

**MICHIGAN STRATEGIC FUND
BOARD MEETING AGENDA
APRIL 26, 2016
10:00 am**

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

A. Consent Agenda

Proposed Meeting Minutes – March 22, 2016
618 S. Main, LLC/City of Ann Arbor – MCRP Amendment – Mary Kramer
Jackson National Life – MBDP Amendment – Trevor Friedeberg
Edmore Machining, Inc. – Tool & Die Recovery Zone Revocation – Dan Parisian
Fori Automation, Inc. – Tool & Die Recovery Zone Revocation – Dan Parisian
3DM Source, Inc. – Tool & Die Recovery Zone Revocation – Dan Parisian

B. Administrative

Community College Skilled Trade Equipment Program - Grant Amendments – Ryan Hundt
Cherry Growers, Inc. – MBDP Forbearance Request – Christin Armstrong

C. Business Investment

1. Entrepreneurship –

2016 Business Incubator – Award Recommendations – Fred Molnar
Automation Alley – 2015 Business Incubator Grant Amendment – Fred Molnar
Michigan Innovation to Manufacturing – Request to Issue RFP – Fred Molnar
MTRAC - Statewide Program Approval – Denise Graves

2. Business Growth -

Duo Security – MBDP Grant – Trevor Friedeberg
iSource WorldWide, LLC & SkyPoint Ventures, LLC – MBDP Grant/Loan – Jeremy Webb
Ford Motor Company – SESA Exemption – Stacy Bowerman
Fiat Chrysler Group – SESA Exemption – Marcia Gebarowski

3. Access to Capital -

Canterbury Health Care, Inc. – Bond Inducement – Chris Cook
Michigan Custom Machine - SSBCI – Collateral Support – Rachel Bakken

D. Community Vitality -

Infrastructure Capacity Enhancement (ICE) Round – CDBG – Chris Whitz
2016 Action Plan – CDBG – Chris Whitz
Grand Rapids Properties 1, LLC/City of Grand Rapids – Act 381 Work Plan – Ryan Kilpatrick
PDRM, LLC/City of Detroit – Brownfield TIF Amendment – Jennifer Schwanky

E. Quarterly Reports



STATE OF MICHIGAN
OFFICE OF THE CHIEF COMPLIANCE OFFICER
LANSING

RICK SNYDER
GOVERNOR

KEVIN FRANCCART, ESQ.
CHIEF COMPLIANCE OFFICER

MEMORANDUM

April 11, 2016

TO: Honorable Richard D. Snyder
Governor and Chairperson of the State Administrative Board.

Steve Arwood
Chairperson
Michigan Strategic Fund Board

FROM: Kevin L. Francart
Chief Compliance Officer

RE: FY2016 Q2 Report of the Chief Compliance Officer.

The Chief Compliance Officer is required to report quarterly to the State Administrative Board and the Michigan Strategic Fund Board regarding compliance with internal policies and procedures and with applicable laws related to 21st century jobs fund programs. I am pleased to report that all compliance matters addressed during the second quarter of the 2016 fiscal year were either successfully resolved or are being appropriately addressed.

With respect to the Michigan Strategic Fund Board, the Michigan Strategic Fund Act requires the Chief Compliance Officer to review and evaluate compliance with internal policies and procedures along with applicable state and federal law. The review and evaluation of the tourism promotion programs and activities for FY 2013 and FY 2014 continues, interviews are being scheduled with staff identified as likely having relevant information or knowledge about the matters involved in the review and evaluation and further document review is ongoing. The Chief Compliance Officer assisted the MSF with addressing issues regarding background checks and disclosures to the MSF Board. Additionally, the Chief Compliance Officer assisted the MSF with addressing MTRAC program policies; BDP Grant Template drafting and review; MSF Board Process regarding timing of delivery of materials for board member review; and, the American Center for Mobility (Willow Run) project. As reported last quarter, because of staffing changes the site visit guidelines were modified. (Attachment A) Because of the staffing changes the site visit guidelines were changed to no longer require a minimum number of site visits. Site visits are being performed pursuant to the site visit guidelines.

The Chief Compliance Officer provided informal advice regarding various issues arising this quarter concerning such topics as background checks, conflict of interest issues, the breadth of

delegated Board authority, authorized use of 21st century job fund funds, and compliance with established Board policy and limitations.

**Michigan Strategic Fund
Michigan Economic Development Corporation
Site Visit Guidelines**

Purpose of the Site Visit

Site visits performed under these guidelines are additional and complementary to the regular monitoring tools used to ensure compliance with the program agreements as well as relevant program guidelines and state and federal laws. Site visits may also be used for verifying the ongoing success and viability of the project.

Program	Site Visit Guideline
Michigan Business Development Program	Staff may perform site visits on any MBDP incentive as necessary to ensure compliance with the terms of the written agreement between the MSF and the recipient.
Michigan Community Revitalization Program	A site visit is performed to confirm project completion on all MCRP awards of \$1,000,000 or more. Staff may perform site visits on any MCRP incentive as necessary to ensure compliance with the terms of the written agreement between the MSF and recipient.
Brownfield Tax Credit Program	A site visit is performed to confirm project or phase completion where a project's Eligible Investment is estimated to be \$10,000,000 or more. Staff may perform site visits on any Brownfield Tax Credit as necessary to ensure compliance with the terms of the written agreement between the MSF and recipient.
Michigan Economic Growth Authority Tax Credits	A site visit is performed on all large MEGA Retention Tax Credits. Staff may perform site visits on any MEGA incentive as necessary to ensure compliance with the terms of the written agreement between the MSF and recipient.
21 st Century Jobs Fund Loan & Investment Portfolio	A site visit is performed on those 21 st CJF Loan & Investment incentives that require a site visit pursuant to the terms of the written agreement between the MSF and the recipient. Staff may perform site visits on any 21 st CJF Loan & Investment incentive as necessary to ensure compliance with the terms of the written agreement between the MSF and recipient.
21 st Century Jobs Fund Grants	A site visit is performed on those 21 st CJF Grants that require a site visit pursuant to the terms of the written agreement between the MSF and the recipient. Staff may perform site visits on any 21 st CJF Grant as necessary to ensure compliance with the terms of the written

	agreement between the MSF and recipient.
Renaissance Zones	Staff may perform site visits on any Renaissance Zone as necessary to ensure compliance with the terms of the written agreement between the MSF and recipient.

The Site Visit

The award recipient is responsible for providing staff the access needed to perform the site visit. The recipient will have available the requested documentation. This may include preparing documentation to demonstrate or support information reported by the recipient or providing other information as requested by staff to verify compliance with the agreement. Staff will also discuss the overall project with the recipient representative in order to have an understanding of the work involved at the project. If necessary, staff may also require a tour of the project site.

After the Site Visit

Staff will record a report of the site visit and include any questions or comments that are relevant to the site visit. Staff will also conduct periodic review of active incentives to ensure timely completion and proper documentation of site visits.

MICHIGAN STRATEGIC FUND

RESOLUTION 2016-

**APPROVAL OF APRIL 2016 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, for each of which supporting documentation is attached to this Resolution.

Consent Agenda Items:

Proposed Meeting Minutes – March 22, 2016

Urban Group Development Company/City of Ann Arbor – MCRP Amendment

Jackson National Life – MBDP Amendment

Edmore Machining, Inc. – Tool & Die Recovery Zone Revocation

Fori Automotive, Inc. – Tool & Die Recovery Zone Revocation

3DM Source, Inc. – Tool & Die Recovery Zone Revocation

Ayes:

Nays:

Recused:

Lansing, Michigan
March 22, 2016

**MICHIGAN STRATEGIC FUND
PROPOSED MEETING MINUTES
March 22, 2016**

Members Present

Paul Anderson
Steve Arwood
Dan Boge
Larry Koops
Andrew Lockwood (on behalf of Treasurer Khouri)
Terri Jo Umlor
Shaun Wilson
Wayne Wood joined meeting at 10:15 am
Mike Zimmer

Members Absent

Jody DePree Vanderwel

Mr. Arwood called the meeting to order at 10:00 am.

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

Mr. Arwood invited State Representative David Rutledge of House District 54 to comment. Representative Rutledge addressed the Board with comments in support of the American Center for Mobility project, listed under Business Growth on the meeting agenda.

Communications: Andrea Robach, MSF Administrator advised the Board that an updated resolution for Recovery Park, under Community Vitality on the agenda, was provided to each member at the table.

A. CONSENT AGENDA

Resolution 2016-017 Approval of Consent Agenda Items

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

Proposed Meeting Minutes – **February 23, 2016**
1212 Griswold/City of Detroit – MCRP Amendment **2016-018**
Eberspaecher – MBDP Amendment **2016-019**

Shaun Wilson seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

B. ADMINISTRATIVE

Resolutions 2016-020 & 2016-021 Redevelopment Ready Communities & Michigan Main Street Program Approvals

Jennifer Rigterink, Manager, Technical Assistance Programs, provided the Board with information regarding these action items. Following brief discussion, Larry Koops motioned for the approval of

Resolutions 2016-020 & 2016-021. Paul Anderson seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2016-022 Collaborative Community Development Activities – Request to Submit Housing Development Fund Grant Application

Katharine Czarnecki, VP, Collaborative Community Development, provided the Board with information regarding this action item. Following brief discussion, Dan Boge motioned for the approval of Resolution 2016-022. Shaun Wilson seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2016-023 City of Ypsilanti – CDBG Loan Amendment

Katharine Czarnecki, VP, Collaborative Community Development, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-023. Paul Anderson seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Mr. Wood joined the meeting at 10:15 am.

Resolution 2016-024 Plasan – MBDP Forbearance Request

Christin Armstrong, VP, Compliance, Contracts & Grants, provided the Board with information regarding this action item. Following brief discussion, Paul Anderson motioned for the approval of Resolution 2016-024. Larry Koops seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused.**

C. BUSINESS GROWTH

Resolution 2016-025 Michigan China Innovation Center – 21st Century Fund Investment

Tony Vernaci, VP Sales, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-025. Shaun Wilson seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused.**

Resolution 2016-026 American Center for Mobility – 21st Century Fund Investment

Eric Shreffler, Managing Director, provided the Board with information regarding this action item. The Power Point presentation provided at the meeting is attached to the minutes. Following brief discussion, Wayne Wood motioned for the approval of Resolution 2016-026. Larry Koops seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused.**

Chairman Arwood stepped out at 11:00 am and returned at 11:02 am.

At this time Chairman Arwood introduced State Representative Charles Bruner, House District 96, who provided comment in support of the Bay City Hospitality, LLC hotel redevelopment, listed under the Community Vitality section of the agenda.

Resolution 2016-027 Stoneridge - MBDP

Trevor Friedeberg, Development Finance Manager, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-027. Dan Boge seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused.**

Resolution 2016-028 Whirlpool Corporation/City of Benton Harbor – MBT Amendment

Rob Garza, Program Specialist, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-028. Mike Zimmer seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused.**

D. COMMUNITY VITALITY

Resolution 2016-029 Bay City Hospitalities, LLC/City of Bay City – Act 381 Work Plan

James Espinoza, Community Assistance Team, provided the Board with information regarding this action item. Following brief discussion, Mike Zimmer motioned for the approval of Resolution 2016-029. Larry Koops seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused.**

Resolutions 2016-030 Fulton Square, LLC/City of Grand Rapids – Act 381 Work Plan

Ryan Kilpatrick, Community Assistance Team, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-030. Mike Zimmer seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused.**

Mr. Zimmer left the meeting at 11:25

Resolution 2016-031 Recovery Park – 21st Century Fund Investment

Stacy Esbrook, Community Assistance Team, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-031. Shaun Wilson seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

D. STATE BRANDING

Dave Lorenz, VP Travel & Tourism and Emily Guerrant, VP Marketing & Communications, provided the Board with information regarding the following action items.

Resolution 2016-032 China Tourism Development Services – Request to Issue RFP

Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-016. Wayne Wood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2016-033 Travel Marketing and Advertising – Request to Issue RFP

Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-033. Dan Boge seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2016-034 Business and Travel Marketing, Public Relations & Social Media – Request to Issue RFP

Following brief discussion, Dan Boge motioned for the approval of Resolution 2016-034. Larry Koops seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2016-035 Business Marketing & Advertising – Request to Issue RFP

Following brief discussion, Dan Boge motioned for the approval of Resolution 2016-035. Larry Koops seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Mr. Arwood adjourned the meeting at 11:54 am.



