolition and site preparation that are not response activities under the Natural Resources and Environmental Protection Act, 1994 PA 451;

**WHEREAS**, the County of Grand Traverse Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 300 East State Street within the City of Traverse City, known as the Park Place Redevelopment Area Project (the “Project”);

**WHEREAS**, the City of Traverse City is a “qualified local governmental unit” and is eligible to provide for a) demolition; b) lead, asbestos, or mold abatement; c) public infrastructure improvements; d) site preparation; e) brownfield and work plan preparation; f) brownfield and work plan implementation and g) interest as provided under 2007 PA 204 and;

**WHEREAS**, the Authority is requesting MSF approval to capture additional taxes levied for school operating purposes to provide for the reimbursement of the cost of eligible activities on an eligible property; and

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF, and has reviewed the application and recommends approval of the Brownfield Work Plan by the MSF Board.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as 48.37% to 51.63% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of demolition, lead and asbestos abatement, and infrastructure improvements as presented in the revised Work Plan dated August 22, 2017. Any change in millage that increases the capture percentage of school taxes in the ratio above by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on costs of MSF eligible activities with a maximum

of \$2,747,680 for the principal activity costs of non-environmental activities and a maximum of \$30,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$1,343,564.

**BE IT FURTHER RESOLVED**, that the MSF Board authorizes the MSF Fund Manager, to provide written notification to the Authority, in the form of a letter which incorporates the terms set forth in this Resolution and consistent with the limitations of the Act, and that this approval is further conditioned upon the Authority, or the County, as appropriate, maintaining adequate records regarding: a) all taxes captured for the project; and b) receipts or other appropriate documentation of the cost of eligible activities. The records shall be made available for review upon request by MSF or MEDC staff.

**BE IT FURTHER RESOLVED**, that no taxes levied for school operating purposes shall be used to reimburse interest costs related to the eligible activities for the Project.

Ayes:

Nays:

Recused:

Lansing, Michigan  
September 26, 2017

**MEMORANDUM**

**Date:** September, 26, 2017

**To:** Michigan Strategic Fund Board

**From:** Dominic Romano, Community Assistance Team Specialist  
Lisa Edmonds, Program Specialist, MCRP and Brownfield

**Subject:** County of Oakland Brownfield Redevelopment Authority  
Request for Approval of an Act 381 Work Plan  
The Village at Bloomfield Redevelopment Project

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**Request**

The proposed project will be undertaken by Bloomfield Village Owner, LLC. The project will redevelop 87 acres of property located at 1957 South Telegraph Road in the city of Pontiac. The project qualifies for an Act 381 work plan because it is functionally obsolete.

In order to alleviate brownfield conditions and prepare the proposed project site for redevelopment, the County of Oakland Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of \$24,691,049.

The failure of the previous Bloomfield Park project in 2008 has left a grouping of incomplete structures on the property for a decade. The incomplete and vacant structures left at the site have deteriorated to the point that the majority are unsalvageable and are a burden to any developer. This undesirable site will remain so unless assistance is given to alleviate the high brownfield costs.

As a result of the project the area will gain more walkability, mixed use structures, higher density residential and commercial space, and preserved wetlands on the grounds. The Village at Bloomfield will support and align with the city of Pontiac's plan to revitalize the failed Bloomfield Park Project. This development is expected to act as a catalyst for further improvements along other portions of the major corridor that it fronts (Telegraph Road) and provide retail services and employment opportunities for nearby residents, many of whom rely upon public transportation for mobility. The development will remove large, vacant and blighted structures which are considered an eyesore along a major corridor.

The redevelopment of The Village at Bloomfield will provide a high-quality, sustainable residential area for employees in the neighboring business districts who desire to live within walking distance of the commercial area. The project will bring new companies and visitors into this area, which will help make this area of the city of Pontiac a more attractive and viable neighborhood. The eligible activities will alleviate brownfield conditions across the site and make it suitable for redevelopment, and protect human

health and the environment. Without brownfield tax increment reimbursement, the cost burden related to brownfield conditions would make the project financially unfeasible.

The applicant anticipates that the project will result in total capital investment in the amount of \$122,668,041.00, along with the creation of approximately 1,144 permanent full-time equivalent jobs with an average hourly wage of \$23.

### **Background**

The project will include new and renovated residential and commercial buildings, on eighty-seven (87) acres of property. The Developer intends to construct approximately 432 multifamily residential units with an average size of approximately 900 square feet, an approximately 10,000 square foot residential community building, 120,000 square feet of senior assisted living of approximately 100 units, a 106 key select-service hotel of approximately 60,000 square feet, a 237,000 square foot home improvement retail anchor, 89,000 square feet of additional retail space, and approximately 77,000 square feet of retail and/or commercial space in a mixed-use building. Additionally, a 365,822 square foot parking deck will be completed to include approximately 1,050 above grade parking spaces. There will be 1,778 surface parking spaces, and approximately 21.2 acres of active recreation and open space to serve the property. In all, a total of 1,348,862 square feet of space will be developed.

Demolition activities will be necessary to address eight (8) structures in various stages of completion, all of which have been qualified as functionally obsolete by the Oakland County Assessor. Site preparation activities include geotechnical evaluation and design; staking for site grading, excavation, soil erosion and sedimentation control (SESC) applications; establishment of temporary construction roads and facilities, temporary traffic control, and temporary erosion control; site clearing and grubbing; excavation of unsuitable fill material (non-environmental) and associated dewatering; site grading and balancing; and on-site geotechnical and construction monitoring. Infrastructure improvements including improvements to streets, sidewalks, curbs, landscaping in the public right-of-way (ROW), and improvements to the stormwater management systems are necessary to support the new development.

Bloomfield Village Owner, LLC is a single-purpose entity created for this project by the parent company, Redico, LLC which has history with previous incentives from the Michigan Strategic Fund (MSF) including the Detroit Gateway Park Outlet Mall and Montgomery Ward Redevelopment projects.

**Appendix A** addresses the programmatic requirements and **Appendix B** includes a project map and renderings.

### **Recommendation**

MEDC staff recommends approval of the following (the "Recommendation"):

Local and school tax capture for the Act 381 eligible activities totaling \$24,691,049. Using the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$11,529,007.

## APPENDIX A – Programmatic Requirements & Screening Guidelines

### **Property Eligibility**

The project is located within the boundaries of the city of Pontiac, which is a Qualified Local Governmental Unit, and has been deemed functionally obsolete as verified by a Michigan Master Assessing Officer (MMAO) on September 13, 2016.

The property is the subject of a Brownfield Plan, duly approved by the County of Oakland on September 15, 2016 and concurred with by the city of Pontiac on January 26, 2017.

### **Key Statutory Criteria**

Act 381 requires the following information to understand and explain the benefits of the project.

#### **a) Overall Benefit to the Public:**

The Village at Bloomfield will support and align with the city of Pontiac's plan to revitalize the failed Bloomfield Park Project. This development is expected to act as a catalyst for further improvements along other portions of the major corridor that it fronts (i.e. Telegraph Road) and provide retail and employment opportunities for nearby residents, many of whom rely upon public transportation for mobility. The development will remove large, vacant and blighted structures, which are considered an eyesore along a major corridor.

The redevelopment of The Village at Bloomfield will provide a high quality, sustainable residential area for employees in the neighboring business districts who desire to live within walking distance of where they work, play, and shop. The project will bring new companies and visitors into this area, which will help make this area of the city of Pontiac a more attractive and viable neighborhood. The project will serve as a key starting point for the revitalization of this important gateway area in the city of Pontiac and is important to the residents of the city of Pontiac for the following reasons:

- Contemporary Housing. The proposed development will offer contemporary housing options providing sustainable living to a broad market audience, making a high-quality living environment affordable to many households. Developed in an attractive, contemporary form that incorporates current design standards, this density will create contiguous areas of walkability within the neighborhood and will be able to support a small-scale mix of retail, commercial, and restaurant tenants.
- Pedestrian Walkway. The pedestrian walkways knit together a range of intimate public spaces throughout the project, seamlessly integrating the residential, commercial, retail, amenities and public life. In total, the pedestrian walkways and the interlinked common areas provide approximately 21.2 acres of active recreation areas within the new development.
- Neighborhood Retail. The project will offer approximately 403,000 square feet of large, medium and small-scale, ground-floor retail, commercial, and restaurant space to support the needs of neighborhood residents and commercial tenants.