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

January 22, 2016

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 Meetings I am unable to attend.

Sincerely,

A handwritten signature in black ink, appearing to read "N.A. Khouri", with a long horizontal flourish extending to the right.

N.A. Khouri
State Treasurer

Cc: Andrew Lockwood

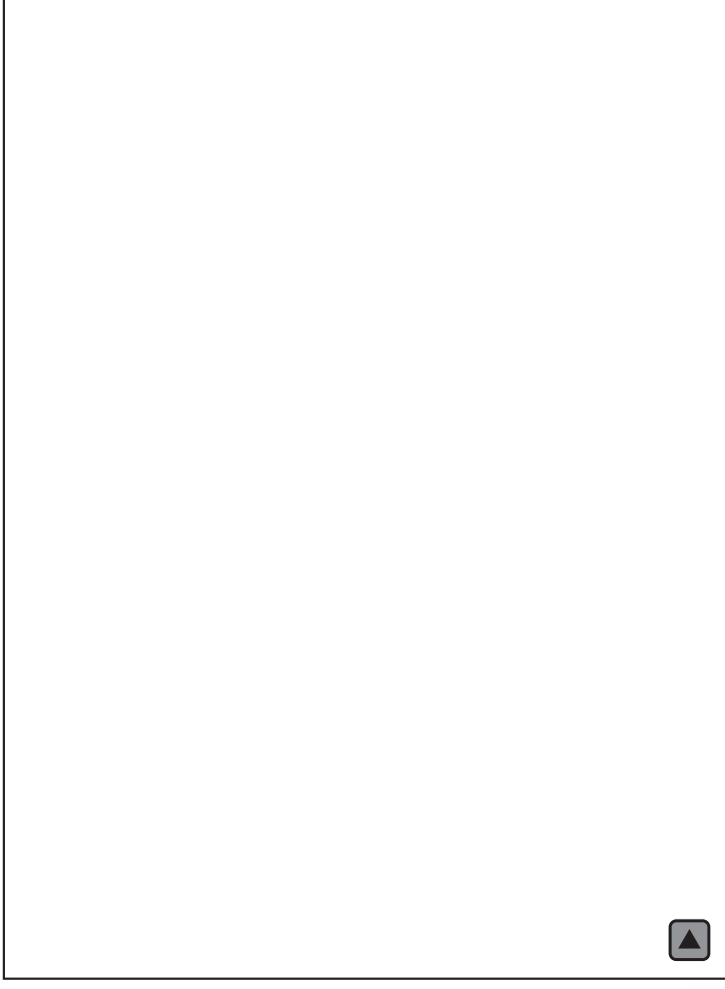
A wireframe model of a car, shown from a side profile, is centered on the page. The car is rendered in a light blue color with a grid-like structure. The background is a solid blue color with several concentric white circles and a central white dot, creating a ripple effect. The text is overlaid on a dark blue vertical band.

The American Center for Mobility

WILLOW RUN, YPSILANTI, MICHIGAN

Connected & Automated Vehicles

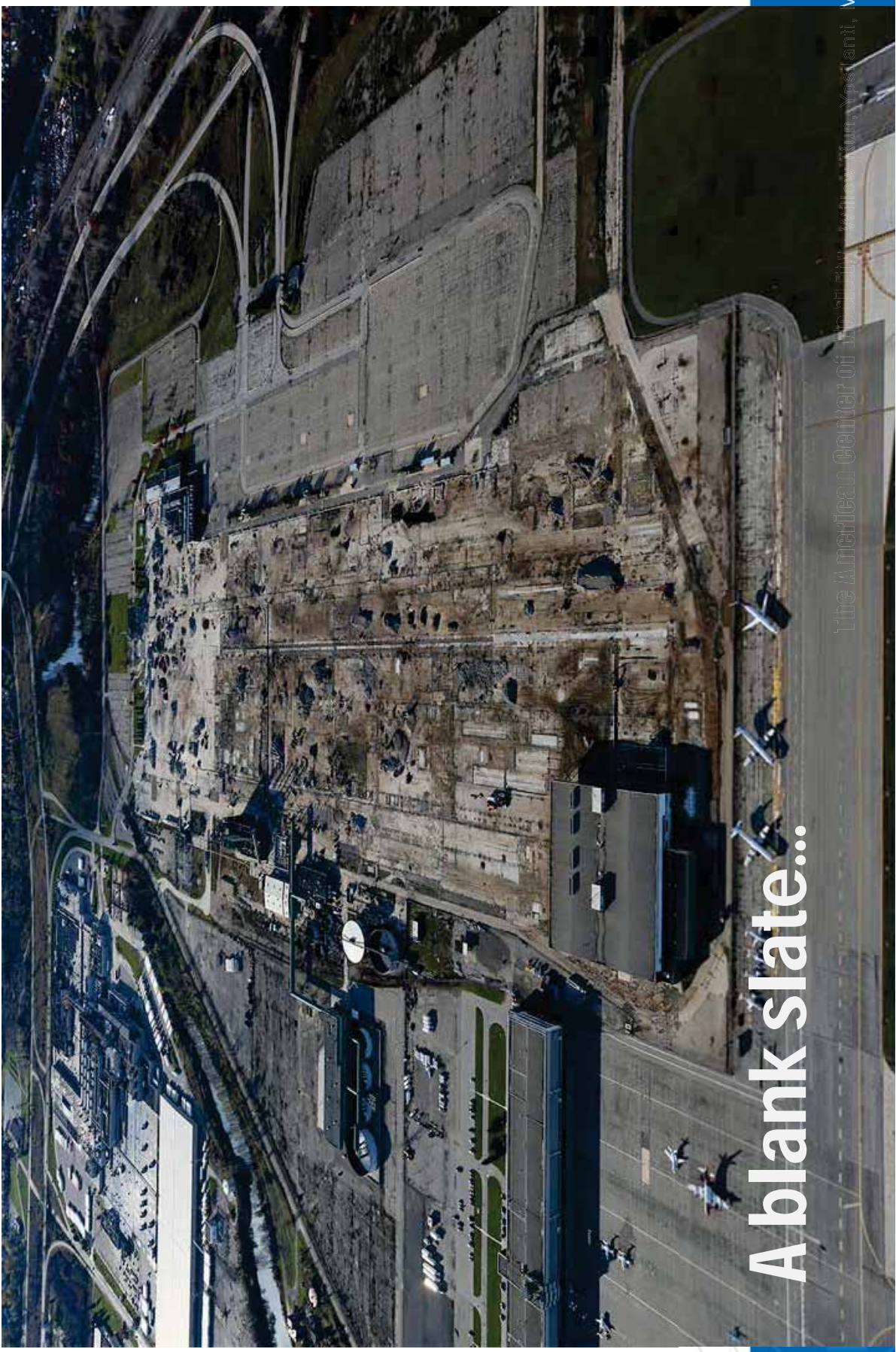
- **Connected and Automated Vehicle (CAV) technology will revolutionize transportation**
 - Can increase safety and mobility, and decrease energy use
- **Significant technical and policy challenges remain to be solved**
 - including methods for safe testing, validation, and verification
- **A combination of simulation, track testing, and on-road testing will be required**



The American Center for Mobility - Proposal

- Build a U.S. National CAV research, testing, product development, validation, and certification facility
 - At the Willow Run site in Ypsilanti, Michigan with 335+ acres
 - In very close proximity to most auto industry OEMs and suppliers, with significant weather variation
- Built with cost-shared Federal and State funds (\$20M State/\$60M Federal over 2 yrs)
- Operated by a self-sustaining non-profit, guided and governed by UM
- Expected heavy utilization by industry, as well as multiple government agencies, and academia (\$20M over 3 years, mostly industry)



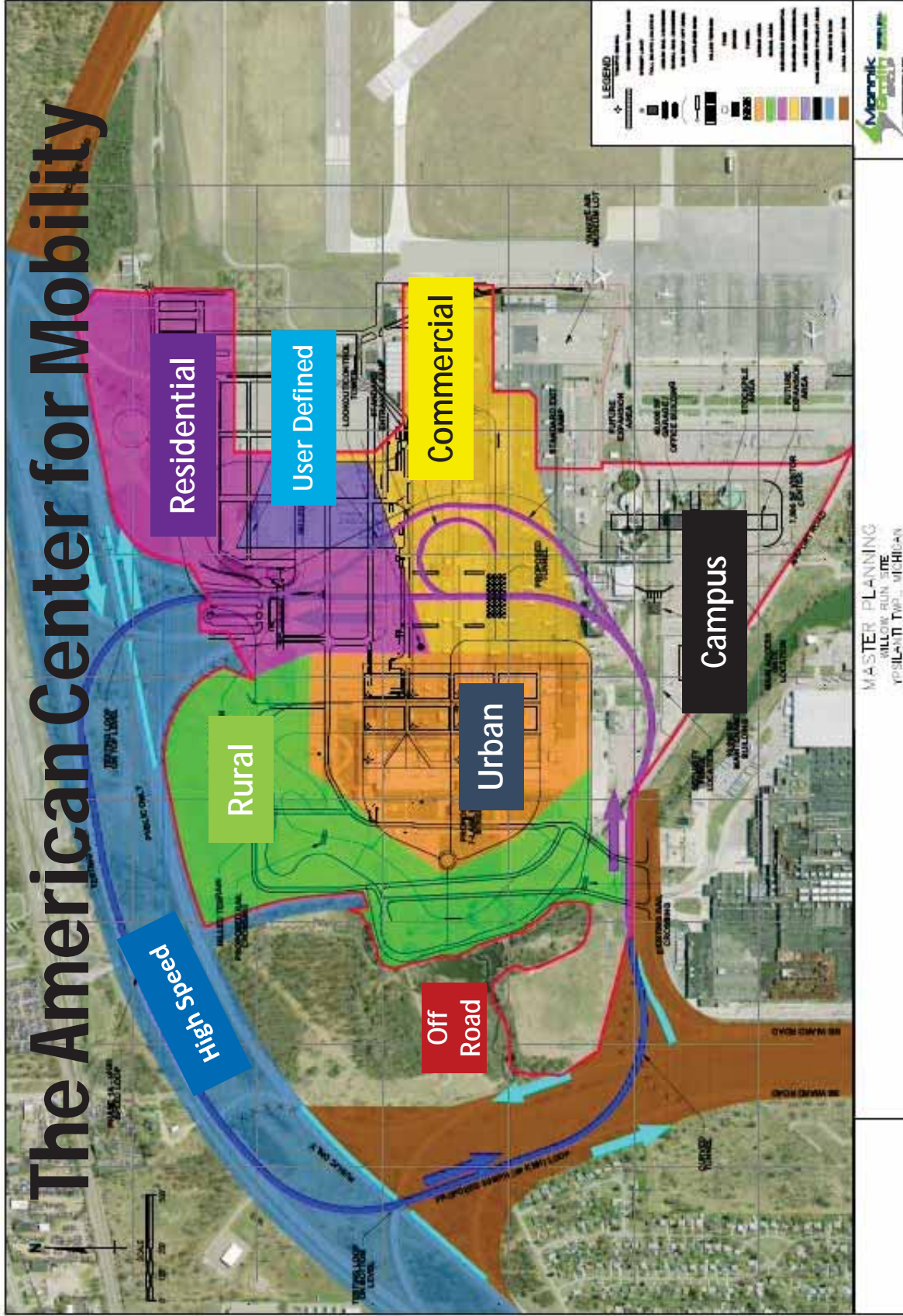


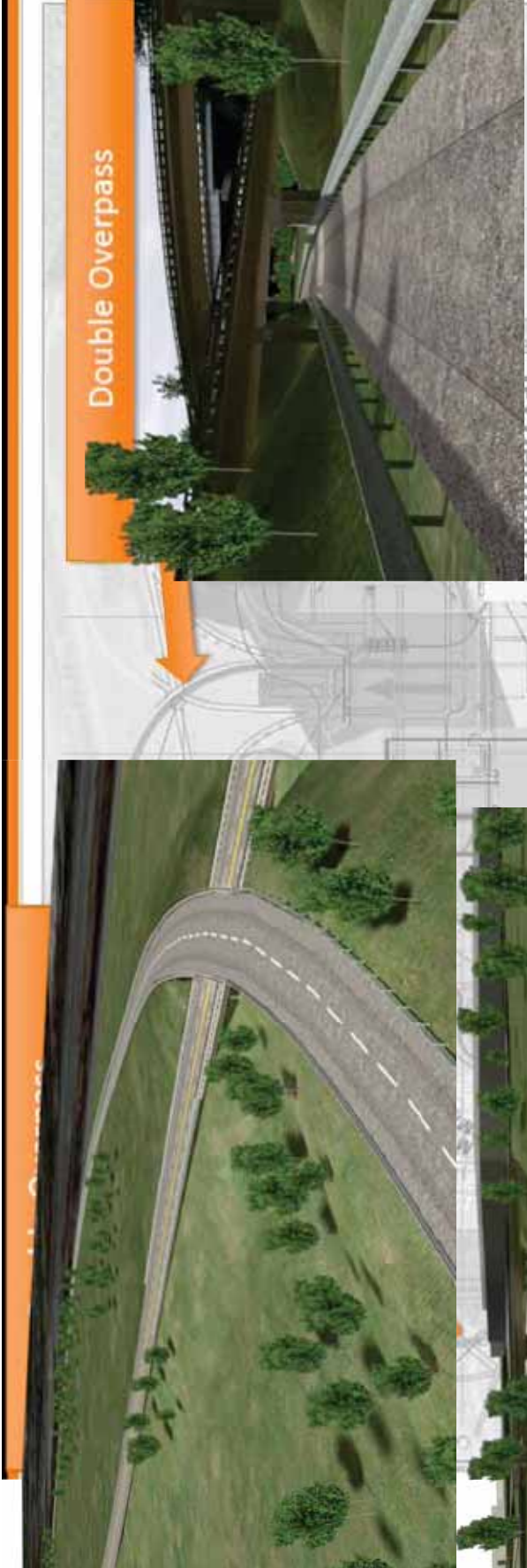
A blank slate...