#### **b) Jobs Created (Excluding Construction and other Indirect Jobs):**

This project is expected to create approximately 1,144 new, full-time jobs in the retail and commercial sectors.

**c) Area of High Unemployment:**

The city of Pontiac unadjusted jobless rate was 7.9% in July 2017. This compares to the statewide seasonally adjusted average of 3.7% in July 2017.

**d) Level and Extent of Contamination Alleviated:**

The project is not qualifying as a facility and the presence, or lack of, contamination has not been determined.

**e) Reuse of Functionally Obsolete Buildings and/or Redevelopment of Blighted Property:**

Two functionally obsolete structures will be redeveloped for reuse in this project, a 77,000 square foot commercial building and the 1,050 space parking deck, which were constructed as part of the previous project.

**f) Whether Project will Create a New Brownfield Property in the State:**

No new Brownfields will be created by this project.

**g) Whether the Project is Financially and Economically Sound:**

From the materials received, the MEDC infers that the project is financially and economically sound.

**h) Other Factors Considered:**

No additional factors need to be considered for this project.

**Tax Capture Breakdown**

There are 47.3995 non-homestead mills available for capture, with school millage equaling 24 mills (46.69%) and local millage equaling 27.3995 mills (53.31%). Tax increment capture will begin in 2020 and is estimated to continue for 30 years. The requested tax capture for MSF eligible activities breaks down as follows:

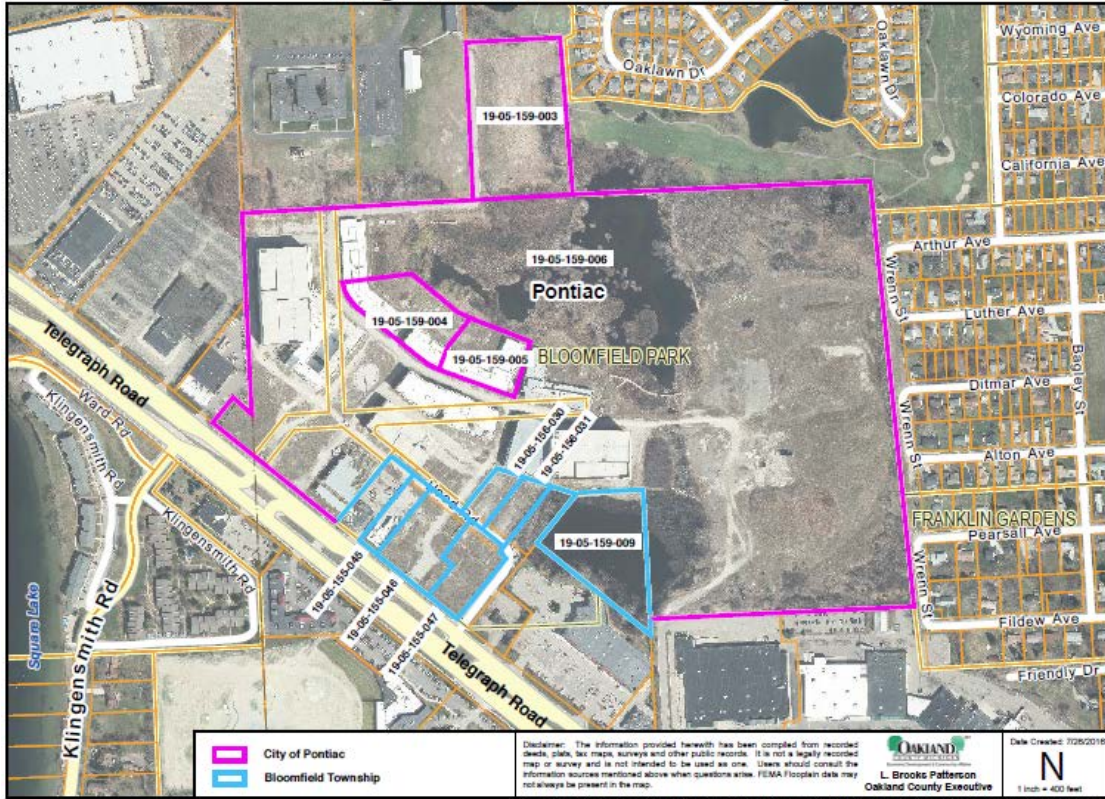
School tax capture	(46.69%)	\$	11,529,007
Local tax capture	(53.31%)	\$	<u>13,162,042</u>
<b>TOTAL</b>		\$	<b>24,691,049</b>