The American Center of Health and Wellness, Ypsanti, Michigan

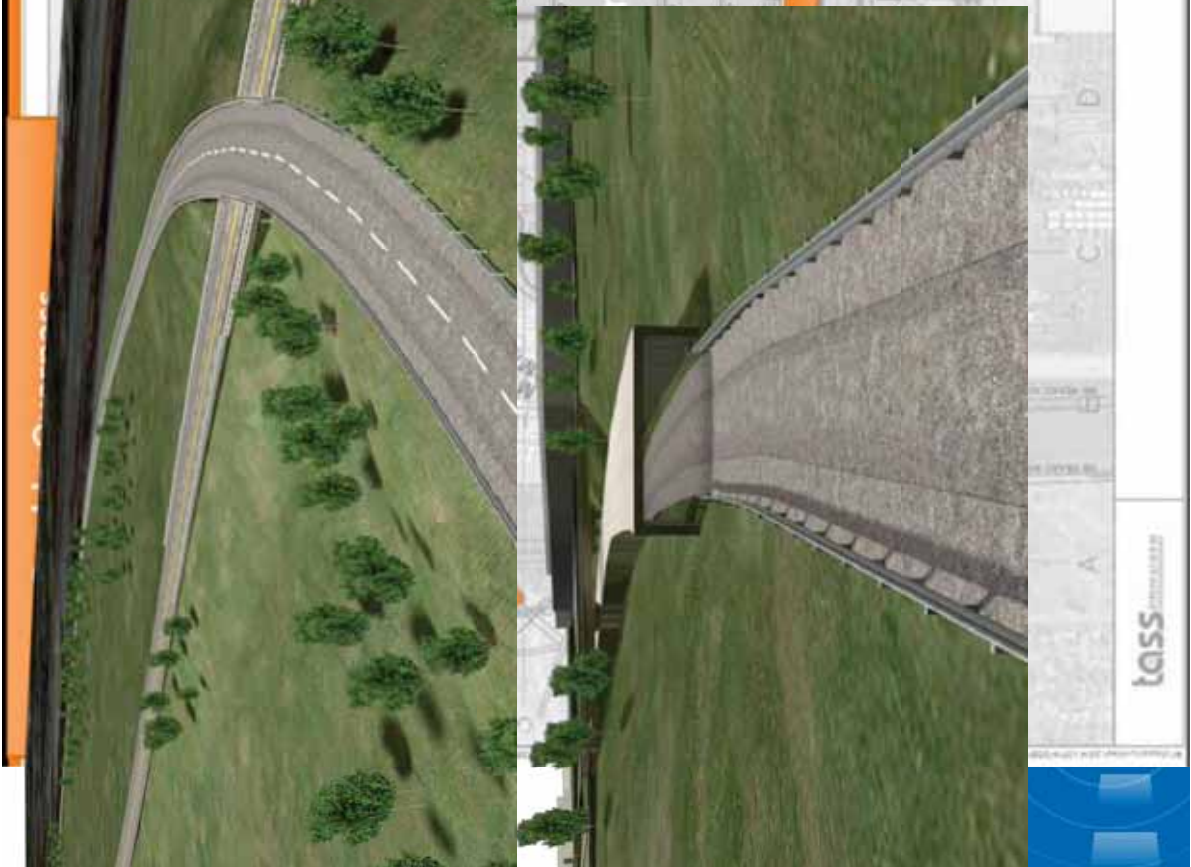
Michigan

The American Center for Mobility





Double Overpass



An Opportunity to Demonstrate American Leadership

- Numerous countries are investing in this emerging technology sector, but no country has yet established a firm leadership position.
- America has a unique opportunity to cement leadership by having the most diverse automotive and technology sectors and recognized reputation for innovation.
 - Which will attract further industrial investments
- The nation(s) that deploy these technologies most effectively will enjoy an inherent economic benefit over other nations, as it will minimize the cost of moving goods and people.
- Michigan is the most logical location to catalyze this work with the largest density of the automotive industry and highest concentration of engineers in the nation.
- There is also the opportunity to showcase the repurposing of an iconic American facility to productive use as a center of innovation in the greater Detroit Region.



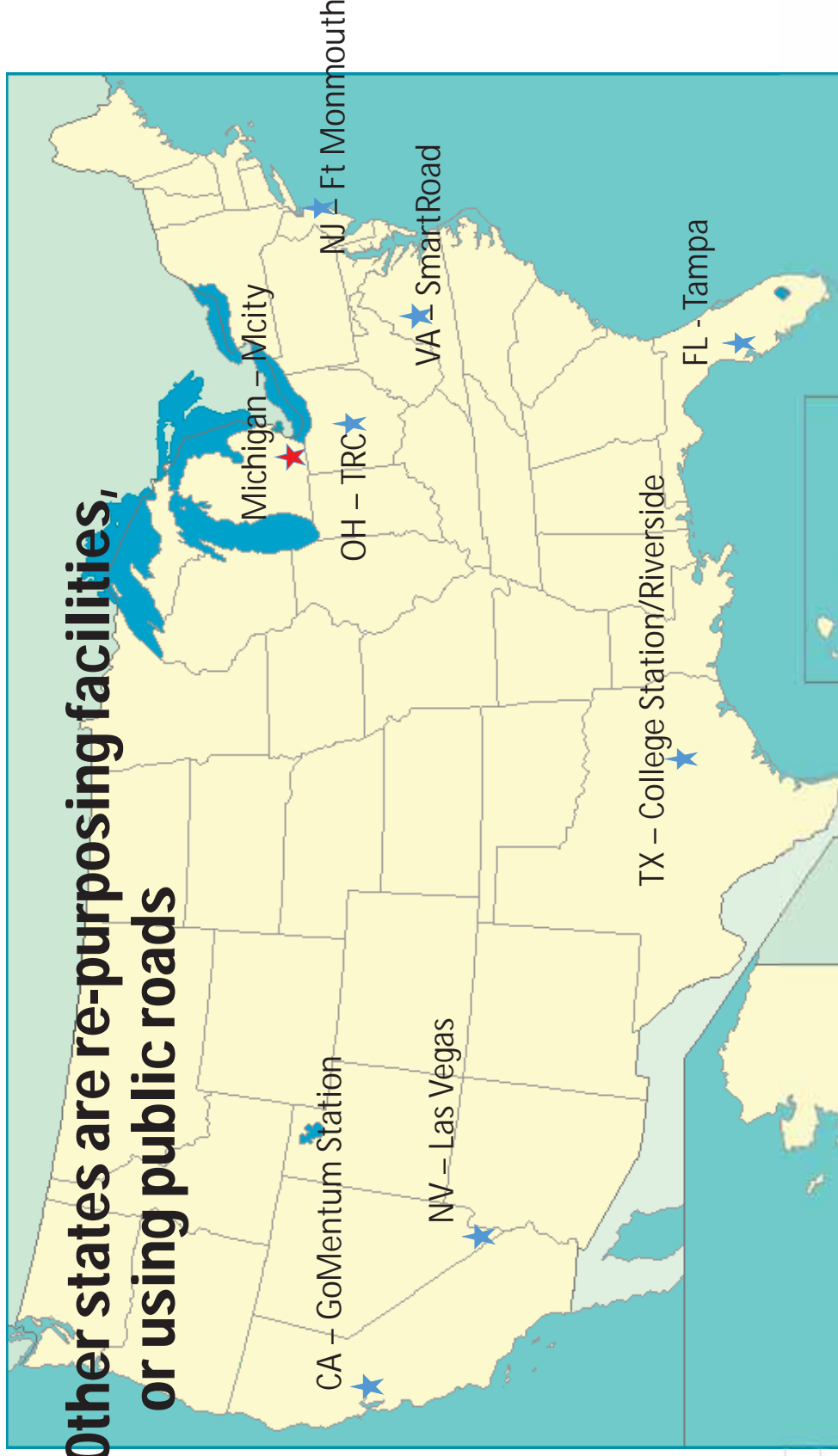
Other "auto" countries are building facilities



Other "auto" countries are building facilities



Other states are re-purposing facilities, or using public roads



Other states are re-purposing facilities, or using public roads

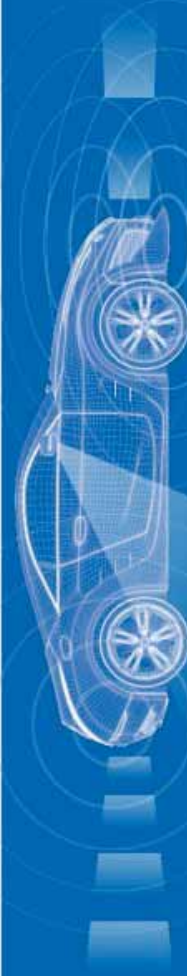
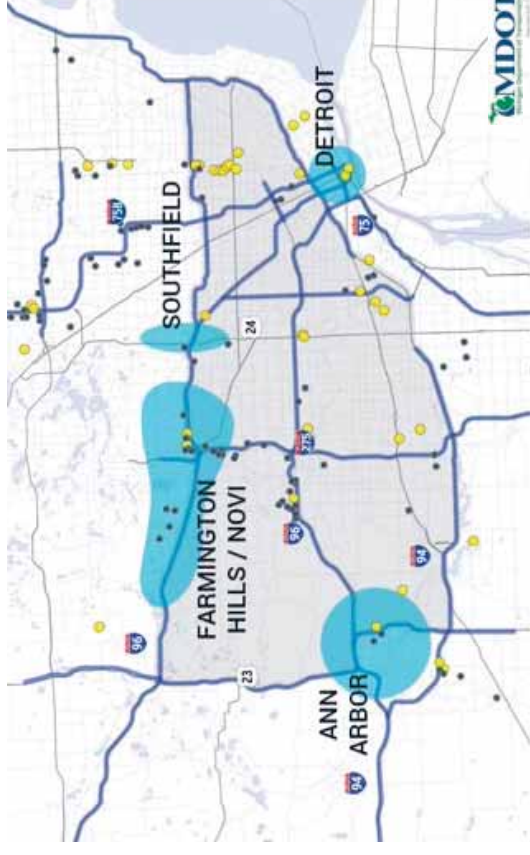


Why Michigan?

- Greatest concentration of the auto industry in the world
- Adjacent to university mobility initiatives
- Integrated with a forward-looking state DOT and government
- Unique site with both iconic and tangible qualities
 - Surrounded by connected infrastructure
 - Home of the Arsenal of Democracy
 - Co-located with commercial airport to facilitate travel
- More mobility-related assets than any other region

★ MDTOT Facilities

★ LC Member HQ or Key Facility



The American Center of Mobility

Willow Run, Ypsilanti, Michigan

MEMORANDUM

Date: April 26, 2016
To: Michigan Strategic Fund Board
From: Mary Kramer, MCRP and Brownfield Programs Specialist
Subject: 618 South Main, LLC
Michigan Community Revitalization Program
Request for Approval of a Loan Agreement Amendment

Request

618 South Main, LLC (“Company”) is requesting approval of an amendment to the Michigan Community Revitalization Program Loan Agreement (“Agreement”) and any related ancillary agreements. The amendment request dated February 23, 2016 includes a request to extend the Milestone Two due date from January 31, 2016 to June 30, 2016.

Background

The Michigan Strategic Fund Board approved a \$3,000,000 loan on November 28, 2012 to the Company 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.

An 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.

This amendment request is needed in order for the development team to resolve an open item with the footing drain disconnects. The project has been completed and is occupied under a valid temporary certificate of occupancy. The footing drain disconnects need to be completed in order for the city to issue an unconditional certificate of occupancy.

Milestone One documents have been submitted and are under review. The company is current with reporting requirements.

Recommendation

The MEDC staff recommends approval of an amendment to the MCRP Loan Agreement and any ancillary agreements to extend the Milestone Two due date from January 31, 2016 to June 30, 2016 per the Company’s request dated February 23, 2016.

MICHIGAN STRATEGIC FUND

RESOLUTION 2016 -

**APPROVAL OF AN AMENDMENT TO A MICHIGAN COMMUNITY
REVITALIZATION PROGRAM GRANT 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 CRP Loan Award to 618 South Main, LLC, in furtherance of the Project (“Applicant”) of up to \$3000,000 (“Award”);

WHEREAS, the MEDC is recommending that the MSF approve the amendment recommendation to extend the Milestone Two due date in the agreement and any related ancillary agreements to June 30, 2016, 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
April 26, 2016

MEMORANDUM

Date: April 26, 2016

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

From: Trevor Friedeberg, Development Finance Manager

Subject: Jackson National Life Insurance Company (“Company” or “Applicant”)
Amendment to Approved Michigan Business Development Program Grant Agreement

Request

The Company has requested employees from Prudential Global Data Services (“PGDS”) be included as part of Qualified New Jobs as well as the Base Employment Level. Employees from PGDS work side by side with other Jackson employees and support project activities and job creation efforts. Initially the PGDS entity was inadvertently left out of the original application, therefore disallowing the employees to count under the definition of a Qualified New Job and Base Employment Level. All other terms and conditions of the original approval remain in place.

Background

On July 24, 2013 the Michigan Strategic Fund approved a \$3,000,000 award for Jackson National Life Insurance Company under the Michigan Business Development Program (“MBDP”). The Company proposed to create a new building adjacent and linked to the existing headquarters located at One Corporate Way, Lansing, Michigan. The company planned to construct a new print center across the street, make investments and create jobs related to retirement solutions, including variable, fixed and fixed index annuities.

The new headquarter expansion is now complete and the Company has been on track with hiring, adding over 200 individuals as of their most recent milestone submission.

Recommendation

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

- a) Amend the July 24, 2013 approval to reflect the inclusion of Prudential Global Data Services (EIN 20-5383763) for purposes of Base Employment Level and Qualified New Jobs.
- b) All other aspects of the approval remain unchanged.

MICHIGAN STRATEGIC FUND

RESOLUTION 2015-

APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT AMENDMENT TO JACOSON NATIONAL LIFE INSURANCE COMPANY

WHEREAS, the Michigan legislature passed legislation establishing the 21st 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 21st 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, the MSF approved a \$3 million Michigan Business Development Program performance based grant on July 24, 2013 for the creation of a new building linked to the existing headquarters and make investments and create jobs related to retirement solutions, including variable, fixed and fixed index annuities (the “Project”);

WHEREAS, the Company requests that the Michigan Business Development Program performance based grant be amended and revised as follows: add Prudential Global Data Services (EIN 20-5383763) as an entity for purposes of Base Employment Level and Qualified New Jobs (“Amendment”);

WHEREAS, the MEDC recommends that the MSF approve the Company’s Grant Amendment 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 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 Amendment Award Recommendation”).

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

Ayes:

Nays:

Recused:

Lansing, Michigan
April 26, 2016

Memorandum

Date: April 26, 2016
To: Michigan Strategic Fund Board
From: Dan Parisian, Compliance Specialist
Subject: Edmore Machining, Inc.
Tool & Die Renaissance Recovery Zone - Revocation

Action

The Michigan Economic Development Corporation (“MEDC”) is recommending the revocation of the Tool and Die Renaissance Recovery Zone (“Recovery Zone”) for Edmore Machining, Inc. (the “Company”) by the Michigan Strategic Fund (“MSF”) Board. The Company’s fifteen year Recovery Zone term is currently set to expire at the conclusion of 2020.

Background

The MSF Board originally designated a Recovery Zone for Edmore Machining, Inc. located in the Township of Home, as a member of the Central Michigan Collaborative (the “Collaborative”) in 2005.

The MEDC was notified by the President of the Edmore Machining, Inc. that the Company had been consolidated to its second location and was no longer conducting business as a qualified Tool and Die at the property located at 4239 M-46 NE, Edmore MI 48829. By ceasing to operate primarily as a Tool and Die business within the designated zone, the Company is no longer eligible to receive the benefits of a Recovery Zone.

Under the Michigan Renaissance Zone Act, 1996 PA 376, as amended, the MSF Board has the authority to revoke the designation of a Recovery Zone for a qualified tool and die business if the qualified tool and die business fails or ceases to participate in or comply with a qualified collaborative agreement.

The Company’s resident agent and President were notified that the MEDC would recommend revocation of the Recovery Zone.

Recommendation

MEDC Staff recommends the MSF Board revoke the Tool and Die Renaissance Recovery Zone designation for Edmore Machining, Inc. effective on December 31, 2015 for property tax purposes and January 1, 2016 for all other purposes.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2016-**

**REVOCATION OF AN EXISTING TOOL & DIE RENAISSANCE
RECOVERY ZONE DESIGNATION: Edmore Machining, Inc.**

WHEREAS, the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, authorizes the Michigan Strategic Fund (“MSF”) Board to designate up to thirty-five (35) tool and die renaissance recovery zones (“Recovery Zone”) anywhere in the State of Michigan;

WHEREAS, on December 21, 2005, the MSF Board approved a Recovery Zone designation for Edmore Machining, Inc. as a member of the Central Michigan Collaborative (the “Collaborative”) at its site in the Township of Home, Montcalm County located at 4239 M-46 NE, Edmore, MI 48829 (the “Property”);

WHEREAS, Section 8d(3) of the Act permits the MSF Board to revoke the designation of all or a portion of a recovery zone with respect to one or more qualified tool and die businesses if those qualified tool and die businesses fail or cease to participate in or comply with a qualified collaborative agreement;

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the renaissance zone program;

WHEREAS, the MEDC received notification from the President of Edmore Machining, Inc. that the Company has been consolidated to its second location and is no longer conducting business as a tool and die on the Property and has ceased participation with the Collaborative; and

WHEREAS, therefore, the MEDC recommends revocation of the Company’s Recovery Zone designation for the Property.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board revokes the Recovery Zone designation for Edmore Machining, Inc. for the Property located in the Township of Home, Montcalm County at 4239 M-46, NE, Edmore, MI 48829, effective on December 31, 2015 for property tax purposes and January 1, 2016 for all other purposes; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
April 26, 2016

Memorandum

Date: April 26, 2016
To: Michigan Strategic Fund Board
From: Dan Parisian, Compliance Specialist
Subject: Fori Automation, Inc.
Tool & Die Renaissance Recovery Zone - Revocation

Action

The Michigan Economic Development Corporation (“MEDC”) is recommending the revocation of the Tool and Die Renaissance Recovery Zone (“Recovery Zone”) for Fori Automation, Inc. (the “Company”) by the Michigan Strategic Fund (“MSF”) Board. The Company’s ten year Recovery Zone term is currently set to expire at the conclusion of 2019.

Background

The MSF Board originally designated a Tool & Die Recovery Zone for Fori Automation, Inc. located in the Charter Township of Shelby, as a member of the Global Tooling Alliance (the “Collaborative”) in 2009.

The MEDC was notified by the Shelby Charter Township Assessor that the Company had sold and vacated the property located at 50955 Wind Drive, Shelby Township, MI 48315 and was no longer a participating member of the Collaborative effective November 10, 2015. By ceasing participation in the Collaborative and relocating outside the designated zone, the Company is no longer eligible to receive the benefits of a Recovery Zone.

Under the Michigan Renaissance Zone Act, 1996 PA 376, as amended, the MSF Board has the authority to revoke the designation of a Recovery Zone for a qualified tool and die business if the qualified tool and die business fails or ceases to participate in or comply with a qualified collaborative agreement.

The Company’s resident agent and Vice President/ General Manager were notified that the MEDC would recommend revocation of the Recovery Zone.

Recommendation

MEDC Staff recommends the MSF Board revoke the Tool and Die Renaissance Recovery Zone designation for Fori Automation, Inc. effective on December 31, 2015 for property tax purposes and January 1, 2016 for all other purposes.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2016-**

**REVOCATION OF AN EXISTING TOOL & DIE RENAISSANCE
RECOVERY ZONE DESIGNATION: Fori Automation, Inc.**

WHEREAS, the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, authorizes the Michigan Strategic Fund (“MSF”) Board to designate up to thirty-five (35) tool and die renaissance recovery zones (“Recovery Zone”) anywhere in the State of Michigan;

WHEREAS, on December 16, 2009, the MSF Board approved a Recovery Zone designation for Fori Automation, Inc. as a member of the Global Tooling Alliance (the “Collaborative”) at its site in the Charter Township of Shelby, Macomb County located at 50955 Wind Drive, Shelby Township, MI 48315 (the “Property”);

WHEREAS, Section 8d(3) of the Act permits the MSF Board to revoke the designation of all or a portion of a recovery zone with respect to one or more qualified tool and die businesses if those qualified tool and die businesses fail or cease to participate in or comply with a qualified collaborative agreement;

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the renaissance zone program;

WHEREAS, the MEDC received notification from the Shelby Charter Township Assessor that the Company has sold and vacated the Property as of November 10, 2015 and has ceased participation with the Collaborative; and

WHEREAS, therefore, the MEDC recommends revocation of the Company’s Recovery Zone designation for the Property.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board revokes the Recovery Zone designation for Fori Automation, Inc. for the Property located in the Charter Township of Shelby, Macomb County at 50955 Wind Drive, Shelby Township, MI 48315, effective on December 31, 2015 for property tax purposes and January 1, 2016 for all other purposes; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
April 26, 2016

Memorandum

Date: April 26, 2016
To: Michigan Strategic Fund Board
From: Dan Parisian, Compliance Specialist
Subject: 3DM Source, Inc.
Tool & Die Renaissance Recovery Zone - Revocation

Action

The Michigan Economic Development Corporation (“MEDC”) is recommending the revocation of the Tool and Die Renaissance Recovery Zone (“Recovery Zone”) for 3DM Source, Inc. (the “Company”) by the Michigan Strategic Fund (“MSF”) Board. The Company’s five year Recovery Zone term is currently set to expire at the conclusion of 2017.

Background

The MSF Board originally designated a Recovery Zone for 3DM Source, Inc. located in the City of Grand Rapids, as a member of the Tooling Systems Group (the “Collaborative”) in 2012.

The MEDC was notified by the collaborative through the filing of the Company’s 2015 Progress Report that the Company has ceased operations and is no longer a participating member of the Tooling Systems Group Collaborative effective June 30, 2015. By ceasing operations and participation in the Collaborative, the Company is no longer eligible to receive the benefits of a Recovery Zone.

Under the Michigan Renaissance Zone Act, 1996 PA 376, as amended, the MSF Board has the authority to revoke the designation of a Recovery Zone for a qualified tool and die business if the qualified tool and die business fails or ceases to participate in or comply with a qualified collaborative agreement.

The Company’s resident agent, Collaborative Chief Financial Officer and Collaborative Controller were notified that the MEDC would recommend revocation of the Recovery Zone.