**Cost of MSF Eligible Activities**

Demolition		\$	2,299,800
Infrastructure Improvements			12,712,642
Site Preparation		+	<u>6,431,948</u>
Sub-Total		\$	21,444,390
Contingency (15%)		+	<u>3,216,659</u>
Sub-Total		\$	24,661,049
Brownfield/Work Plan Preparation		+	<u>30,000</u>
<b>TOTAL</b>		\$	<b>24,691,049</b>



## Village at Bloomfield Parcel Map









**REDICO**



THE VILLAGE AT BLOOMFIELD

CONCEPTUAL SITE PLAN  
02.20.2017







CONCEPTUAL FRONT ELEVATION  
36 Unit Building



CONCEPTUAL COMMUNITY BUILDING ELEVATION



**MICHIGAN STRATEGIC FUND**

**RESOLUTION 2017 -**

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN  
COUNTY OF OAKLAND BROWNFIELD REDEVELOPMENT AUTHORITY  
THE VILLAGE AT BLOOMFIELD REDEVELOPMENT PROJECT**

**WHEREAS**, the Michigan Economic Growth Authority (“MEGA”) has been established by 1995 PA 24, as amended (the “Act”);

**WHEREAS**, 2002 PA 727 amended 1996 PA 381, MCL 125.2651 et seq, to empower local brownfield redevelopment authorities to request the MEGA Board to approve a brownfield project work plan and, thereby, capture taxes levied for school operating purposes for the project;

**WHEREAS**, Executive Order 2012-9 transferred all the authority, powers, duties, functions, responsibilities, records, personnel, property, unexpended balances of appropriations, allocations or other funds of the MEGA to the MSF;

**WHEREAS**, captured school operating tax revenues may be used under 1996 PA 381 as amended, for infrastructure improvements that directly benefit eligible property, for lead, asbestos, or mold abatement, and for demolition and site preparation that are not response activities under the Natural Resources and Environmental Protection Act, 1994 PA 451;

**WHEREAS**, the County of Oakland Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 1957 S. Telegraph Road within the City of Pontiac, known as The Village at Bloomfield Redevelopment Project (the “Project”);

**WHEREAS**, the City of Pontiac is a “qualified local governmental unit” and is eligible to provide for a) demolition; b) lead, asbestos, or mold abatement; c) public infrastructure improvements; d) site preparation; e) brownfield and work plan preparation; f) brownfield and work plan implementation and g) interest as provided under 2007 PA 204 and;

**WHEREAS**, the Authority is requesting MSF approval to capture additional taxes levied for school operating purposes to provide for the reimbursement of the cost of eligible activities on an eligible property; and

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF, and has reviewed the application and recommends approval of the Brownfield Work Plan by the MSF Board.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as 46.69% to 53.31% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, and infrastructure improvements as presented in the Work Plan dated September 7, 2017. Any change in millage that increases the capture percentage of school taxes in the ratio above by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on costs of MSF eligible activities with a maximum of

\$24,661,049 for the principal activity costs of non-environmental activities and a contingency, a maximum of \$30,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$11,529,007.

**BE IT FURTHER RESOLVED**, that the MSF Board authorizes the MSF Fund Manager, to provide written notification to the Authority, in the form of a letter which incorporates the terms set forth in this Resolution and consistent with the limitations of the Act, and that this approval is further conditioned upon the Authority, or the County, as appropriate, maintaining adequate records regarding: a) all taxes captured for the project; and b) receipts or other appropriate documentation of the cost of eligible activities. The records shall be made available for review upon request by MSF or MEDC staff.

**BE IT FURTHER RESOLVED**, that no taxes levied for school operating purposes shall be used to reimburse interest costs related to the eligible activities for the Project.