Recommendation

MEDC Staff recommends the MSF Board revoke the Tool and Die Renaissance Recovery Zone designation for 3DM Source, Inc. effective on December 31, 2015 for property tax purposes and January 1, 2016 for all other purposes.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2016-**

**REVOCATION OF AN EXISTING TOOL & DIE RENAISSANCE
RECOVERY ZONE DESIGNATION: Fori Automation, Inc.**

WHEREAS, the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, authorizes the Michigan Strategic Fund (“MSF”) Board to designate up to thirty-five (35) tool and die renaissance recovery zones (“Recovery Zone”) anywhere in the State of Michigan;

WHEREAS, on December 16, 2009, the MSF Board approved a Recovery Zone designation for Fori Automation, Inc. as a member of the Global Tooling Alliance (the “Collaborative”) at its site in the Charter Township of Shelby, Macomb County located at 50955 Wind Drive, Shelby Township, MI 48315 (the “Property”);

WHEREAS, Section 8d(3) of the Act permits the MSF Board to revoke the designation of all or a portion of a recovery zone with respect to one or more qualified tool and die businesses if those qualified tool and die businesses fail or cease to participate in or comply with a qualified collaborative agreement;

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the renaissance zone program;

WHEREAS, the MEDC received notification from the Shelby Charter Township Assessor that the Company has sold and vacated the Property as of November 10, 2015 and has ceased participation with the Collaborative; and

WHEREAS, therefore, the MEDC recommends revocation of the Company’s Recovery Zone designation for the Property.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board revokes the Recovery Zone designation for Fori Automation, Inc. for the Property located in the Charter Township of Shelby, Macomb County at 50955 Wind Drive, Shelby Township, MI 48315, effective on December 31, 2015 for property tax purposes and January 1, 2016 for all other purposes; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
April 26, 2016



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TALENT AND ECONOMIC DEVELOPMENT
LANSING

STEVE ARWOOD
DIRECTOR

MEMORANDUM

DATE: April 26, 2016

TO: Michigan Strategic Fund Board

FROM: Stephanie Comai, Director
Stephanie Comai
Michigan Talent Investment Agency

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

Background: Public Act 252 of 2014, (Section 1052(2)), includes an appropriation of up to \$50 million to create a Community Colleges Skilled Trades Equipment Program (CCSTEP). The Act required the Michigan Strategic Fund (MSF) to make awards no later than April 1, 2015. Below is a timeline of key events:

- February 2015: The MSF approved \$50 million in grant awards to 18 colleges.
- March 2015: Act 252 Reimbursement Agreements were signed by each college, the Michigan Strategic Fund (MSF designee) and the State Budget Office (Budget Director).
- August 2015: One of the colleges, Muskegon Community College (MCC), had an amendment effective August 28, 2015, to reduce the grant award to \$4,089,066 from the original \$4,105,446 due to a reduction in equipment costs.
- October 2015: MSF transferred the administration of the CCSTEP program to the Talent Investment Agency (TIA), also within the Department of Talent and Economic Development, via a Memorandum of Understanding with an effective date of October 1, 2015.
- December 2015: In review of documents, TIA determined three of the signed agreements did not meet Act 252 requirements of a 25 percent minimum match of the total project costs.
- January 2016: TIA staff had multiple communications with the three colleges: Jackson Community College (JCC), Kellogg Community College (KCC) and Kalamazoo Valley Community College (KVCC). Both JCC and KVCC indicated they would prefer to reduce the overall award rather than try to identify additional local match funds. KCC indicated they believe they have already spent sufficient funds for installation and build-out costs relating to the equipment and will be submitting a revised budget with documentation on the additional costs incurred to meet the 25 percent local match requirement of total project costs.

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- February 2016: TIA sent letters to all 18 CCSTEP community colleges requesting by no later than March 15, 2016, a revised price proposal, and a reminder of Act 252 requirements that “Approved award activity shall commence by April 1, 2016, or the award may be terminated by the Michigan strategic fund board for noncompliance with the award agreement.” While all 18 colleges have commenced activity, not all of the equipment has been delivered and installed as many of the projects require additional installation space.
- March 2016: Alpena Community College (ACC) requested a reduction of \$110,000 to change the CCSTEP award to \$358,750 from the original grant of \$468,750. In review of the revised price proposal for ACC, there were items included in the original price proposal that are no longer eligible as part of the award as the actual equipment invoices are less than \$10,000 per item. In review of the remaining colleges’ revised pricing proposals, at this time, no other colleges are requesting a change in the amount of the award. While not all equipment has been purchased, most colleges have identified some changes from the original price proposal as equipment costs were estimated as part of the RFP response. For the most part, for any changes in the equipment pricing, the increases and decreases anticipated in pricing did not dramatically change the overall project total costs.

Request: TIA is requesting the MSF Board, at the April 26, 2016 meeting, authorize revisions to certain Act 252 Reimbursement Agreements to reflect the reduced amounts requested by the below community colleges.

CCSTEP Award Reductions:

ACC	\$110,000.00
JCC	\$993,392.00
KVCC	\$39,716.95
MCC	\$16,380.00
Total	\$1,159,488.95

TIA is also requesting authority to make necessary immaterial amendments to reduce the award amounts as final costs will not be available until all equipment is delivered and installed. While many of the colleges already will have projects completed during the 2016 and 2017 calendar years, several of the colleges do not expect the final project to be completed until 2019. TIA will provide regular status reports of CCSTEP to the MSF Board and MEDC staff not later than December 31 each year. All amendments are also subject to the approval of the State Budget Office.

MICHIGAN STRATEGIC FUND

RESOLUTION

2016-

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

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, pursuant to the Memorandum of Understanding (“MOU”) dated October 1, 2015 between the MSF, the Michigan Economic Development Corporation (“MEDC”) and the Talent Investment Agency (“TIA”), the MEDC and TIA administer the CCSTEP on behalf of the MSF;

WHEREAS, MEDC and TIA staff determined that it is necessary to amend the amount of the CCSTEP grants awarded to Alpena Community College, Jackson Community College, Kalamazoo Valley Community College and Muskegon Community College as detailed on the attached Exhibit A, with all other terms and conditions of the CCSTEP grants remaining in full force and effect (the “CCSTEP Grant Amendments”);

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

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan

April 26, 2016

EXHIBIT A

Community College	Original CCSTEP Award	Amended CCSTEP Award
Alpena Community College	\$468,750	\$358,750
Jackson Community College	\$3,874,595.00	\$2,906,000
Kalamazoo Valley Community College	\$3,575,116.95	\$3,535,400.13
Muskegon Community College	\$4,105,446	\$4,089,066

MEMORANDUM

Date: April 26, 2016

To: MSF Board

From: Christin Armstrong, Associate General Counsel & V.P., Compliance and Contract Services

Subject: Cherry Growers, Inc. – Michigan Business Development Grant – Forbearance Request

Request

Cherry Growers, Inc. (the “Company”) requests that the Michigan Strategic Fund (“MSF”) Board forbear on exercising its rights to repayment of approximately \$2,500,000 until October 31, 2017 (the “Forbearance Request”). In consideration for the Forbearance Request, the Company will pay a forbearance fee of \$25,000.

Background

On September 28, 2012 the Company was awarded a \$2,500,000 Performance-based Michigan Business Development Program (“BDP”) Grant. The total BDP Grant is to be paid back to the MSF in annual profit participation payments beginning October 31, 2015 and continuing thereafter until the Company has repaid the MSF 100% of the BDP Grant. This project involves the creation of 72 Qualified New Jobs (“QNJs”) and a capital investment of up to \$12,499,760 in Green Lake Township in Grand Traverse County. The Company is required to maintain 137 Base Jobs. The table below shows the Company’s milestone performance to date:

Milestone	QNJ	Total Michigan Headcount Requirement	Milestone Deadline	Award	Actual Milestone Achievement
M1	59	196	9/30/2012	2,500,000	10/1/2012
M2	72	209	12/31/2014	0	

The Company has faced challenges since the BDP Grant was executed, including a difficult growing season in 2012 that resulted in a failure of the apple and cherry crops. The Company simultaneously undertook the largest capital expansion in its history. In addition, a loss of contracts amounted to a 40% decrease in demand for the Company’s three primary crops. As a result of these issues, the Company requested an extension of its Milestone Two due date. The MSF approved an extension of Milestone Two to September 30, 2015. The Company was unable to meet Milestone Two by the amended due date and was placed in default, with a cure period that expired on November 29, 2015. The Company continues to experience reductions in headcount and does not expect to meet the requirements of Milestone Two. Under Section 7.1(b) of the BDP Grant, the Company is in default for failure to meet Milestone Two.

In addition to the BDP Grant, the Company also has MSF-supported loans with Huntington Bank through the Michigan Supplier Diversification Fund (“MSDF”) and State Small Business Credit Initiative



("SSBCI"). MSF support through the MSDF and SSBCI totals \$2,772,177.02. The Company is currently in negotiations with Materne North America Corp. ("Materne") to sell a significant portion of its operations, which will scale down the size and scope of the Company but free up cash to Huntington and other trade creditors. The Company expects to continue some of its operations upon completion of negotiations with Materne.

At this time, the MSF is entitled to seek repayment of the full BDP Grant. Understanding that this would cause significant financial hardship for the Company, have a negative impact on the current negotiations with Materne, and given the Company's overall economic impact to the region, MEDC Staff has proposed a forbearance agreement under which the MSF would forbear on exercising its right to the repayment event until October 31, 2017. In consideration for this forbearance, the Company would be required to pay a forbearance fee of \$25,000 (1% of the total grant amount). This fee could be paid in full upon execution of the forbearance agreement or with a portion paid up front and the balance spread over the forbearance term..

Recommendation

MEDC Staff recommends that the 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
2016-**

**CHERRY GROWERS, INC.
MICHIGAN BUSINESS DEVELOPMENT GRANT FORBEARANCE REQUEST**

WHEREAS, the Michigan legislature passed legislation establishing the 21st 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 21st 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 September 17, 2012, the MSF Board authorized a performance-based MBDP other economic assistance incentive of up to \$2,500,000 to Cherry Growers, Inc. (the “Company”);

WHEREAS, on September 28, 2012, the Company and the MSF entered into an MBDP Grant Agreement under which the Company agreed to create 72 Qualified New Jobs;

WHEREAS, pursuant to the terms and conditions of the MBDP Grant Agreement, the Company received disbursements of \$2,500,000 for creation of 59 Qualified New Jobs;

WHEREAS, the Company is in default under Section 7.1(b) for failure to timely meet one of the key milestones by the applicable date for such key milestone and has triggered repayment of \$2,500,000 plus 7% interest (the “Repayment Event”);

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

- (a) Forbearance by the MSF from exercising its rights under the Repayment Event until October 31, 2017 (the “Forbearance Period”); and
- (b) Payment by the Company of a forbearance fee in the amount of \$25,000, which may be paid by the Company over the course of the Forbearance Period.

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

WHEREAS, given the Company's overall economic impact in the region and the significant financial hardship on the Company if the MSF were to seek the full amount owing under the Repayment Event, the MEDC recommends that the MSF 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 or the MSF President is authorized to negotiate all final terms and conditions and execute all documents necessary to effectuate the Forbearance Request.

Ayes:

Nays:

Recused:

Lansing, Michigan
April 26, 2016

MEMORANDUM

Date: April 26th, 2016
To: Michigan Strategic Fund
From: Fred Molnar, Vice President, Entrepreneurial Services
Subject: FY 2016 Business Incubator Program Award Recommendations

Action

The MEDC requests that the MSF Board approves awards in the amount of \$800,000 to the following 5 nonprofit/university organizations to provide business incubator services to early stage technology companies and institutions for commercializing competitive-edge technologies:

- Innovation Marquette Enterprise Corporation (IMEC) – Marquette, MI
- Michigan Tech Enterprise Corporation (MTEC) – Houghton/Hancock, MI
- Lenawee Now – Adrian/Tecumseh, MI
- Lakeshore Advantage – Holland, MI
- SSMart / Lake Superior State University – Sault Ste Marie, MI

Background

Since 2009 the Michigan Strategic Fund (“MSF”) has provided funding to business incubators to stimulate the creation and continued growth of technology-based businesses and jobs by capitalizing on the State of Michigan’s growing base of high technology industry, its skilled labor force, its nationally recognized university system, its SmartZones, and its business incubators. For the 2015 fiscal year, the business incubators reported the following results occurred as a result of their activities: 362 companies created (149 companies created in 2014), 15,964 companies served (5369 in 2014), 2500 jobs created (709 in 2014), and \$672 million investment (\$438 million in 2014). These results reflect levels improved over 2013 and 2014 results. The Michigan Economic Development Corporation (“MEDC”) provides administrative services for the business incubator grants.

On December 15th, 2015 the MSF Board approved:

- 1) Allocation of \$800,000 for the program;
- 2) Approval of the RFP
- 3) Appointment of the JEC and
- 4) Approval of the scoring and evaluation criteria

Results

The MEDC received 6 proposals totaling \$1,039,241 in response to the RFP. The JEC reviewed the proposals and decided to fund all proposals that received a consensus score of 70 or higher.

Of the 6 proposals, 5 were recommended for funding totaling \$800,000.

- **Innovate Marquette Enterprise Corporation (\$190,000 over 2 years):** The funding will be used to partially fund the salary and expenses of the CEO who will be serving as the gatekeeper. He will work to attract clients to the new Marquette SmartZone satellite by providing business planning, coaching and access to the State program. He will also assist technology companies with BAF

applications and support of BAF activities, assistance with client Pre-Seed applications and support of PreSeed activities and other similar activities. The matching funds will be provided by Innovate Marquette Enterprise Corporation.

- **Lakeshore Advantage (\$151,600 over 2 years):** The funding will be used to cover the salary and expenses of the gatekeeper. The gatekeeper will be responsible for working with technology based companies located in the new Holland SmartZone satellite. The gatekeeper will work with technology based companies navigate the entrepreneurial ecosystem in the state including assisting with BAF and PreSeed applications. Lakeshore Advantage will be provide matching funds.
- **Lenawee Now (\$190,000 over 2 years):** This funding will be used to cover the salary and expenses of a new staff member who will be responsible for gatekeeping activities. The gatekeeper will be responsible for working with technology based companies in the new Adrian/Tecumseh SmartZone satellite. The gatekeeper will provide various services including assisting companies navigate MSF funded programs such as BAF and PreSeed. Matching funds will be available from multiple organizations as both in-kind and cash matches.
- **Michigan Tech Enterprise Corporation (\$180,759 over 2 years):** This funding will be used to partially fund the CEO to conduct gatekeeping activities including identifying and attracting clients and helping them navigate through the entrepreneurial ecosystem and supporting BAF and PreSeed applications. The gatekeeper will conduct these activities from the MTEC SmartZone business incubator/accelerator office locations headquartered in Hancock and Houghton, Michigan. Over the last 4 years MTEC has helped start 103 companies, create 197 jobs and raise over \$54 million in follow on funding. MTEC will be providing the matching fund in the form of cash and in-kind services.
- **Lake Superior State University (\$87,641 over 2 years):** This funding will be used to fund the salary of the CEO of the Sault Ste Marie SmartZone as the gatekeeper. He will be responsible with helping technology based companies in the area access the state run programs such as the BAF and the Pre-seed fund. The gatekeeper has been successful in the past in helping 12 client companies from the SmartZone area receive BAF services in the amount of \$89,489. Matching funds will be provided by Lake Superior State University as a cash contribution.

Recommendation

MEDC staff, based on the recommendation of the Joint Evaluation Committee, requests that the MSF Board approve the following awards:

\$190,000	- Innovate Marquette Enterprise Corporation
\$151,600	- Lakeshore Advantage
\$190,000	- Lenawee Now
\$180,759	- Michigan Tech Enterprise Corporation
\$87,641	- Lake Superior State University

\$800,000 - Total

MEDC staff also recommends that the MSF Board delegate authority to the MSF Fund Manager, with the assistance of MEDC staff, to negotiate and execute the final terms and conditions and all necessary agreements with awardees.

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

Organization	Score	Requested Amount	Recommended Award	Explanation for Reduced Amount
Innovate Marquette Enterprise Corporation	80	\$200,000	\$190,000	Availability of funds
Lake Shore Advantage	79.625	\$151,600	\$151,600	
Lenawee Now	75.25	\$200,000	\$190,000	Availability of funds
Michigan Tech Enterprise Corporation	75	\$200,000	\$180,759	Availability of funds
Lake Superior State	73	\$87,641	\$87,641	
Oakland University Incubator	65.75	\$200,000	0	

**MICHIGAN STRATEGIC FUND
RESOLUTION**

2016-

BUSINESS INCUBATORS AWARDS RESOLUTION

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

WHEREAS, MCL 125.2088k authorized the Michigan Strategic Fund (“MSF”) Board 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, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF for the 21st Century Jobs Trust Fund initiative;

WHEREAS, MCL 125.2088k requires that the MSF Board establish a competitive process to award grants and make loans for competitive edge technologies;

WHEREAS, on December 15, 2015, the MSF Board issued a request for proposals for the purpose of awarding grants to business incubators to stimulate the creation and continued growth of technology-based businesses and jobs (the “Business Incubators RFP”), appointed a joint evaluation committee (“JEC”) to review proposals received in response to the Business Incubators RFP, and approved scoring and evaluation criteria for use by the JEC in evaluating proposals;

WHEREAS, six proposals were received in response to the Business Incubator RFP;

WHEREAS, the JEC has evaluated all proposals in accordance with the requirements of the Business Incubators RFP and the scoring and evaluation criteria adopted by the MSF Board on December 15, 2015;

WHEREAS, the JEC determined that five proposals satisfied the requirements of the Business Incubators RFP and earned sufficient scores under the scoring and evaluation criteria adopted by the MSF Board; and

WHEREAS, the JEC recommends that the MSF Board approve awards as described in Exhibit A to this resolution (the “Business Incubator Awards”).

NOW, THEREFORE, BE IT RESOLVED, that the MSF approves the Business Incubator Awards;

BE IT FURTHER RESOLVED, the MSF Board may, at its sole discretion, extend the grant periods of the Business Incubator Awards for up to an additional three years and may increase the amount of the Business Incubator Awards, subject to available funding; and

BE IT FURTHER RESOLVED, that MSF Fund Manager is authorized to negotiate the final terms and conditions of the Business Incubator Awards and to execute all documents necessary to effectuate the Business Incubator Awards.

Ayes:

Nays:

Recused:

Lansing, Michigan
April 26, 2016

Exhibit A

Organization	Score	Award Amount	Grant Term
Innovate Marquette Enterprise Corporation	80	\$190,000	5/1/16-4/30/18
Lake Shore Advantage	79.625	\$151,600	5/1/16-4/30/18
Lenawee Now	75.25	\$190,000	5/1/16-4/30/18
Michigan Tech Enterprise Corporation	75	\$180,759	5/1/16-4/30/18
Lake Superior State University	73	\$87,641	5/1/16-4/30/18

MEMORANDUM

Date: April 26, 2015
To: Mark Morante, MSF Fund Manager
From: Fred Molnar, Vice President, Entrepreneurship and Innovation
Subject: Automation Alley Business Incubator 2015 Grant Amendment Two to PO 085P5500665

ACTION

MEDC Staff recommends that the MSF Board approves an extension to Automation Alley Business Incubator Grant 2015 and allocation of additional funding in the amount of \$500,000, to be used to sustain and enhance the existing economic environment and implement components of its regional incubator program.

BACKGROUND

Under the authorities created by the Michigan Strategic Fund Act (“Act”), MCL 125.2088k, and transferred to the Michigan Strategic Fund (“MSF”) by Executive Order 2010-8, the MSF is charged with awarding 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 14, 2015 the MSF approved a grant in the amount of \$500,000 to support the launch and scale of the Automation Alley’s 7Cs program. Automation Alley’s 7Cs program is aimed at accelerating the growth of small businesses and startups across Southeast Michigan, with a specific emphasis on advanced manufacturing startups. Entrepreneurs are guided through a customized seven-step process that starts with the conception of their technology and leads to commercialization.

The original term of this grant began on January 1, 2015 and is scheduled to end on April 30, 2016. Automation Alley seeks approval to 1) extend this agreement through March 31, 2017 and 2) add funding in the amount of \$500,000 to operate the 2nd year of the program and to accomplish milestones and metrics outlined below.

- Companies created*: 3/year
- Companies served: 10/year
- Jobs created: 20/year
- Follow-on funding (investment/revenue) earned by entrepreneurial clients: \$2 million/year

** Because the Automation Alley 7Cs program targets companies that have advanced beyond the idea stage, supplemental entrepreneurial services will be the key driver for this metric.*

RESULTS

Since the beginning of the program in January 2015, Automation Alley has delivered on the following metrics (as of 4/1/16):

- 3 companies created; total target – 3
- 15 companies served. Total target – 10
- 17 new jobs created. Total target – 20
- \$6,702,821 in follow-on funding. Total target - \$2,000,000

Since beginning the program in January 2015, demand for Automation Alley's 7Cs program has outstripped capacity. As of March 25th, over one hundred and twenty-five qualified companies have been screened for entry into the program. These qualified applicants include only those that are beyond the idea stage (ready, willing and able to accelerate), value expert guidance, agree to commit 4-6 hours per week, include at least two members and can commercialize within 12 to 24 months.

Although Automation Alley's programs are primarily designed to accelerate the growth of emerging advanced technology and manufacturing firms, the program has found success with three newly created companies.

At the outset of the 7Cs program, Automation Alley's goal was to serve 10 companies. In just over one year, Automation Alley has managed to serve 15 companies. Many of these companies have found success after having worked with other local SmartZone partners. In some cases, 7Cs client companies maintain relationships with their 'home' incubator or accelerator while working through the 7Cs program. In this way, we've found that the program can be very collaborative.

Automation Alley is quickly closing in on its goal of helping 7Cs companies create 20 jobs. To date, 17 jobs have been created by the small businesses participating in the program.

When the 7Cs program began, our goal was to achieve \$2,000,000 in follow on capital for companies served. Automation Alley has more than tripled that goal, assisting its clients in securing over \$6,702,821.

Automation Alley's 7Cs program is helping companies from all corners of our region realize their potential as they build strong, sustainable companies that are vital to our local economy. Today, once-struggling companies are generating revenue with household names like Subaru, BMW, Ford and Schlage to name a few.

RECOMMENDATION

MEDC Staff recommends the MSF Board approves to 1) extend this agreement through March 31, 2017 and 2) add funding in the amount of \$500,000. The grant would be administered under an amended grant agreement with Automation Alley.

**MICHIGAN STRATEGIC FUND
RESOLUTION**

2016-

**AUTOMATION ALLEY
BUSINESS INCUBATOR GRANT AMENDMENT #2**

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

WHEREAS, MCL 125.2088k authorizes the Michigan Strategic Fund (“MSF”) to 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, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF;

WHEREAS, MCL 125.2088k requires that the MSF Board establish a competitive process to award grants and make loans for competitive edge technologies;

WHEREAS, on November 25, 2014, the MSF issued a request for proposals to award grants to business incubators to stimulate the creation and continued growth of technology-based businesses and jobs (the “Business Incubators RFP”); and

WHEREAS, on February 24, 2015, Automation Alley received a business incubator grant in the amount of \$500,000 for a term of January 1, 2015 to October 31, 2015, with the option to extend for up to an additional three years and to allocate additional funds (the “Automation Alley Grant”);

WHEREAS, pursuant to Section 125.2088k-4 of the Michigan Strategic Fund Compiled Resolutions, the MSF Fund Manager authorized a no-cost extension of the Automation Alley Grant to April 30, 2016 (“Automation Alley Grant Amendment #1”);

WHEREAS, the MEDC recommends that the MSF exercise its second option to extend the for an additional one year term ending March 31, 2017 and allocate \$500,000 in additional funding for the Automation Alley Grant (the “Automation Alley Grant Amendment #2”); and

WHEREAS, the MSF wishes to approve the Automation Alley Grant Amendment #2.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the Automation Alley Grant Amendment #2; and

BE IT FURTHER RESOLVED, that MSF Fund Manager is authorized to negotiate final terms and conditions of the Automation Alley Grant Amendment #2 and to execute all documents necessary to effectuate the Automation Alley Grant Amendment #2.