Ayes:

Nays:

Recused:

Lansing, Michigan  
September 26, 2017

## MEMORANDUM

**Date:** September 26, 2017

**To:** Michigan Strategic Fund Board

**From:** Emily Petz, Community Assistance Team Specialist

**Subject:** Cornerstone – Project Tech – Request for Approval of a Michigan Strategic Fund performance-based grant

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### **Request**

Cornerstone Alliance is requesting approval of a \$1.2 million Performance-based Grant from funds appropriated to the MSF for the purpose of carrying out the MSF Act (“MSF Grant” or “Grant”). Grant proceeds will be used to construct a 200-foot pedestrian bridge over the Paw Paw River that will connect the City of Saint Joseph and the City of Benton Harbor, which includes the connection of Whirlpool Corporation’s Tech Center on either side of the river. Cornerstone Alliance, in collaboration with Whirlpool Corporation’s anticipated improvements to its Tech Center in St. Joseph, intends to coordinate development and construction of the pedestrian bridge. The MSF Grant will be funded using \$1.2 million from the funds appropriated to the MSF for community and business development purposes and authorized under MCL 125.2088b(2)(c) as an activity.

### **Background**

The project is anticipated to include a 200 foot pedestrian bridge connecting the City of Benton Harbor to the City of St. Joseph over the Paw Paw River. Not only is it anticipated that the bridge contribute to the mobility for citizens that live, work and play in the Twin Cities, but it is anticipated to specifically improve non-motorized transportation for residential, commercial, recreational and commerce areas. The bridge is anticipated to add connectivity for employees at Project Tech, the Benton Harbor Tech Center and the Whirlpool North American Headquarters. It is reported that connectivity will be greatly improved for guests staying at the Inn at Harbor Shores, and the new residential district of Harbor Village which will provide both single and multi-family housing opportunities.

Constructing the bridge is anticipated to leverage \$24 million in new construction, and an \$11 million major rehabilitation of 230,000 square feet for Project Tech with the Whirlpool Corporation. Whirlpool Corporation will fully finance the \$35 million Project Tech improvements, which is home to the Dishwasher and Laundry product development engineering platforms. In turn, state-of-the-art office environments and laboratories is anticipated to enable business success and retain 700 high-skilled, well-paid engineer and R&D positions. The project is anticipated to deliver new labs for continued strong performance in a global market and a winning workplace environment to attract and retain top talent. For Whirlpool, Project Tech is one of the final pieces to secure Whirlpool’s Global Research and Development activities in the State of Michigan.

The Pedestrian Bridge work is a total of \$1,200,000 dollars.