Ayes:

Nays:

Recused:

Lansing, Michigan
April 26, 2016

MEMORANDUM

Date: April 26, 2016

To: Michigan Strategic Fund

From: Fred Molnar, Vice President, Entrepreneurial Services

Subject: Support for Michigan's Innovation to Manufacturing Statewide Program

Action

The MEDC requests that the MSF Board approve support for Michigan's Innovation to Manufacturing Statewide Program Request for Proposals ("RFP") for an initial period of 6 months with initial funding from the FY 2016 appropriation from the 21st Century Jobs Fund in the amount of \$400,000. The purpose of the Innovation to Manufacturing Statewide Program RFP is to award a grant to a non-profit organization for the implementation of a statewide program:

1. To provide community based services that support and guide any and all inventors, innovators, entrepreneurs and start-ups through the process of product development and market assessment for manufactured goods.
2. To enhance the experiential education of Michigan students by providing real world experiences as they help inventors and entrepreneurs bring manufactured products from concept to market.
3. To increase manufacturing opportunities in Michigan by validating the commercialization and manufacture-ability of new products that can be produced by Michigan manufacturing companies and existing supply chains while fostering the creation of new companies, expansion of existing companies and creation of new jobs in the state.

The MEDC anticipates the following proposed timeline for the execution of this RFP:

- Issue RFP to the Public: April 26, 2016
- Applications Deadline: May 6, 2016

Background

Section 88b(2)(c) of the MSF Act (the "Act") provides that money transferred or appropriated to the MSF may be expended for programs or activities under any chapter of the Act. According to Section 2 of the Act, the purpose of the MSF is to, among other things, help diversify the economy of the State of Michigan, to assist business enterprise in obtaining additional sources of financing to aid the State in achieving the goal of long-term economic growth and full employment, to meet the growing competition for business enterprises, to preserve existing jobs, to create new jobs, to reduce the cost of business and production.

Michigan's inventors, innovators and entrepreneurs have a great number of new product ideas from all across the state, however many lack the experience or ability to validate the market and commercialize their ideas in a

timely and cost effective manner. Advances in engineering and the lean start-up model now allow hardware products to be developed in short run manufactured lots focused on niche markets.

There is an opportunity to create a statewide system of lean product development under central leadership with multiple locations (community branches, nodes) across the state of Michigan, managed by professionals and staffed by students from the local community's institutions of higher education.

This capability dramatically increases the opportunity for individuals in Michigan to participate in economic value creation utilizing existing statewide manufacturing capabilities and other entrepreneurial resources, while at the same time providing workforce development and "real world" training for Michigan's student population.

Recommendation

MEDC Staff recommends that the MSF Board approve the following actions:

- 1) Allocation of the FY 2016 appropriation from the 21st Century Jobs Fund in the amount of \$400,000 for initial funding;
- 2) Approval of the RFP attached as Exhibit A to the resolution;
- 3) Approval of the scoring and evaluation criteria attached as Exhibit B;
- 4) Authorize the MSF Fund Manager to appoint a Joint Evaluation Committee ("JEC") to review proposals received in response to this RFP.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2016-**

**APPROVAL OF MICHIGAN INNOVATION TO MANUFACTURING
REQUEST FOR PROPOSALS**

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

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

WHEREAS, pursuant to Section 88b(2)(c) of the MSF Act (the “Act”) funds appropriated to the MSF for purposes of carrying out the Act shall be expended or invested for activities authorized under the 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 Section 7(c) of the Act, the MSF has, among other things, the power to make grants;

WHEREAS, Section 2 of the Act provides that the purpose of the MSF is to, among other things, help diversify the economy of the State of Michigan, to assist business enterprise in obtaining additional sources of financing to aid the State in achieving the goal of long-term economic growth and full employment, to meet the growing competition for business enterprises, to preserve existing jobs, to create new jobs, to reduce the cost of business and production;

WHEREAS, the MSF has reviewed a request for proposals that establishes a competitive process for awarding grants to Michigan non-profit institutions for the purpose of providing community based services that support and guide any and all inventors, innovators, entrepreneurs and start-ups through the process of product development and market assessment for manufactured goods, enhance the experiential education of Michigan students by providing real world experiences as they help inventors and entrepreneurs bring manufactured products from concept to market, and increase manufacturing opportunities in Michigan by validating the commercialization and manufacture-ability of new products that can be produced by Michigan manufacturing companies and existing supply chains while fostering the creation of new companies, expansion of existing companies and creation of new jobs in the State of Michigan (the “Innovation to Manufacturing RFP”). A copy of the Innovation to Manufacturing RFP is attached to this Resolution as Exhibit A;

WHEREAS, the MSF has reviewed scoring and evaluation criteria to be used in evaluating proposals received in response to the Innovation to Manufacturing RFP (the “Innovation to Manufacturing RFP Scoring Criteria”). A copy of the Innovation to Manufacturing Scoring Criteria is attached to this Resolution as Exhibit B;

WHEREAS, the MEDC recommends that the MSF Board 1) authorize the issuance of the attached Innovation to Manufacturing RFP; 2) adopt the attached Innovation to Manufacturing Scoring Criteria; 3) authorize the MSF Fund Manager to appoint a Joint Evaluation Committee (“JEC”) to evaluate proposals received in response to the Innovation to Manufacturing RFP; and 4) allocate of \$400,000 in initial funding for the Innovation to Manufacturing RFP (collectively, the “Request”); and

WHEREAS, the MSF Board wishes to approve the Request.

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

BE IT FURTHER RESOLVED, the MSF Fund Manager is authorized to make revisions to the Innovation to Manufacturing RFP, provided those revisions are not materially adverse to the interests of the MSF.

Ayes:

Nays:

Recused:

Lansing, Michigan
April 26, 2016

REQUEST FOR PROPOSALS

Michigan Strategic Fund

Michigan's Innovation to Manufacturing Statewide Program

RFP-CASE- [REDACTED]

REMINDER

Please check your proposal to make sure you have included all of the specifications and required documents listed in the Request for Proposals. Please email one document that includes contact page, check list page and proposal.

APPLICANTS ARE RESPONSIBLE FOR ASSURING THAT THE FOLLOWING IDENTIFYING INFORMATION APPEARS IN THE SUBJECT LINE OF YOUR EMAIL: “RFP-CASE- ” with Company Name.

The MSF will not respond to telephone inquiries, or visitation by Applicants or their representatives. APPLICANTS OR ANY OF THEIR AUTHORIZED REPRESENTATIVES MAY NOT INITIATE CONTACT WITH MEDC OR MSF STAFF OR ANY MEMBER OF THE APPOINTED JOINT EVALUATION COMMITTEE (JEC), OTHER THAN THE CONTACT LISTED BELOW, FOR ANY REASON DURING THE RFP OR PROPOSAL EVALUATION PROCESS. Applicant’s sole point of contact concerning the RFP is below and any communication outside of this process may result in disqualification.

Contracts and Grants
Michigan Strategic Fund
300 North Washington Square, 3rd Floor
Lansing, Michigan 48913
contractsandgrants@michigan.org

IMPORTANT DUE DATES

- **May 6, 2016, at 3:00 p.m.:** Electronic versions of your Proposal due to the MSF via email to contractsandgrants@michigan.org. **Proposals will not be accepted via U.S. mail or any other delivery method.**

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REQUEST FOR PROPOSAL
Michigan's Innovation to Manufacturing Statewide Program
RFP-CASE-

This Request for Proposals (“RFP”) is issued by the Michigan Strategic Fund (the “MSF”), Contracts and Grants Unit (“C&G”). The Michigan Economic Development Corporation (the “MEDC”) provides administrative services associated with the programs and activities of the Michigan Strategic Fund Act on behalf of the MSF. C&G is the sole point of contact with regard to all application and contractual matters relating to the services described in this RFP. C&G is the only office authorized to change, modify, amend, alter, clarify, etc. the specifications, terms and conditions of this RFP and any contract(s) awarded as a result of this RFP (the “Contract”). Contracts and Grants will remain the SOLE POINT OF CONTACT throughout the application process. ***The MSF will not respond to telephone inquiries, or visitation by Bidders or their representatives. Applicants sole point of contact concerning the RFP is below and any communication outside of this process may result in disqualification.***

Contracts and Grants
Michigan Strategic Fund
300 North Washington Square
Lansing, Michigan 48913
contractsandgrants@michigan.org

SECTION I
WORK STATEMENT

A) PURPOSE

Section 88b(2)(c) of the MSF Act (the “Act”) provides that money transferred or appropriated to the MSF may be expended for programs or activities under any chapter of the Act. According to Section 2 of the Act, the purpose of the MSF is to, among other things, help diversify the economy of the State of Michigan, to assist business enterprise in obtaining additional sources of financing to aid the State in achieving the goal of long-term economic growth and full employment, to meet the growing competition for business enterprises, to preserve existing jobs, to create new jobs, to reduce the cost of business and production.

In furtherance of the objectives of the Act and through this Innovation to Manufacturing Statewide Program Request for Proposal (the “RFP”), the MSF Board desires to make one award of up to \$400,000 to an Applicant to provide the following services and activities in the State of Michigan:

- Provide community based services that support and guide any and all inventors, innovators, entrepreneurs and start-ups through the process of product development and market assessment for manufactured goods.
- Enhance the experiential education of Michigan students by providing real world experiences as they help inventors and entrepreneurs bring manufactured products from concept to market.
- Increase manufacturing opportunities in Michigan by validating the commercialization and manufacture-ability of new products that can be produced by Michigan manufacturing companies

and existing supply chains while fostering the creation of new companies, expansion of existing companies and creation of new jobs in the state.

B) BACKGROUND STATEMENT AND OBJECTIVES

Michigan's inventors, innovators and entrepreneurs have a great number of new product ideas from all across the state, however many lack the experience or ability to validate the market and commercialize their ideas in a timely and cost effective manner.

Advances in engineering and the lean start-up model now allow products to be developed in short run manufactured lots focused on niche markets. There is an opportunity to create a statewide system of lean product development under central leadership with multiple locations (community branches, nodes) across the state of Michigan, managed by professionals and staffed by students from the local community's institutions of higher education.

This capability dramatically increase the opportunity for individuals in our state to participate in economic value creation utilizing existing statewide manufacturing capabilities and other entrepreneurial resources, while at the same time providing workforce development and "real world" training for Michigan's student population.

C) QUALIFICATIONS, ELIGIBILITY AND AWARD INFORMATION

The intent of the proposals should be for the Applicant organization to provide community based services to all inventors, innovators, entrepreneurs and start-ups through the process of product development and market assessment for manufactured goods. The companies assisted through this process do not receive funds but rather the services.

Technology Sectors - Proposals submitted MUST be to foster the growth of Michigan's technology based economy by supporting early stage companies and entrepreneurs to create jobs and commercialize product(s) within one or more of the competitive edge technology sectors defined in Section 125.2088a of the MSF Act, as amended, , including Advanced Automotive, Manufacturing, Materials, Information, and Agricultural Processing Technology, Alternative Energy, Homeland Security and Defense Technology, Life Sciences and Other Innovative Technologies.

Non-Profit Entities – Only non-profit organizations are eligible to receive funding through this RFP. To be eligible as a non-profit corporation, an applicant must, at the time the award is made, be: (i) a non-profit corporation duly organized under the laws of Michigan; or (ii) a foreign non-profit corporation duly authorized to transact business in Michigan. The principal site for the applicant's project must be a facility located in Michigan. Such a facility must be either: (i) owned or leased by the non-profit organization; or (ii) owned or leased by an organization collaborating on the project. If the principal site is owned or leased by a collaborating organization, the organization must meet the "principal site of the project" requirement for a non-profit corporation, as defined in this section. Eligible non-profit organizations must be authorized to conduct business in the State of Michigan. Universities must be Michigan universities.

Award and Grant Agreement - The successful Applicant will be required to execute a grant agreement with the MSF. The grant agreement will contain provisions required by the State of Michigan and the MSF. The grant agreement will contain a provision that the MSF, the MEDC, the Department of Technology Management and Budget, the Office of the Auditor General, and the Chief Compliance

Officer have access to the books and records, including financial records and all other information and data relevant to the terms of the grant agreement related to the use of the funds.

The grant agreement will contain provisions requiring the successful Applicant to provide periodic reporting to the MSF and MEDC that will include progress against required milestones, expenditure of grant funds, data and information necessary for the MSF to comply with legislative reporting requirements set forth in the MSF Act, and any other information that may be necessary for the MSF and MEDC to review in order to confirm ongoing compliance with the terms of the grant.