**Appendix A** includes a project map and renderings.

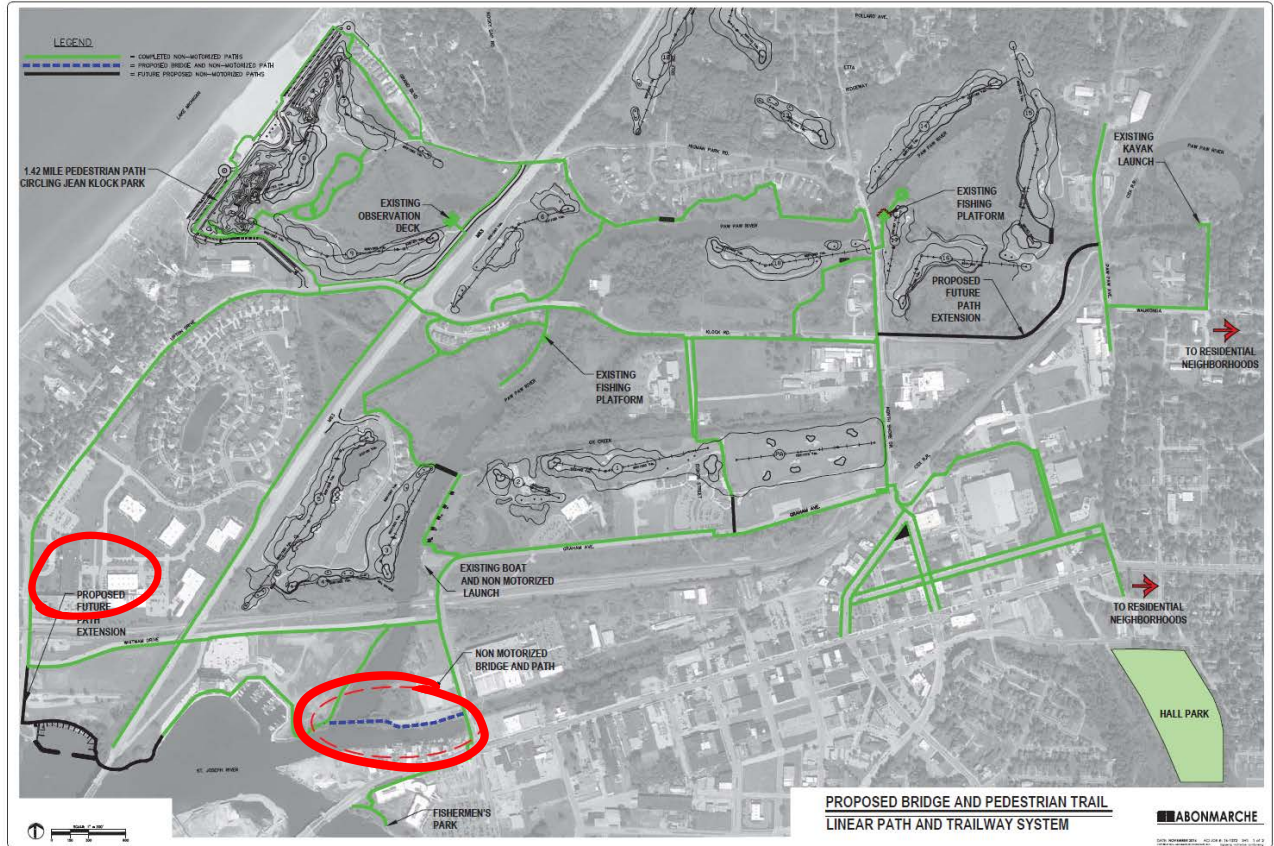
### **Recommendation**

MEDC Staff recommends approval of the transfer of \$1.2 million set aside for the CRP program to be used as a Performance-based Grant to construct a 200 foot pedestrian bridge over the Paw Paw River that will connect the City of Saint Joseph and the City of

Benton Harbor, which includes the connection of Whirlpool Corporation's Tech Center on either side of the river under MCL 125.2088b(2)(c).



## APPENDIX A – Project Map and Renderings









**MICHIGAN STRATEGIC FUND  
RESOLUTION 2017-**

**APPROVAL OF AN MSF GRANT TO CORNERSTONE ALLIANCE**

**WHEREAS**, the Michigan legislature enacted the Michigan Strategic Fund Act, MCL 125.2001 et. seq., (“MSF Act”) to enable the Michigan Strategic Fund (“MSF”) to provide incentives in the form of grants, loans and other economic assistance for the development and improvement of Michigan’s economy;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF;

**WHEREAS**, pursuant to MCL 125.2088b(2)(c), funds appropriated to the MSF for purposes of carrying out the MSF Act shall be expended or invested for activities authorized under the MSF Act, as long as those activities provide for repayment for breach of the written agreement or the failure to meet measurable outcomes;

**WHEREAS**, pursuant to the MSF Act, specifically MCL 125.2007(c), the MSF has, among other things, the power to make grants;

**WHEREAS**, the Michigan legislature has appropriated certain funds for use by the MSF for business attraction and community revitalization incentives;

**WHEREAS**, the MSF has allocated certain legislative appropriations for business attraction and community revitalization to the Business Development Program and the Community Revitalization Program (“CRP”);

**WHEREAS**, Cornerstone Alliance, in collaboration with the Whirlpool Corporation’s anticipated improvements to its Tech Centers, intends to coordinate development and construction of a pedestrian bridge to connect Benton Harbor and St. Joseph over the Paw Paw River, which includes connection of Whirlpool Corporation’s Tech Centers on either side of the Paw Paw River (“Project”);

**WHEREAS**, the Cornerstone Alliance has requested a grant of up to \$1.2 million to facilitate the development and construction of the Project (“Award Request”);

**WHEREAS**, the MEDC recommends that \$1.2 million be transferred from CRP to fund the Award Request; and

**WHEREAS**, the MEDC recommends that the MSF approve the Award Request, subject to: (i) available funding and (ii) final due diligence performed to the satisfaction of the MEDC (“Award Recommendation”);

**NOW THEREFORE, BE IT RESOLVED**, the MSF Board approves the transfer of up to \$1.2 million from CRP to fund the Award Request;

**BE IT FURTHER RESOLVED**, the MSF approves the Award Request to be used for costs and expenses arising out of the development and construction of the Project; and

**BE IT FURTHER RESOLVED**, the MSF approves the MSF Fund Manager to negotiate the terms and conditions of the final documents necessary to effectuate the Award Recommendation.

Ayes:

Nays:

Recused:

Lansing, Michigan  
September 26, 2017

**MEMORANDUM**

**Date:** September 26, 2017  
**To:** MSF Board  
**From:** Lauren Branneman, Manager, Corporate Research  
**Subject:** Request to Award Contract - 2017 Pure Michigan Campaign Insights Study

**Request**

The Strategy and Technology team, along with Travel Michigan, requests approval to award a contract to Strategic Marketing and Research Insights, the Joint Evaluation Committee’s (JEC) recommended vendor for the Pure Michigan Campaign Insights Study.

The JEC, comprised of four individuals (one from outside the organization), has gone through the process of reviewing and scoring technical proposals from four bidders, and subsequently holding interviews with two. Scoring sheets with the RFP’s outlined criteria were filled out by the JEC for both the technical proposals and interviews. Below are the final scores resulting from the JEC interviews:

<b>JEC</b>	<b>Longwoods International</b>	<b>Strategic Marketing and Research Insights</b>
Sally Hallan Laukitis, Executive Director, Holland Area Convention & Visitors Bureau	97	98
Matthew Chasnis, MEDC, Business Development Project Manager	92	94
Kaitlyn Ahlers, MEDC, Research Analyst	95	95
Ken Yarsevich, Travel Michigan, Advertising Specialist	92	98
<b>Average Score</b>	<b>94</b>	<b>96</b>

Approval of this request will result in the development and issuance of a contract to the vendor for three years (FY2018 through FY2020), with an option for two one-year extensions. The annual value of the contract is estimated at \$92,500, and the total value of the three-year contract \$277,500.

**Background and Purpose**

Since 2006, the MEDC has commissioned an analysis of the Pure Michigan advertising campaign for strategic guidance in decision-making of Travel Michigan and its partners, and the evaluation and monitoring of the campaign’s effectiveness, including an estimated return on investment.

**Recommendation**



MEDC staff recommends that the MSF Board approve the award of a contract (to be finalized after approval) to the JEC's recommended vendor, Strategic Marketing and Research Insights, in response to the 2017 Pure Michigan Campaign Insights Study RFP.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2017-**

**PURE MICHIGAN CAMPAIGN INSIGHTS STUDY CONTRACT AWARD**

**WHEREAS**, Public Acts 215 and 225 of 2005 (“Act”) established the 21st Century Jobs Trust Fund initiative;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the Michigan Strategic Fund (“MSF”) for the 21<sup>st</sup> Century Jobs Trust Fund, including implementation of the Pure Michigan marketing campaign;

**WHEREAS**, under Section 88b(6) Act, MCL 125.2088b(6), requires that the MSF select all vendors for all expenditures under Chapter 8A by issuing a Request for Proposals (“RFP”);

**WHEREAS**, on July 25, 2017 the MSF Board issued a Request for Proposals seeking bids from qualified vendors to conduct an insights study and economic impact analysis of the Pure Michigan travel marketing campaign (the “Pure Michigan Insights Study RFP”);

**WHEREAS**, four proposals were received in response to the Pure Michigan Insights Study RFP and reviewed by the Joint Evaluation Committee (“JEC”) appointed by the MSF Fund Manager pursuant to Section 125.2088b-1(1) of the MSF Compiled Resolutions;

**WHEREAS**, the JEC recommends that the MSF Board award a contract to Strategic Marketing and Research Insights in the amount of \$92,500 per year for an initial three year term, with the option to extend the term for two additional one year terms and allocate additional funding (the “Award Recommendation”); and

**WHEREAS**, the MSF Board wishes to approve the Award Recommendation.

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF Board approves the Award Recommendation; and

**BE IT FURTHER RESOLVED**, that the MSF Board authorizes the MSF Fund Manager to negotiate and execute all final documents necessary to effectuate the Award Recommendation.

Ayes:

Nays:

Recused:

Lansing, Michigan  
September 26, 2017