The MSF expects to make an initial grant of up to \$400,000 and with an initial term of up to one year, with the option to allocate additional funds and extend the term for up to an additional three one year terms for the continuation of grant activities.

SECTION II PROPOSAL FORMAT

To be considered, each Applicant must submit a COMPLETE proposal in response to this RFP using the format specified. APPLICANTS MUST NOT COMMUNICATE REGARDING THIS RFP WITH MEDC PERSONNEL OR JEC MEMBERS DURING THE ENTIRE PROCESS THROUGH THE APPROVAL OF THE MSF BOARD FINAL APPROVAL. Applicants proposal must be submitted in the format outlined below. There should be no attachments, enclosures, or exhibits other than those required in the RFP or considered by the Applicant to be essential to a complete understanding of the proposal. Each section of the proposal should be clearly identified with appropriate headings:

A) COMPLETE PROPOSAL

- 1) Contact Page – State the Organization’s full name, address, and phone and facsimile number. Also included should be contact information, including phone number, email, cell phone number, and fax numbers, as well as, signature of the authorized signor of the applicant organization.
- 2) Check List Page – Include a checklist of the required sections of the proposal, as listed in this Section II-A) 3 a-h and an indication that the section is included in the proposal. And include as indicated in Section III.O. below the following: “Applicant certifies that it is not an Iran-linked business as defined in MCL 129.312.” Applicant should provide Conflict of Issues information if applicable, see IIIF.
- 3) Proposal (**up to 10 pages**) – Provide a proposal and include the required elements a-h, as described here. **In the Proposal clearly identify the following sections as headers.**

a) Eligibility

The Applicant must clearly identify how they are eligible to apply and fulfill all criteria identified in Section I.C. above

b) Executive Summary

The Executive Summary should summarize the information provided in response to paragraphs (a) above and (c) through (h) below. And specifically indicate:

- **THE NAME OF THE APPLICANT ORGANIZATION**
- **THE ELIGIBILITY CRITERIA (See Section I.C. above)**
- **THE AMOUNT OF FUNDS REQUESTED**
- **THE AMOUNT OF MATCHING FUNDS, if available**
- **THE TERM (up to 3 years)**
- **THE PURPOSE OF THE FUNDING**
- **TARGETED NUMBERS FOR:**
 - **Companies Created**
 - **Jobs Created**
 - **Increase Investment/Revenue**

The Applicant must demonstrate a plan to achieve a centrally managed, multi-location, product development platform that helps inventors, entrepreneurs and innovators bring product ideas from concept to market, while providing experiential educational opportunities for Michigan students which fosters:

- Manufacturing output
- New job creation
- Idea flow
- Product validation
- New company creation
- New products to market
- Student Experiences

c) Purpose of Funds

The Applicant must clearly indicate whether the organization is a non-profit corporation. The Applicant must clearly describe how the proposed use of funds will foster the growth of Michigan’s technology based economy and clearly identify the specific competitive edge technology sectors that the Applicant will serve.

d) Past Experience

The Applicant should indicate past experience providing community based services that support and guide any and all inventors, innovators, entrepreneurs and start-ups through the process of product development and market assessment for manufactured goods.

e) Team

Summarize key personnel, their time commitment to the project, their specific responsibilities, and their value. Identify collaborative partners, their responsibilities, and value.

f) Milestones/Deliverables

Identify semi-annual milestones/deliverables that the Applicant will commit to as a result of providing the proposed services. If Applicant is awarded funding, Progress Reports are due April 15 and October 15 every year throughout the award, therefore provide milestones/deliverables that will be completed in April and October over the course of the proposal. Include a “targeted metrics” milestone for each reporting period. For this milestone, the applicant should indicate a targeted number for each of the following metrics: companies created, jobs created, and follow on funding. Identify how milestone completion will result in specific Economic Impact identified in (h).

Additionally, Applicants selected for funding will be required to submit monthly performance metrics to measure the effectiveness of the program; these metrics include, but are not limited to: dollars leveraged, new companies created, companies expanded, companies served, jobs created, jobs retained, new sales, and funding obtained by client companies, including amount and source of such funding (sources including state funds, federal funds, venture capital, angel funds, bank/loan, owner investment, other), as well as the names and amounts of companies funded by the program.

g) Budget Request

Attach a schedule of all expenses covering each of the services and activities identified in your proposal. Specifically identify THE AMOUNT OF FUNDS REQUESTED, the TERM REQUESTED, PUBLIC AND/OR PRIVATE LEVERAGED FUNDS (identify the 1:1 match, if available), and what the Applicant proposes to do with FUNDS APPLIED THROUGH THIS RFP and the TIMING OF THE FUNDS. Progress Reports are due in April and October so proposals should include 6-month budgets of relevant line items that align with these dates.

Include the budget in a table format with column headings. Preference is that this funding should not overlap other MSF Board approved funding, and this grant starts at the end of existing grant.

h) Economic Impact

Identify the targeted number of companies created, jobs created, and follow on funding or increases in investment/revenue resulting from the services. Include justification and assumptions related to these expectations. You will be held responsible for delivering these specific numbers in your semi-annual Progress Reports and targeted numbers must be achieved to receive disbursements of grant funding. Explain how you define success and will deliver a successful program. Identify how you will make an economic development impact.

- 4) Disbursement of grant funds will be made upon successful completion of milestones including (completion of targeted metrics) and spending according to the proposed budget.

B) PROPOSAL SUBMITTAL

Submit separately marked electronic versions of each of your Technical and Price proposals to the MSF via email to contractsandgrants@michigan.org not later than **3:00 p.m. on May 6, 2016**. The MSF has no obligation to consider any proposal that is not timely received. **Proposals will not be accepted via U.S. mail or any other delivery method.**

APPLICANTS ARE RESPONSIBLE FOR ASSURING THAT THE FOLLOWING IDENTIFYING INFORMATION APPEARS IN THE SUBJECT LINE OF YOUR EMAIL: "RFP-CASE- with Applicant Name.

**SECTION III
RFP PROCESS AND TERMS AND CONDITIONS**

A) PRE-BID MEETING/QUESTIONS

There will be no pre-bid meeting or question and answer session for this RFP.

B) PROPOSALS

To be considered, Applicants must submit a complete response to this RFP, using the format provided in Section II of this RFP, by **3:00 p.m. on May 6, 2016**. No other distribution of proposals is to be made by the Applicant. Applicant is responsible for ensuring that the proposal is submitted to the proper email address.

C) ECONOMY OF PREPARATION

Each proposal should be prepared simply and economically, providing a straightforward, concise description of the Applicants ability to meet the requirements of the RFP. Emphasis should be on completeness and clarity of content.

D) SELECTION CRITERIA

Responses to this RFP will be evaluated based upon a two-step selection process. The proposal must address the requirements described in Section II of this RFP.

The first step is an evaluation of which proposals satisfactorily meet the requirements of this RFP as stated in Section II. Incomplete proposals will not be accepted or reviewed.

1) Step I – Initial evaluation for compliance

a) *Proposal Content* – Contracts and Grants will screen the proposals for technical compliance to include but not limited to:

- Timely submission of the proposal
- Eligibility
- Executive Summary
- Purpose
- Past Experience
- Team
- Milestones/deliverables
- Budget
- Economic Impact – expected number of businesses created/expanded, jobs created, and private investment leveraged.
- Proposal signed physically or electronically by an official of the Applicant authorized to bind the Applicant to its provisions.
- Proposals satisfy the form and content requirements of this RFP.

2) Step II – Criteria for Satisfactory Technical Proposals

- a.) During the second step of the selection process, proposals will be considered by a Joint Evaluation Committee (“JEC”) comprised of individuals selected by the MSF. Only those proposals that satisfy the requirements described in this RFP, as determined in the sole discretion of the JEC, will be considered for evaluation in Step II. The JEC reserves the right to request additional information from any Applicant.
- b.) Purpose, Economic Impact and Competence of Personnel – The proposal should indicate the ability of the Applicant to meet the eligibility and requirements of this RFP and achieve the economic impact. The proposal should indicate the competence of the personnel whom the Applicant intends to assign to the project, including education and experience.

Criteria	Points
Eligibility	Y/N
Executive Summary	5
Purpose	10
Past Experience	20
Team	15
Milestones/Deliverables	20
Budget	10
Economic Impact	20
Total Score	100

- c.) During the JEC’s review, Applicants may be required to make oral presentations of their proposals to the JEC. These presentations provide an opportunity for the Applicants to clarify the proposals. The MEDC will schedule these presentations, if required by the JEC. Only those Applicants that score 70 points or higher on the written review will be invited for an oral presentation if the JEC determines that an oral presentation is necessary.

E) TAXES

The MSF may refuse to award a contract to any Applicant who has failed to pay any applicable taxes or if the Applicant has an outstanding debt to the State or the MSF.

Except as otherwise disclosed in an exhibit to the Proposal, Applicant certifies that all applicable taxes are paid as of the date the Applicant’s Proposal was submitted to the MSF and the Applicant owes no outstanding debt to the State or the MSF.

F) CONFLICT OF INTEREST

The Applicant must disclose, in an exhibit to the proposal, any possible conflicts of interest that may result from the award of the Contract or the services provided under the Contract.

Except as otherwise disclosed in the proposal, the Applicant affirms that to the best of its knowledge there exists no actual or potential conflict between the Applicant, the Applicant’s project manager(s) or its family’s business or financial interests (“Interests”) and the services provided under the Contract. In the event of any change in either Interests or the services provided under the Contract, the Applicant will inform the MSF regarding possible conflicts of interest which may arise as a result of such change and agrees that all conflicts shall be resolved to the MSF’s satisfaction or the Applicant may be disqualified from consideration under this RFP. As used in this Section, “conflict of interest” shall include, but not be limited to, the following:

1. Giving or offering a gratuity, kickback, money, gift, or any thing of value to a MSF official, officer, or employee with the intent of receiving a contract from the MSF or favorable treatment under a contract;
2. Having or acquiring at any point during the RFP process or during the term of the Contract, any contractual, financial, business or other interest, direct or indirect, that would conflict in any manner or degree with Applicant's performance of its duties and responsibilities to the MSF under the Contract or otherwise create the appearance of impropriety with respect to the award or performance of the Contract; or
3. Currently in possession of or accepting during the RFP process or the term of the Contract anything of value based on an understanding that the actions of the Applicant or its affiliates or Interests on behalf of the MSF will be influenced.

G) BREACH OF CONTRACT

Except as otherwise disclosed in an exhibit to Applicant's proposal, Applicant is not in material default or breach of any contract or agreement that it may have with the State of Michigan or any of its departments, commissions, boards or agencies, or any other public body in the State of Michigan. Further, Applicant represents and warrants that it has not been a party to any contract with the State or any public body that was terminated within the previous five (5) years because the Applicant failed to perform or otherwise breached an obligation of such contract.

H) FALSE INFORMATION

If the MSF determines that an Applicant purposefully or willfully submitted false information in response to this RFP, the Applicant will not be considered for an award and any resulting Contract that may have been executed may be terminated.

I) DISCLOSURE

All Applicants should be aware that proposals submitted to the MSF in response to this RFP may be subject to disclosure under the provisions of Public Act 442 of 1976, as amended, known as the Freedom of Information Act ("FOIA"). Accordingly, confidential information should be excluded from Applicants proposals. Applicants, however, are encouraged to provide sufficient information to enable the MSF to determine the Applicants qualifications and to understand or identify areas where confidential information exists and could be provided. The FOIA also provides for the complete disclosure of the Contract and any attachments or exhibits thereto.

J) CLARIFICATION/CHANGES IN THE RFP

Any change or update to the acceptance of proposals will be posted on the MEDC website. Such postings shall constitute constructive notice to the general public and to all Applicants of any modifications or alterations of the deadline for proposals. Therefore, Applicants are strongly encouraged to continuously check the MEDC website at: www.michiganbusiness.org/public-notice-rfps/.

Neither the MSF nor the MEDC will directly notify Applicants of any changes to the RFP.

K) ELECTRONIC RECEIPT OF PROPOSALS

AN ELECTRONIC VERSION OF YOUR PROPOSAL MUST BE RECEIVED AND TIME-STAMPED BY THE MSF TO contractsandgrants@michigan.org, ON OR BEFORE **3:00 p.m. on May 6, 2016**. Applicants are responsible for timely submission of their proposal. THE MSF HAS NO OBLIGATION TO CONSIDER ANY PROPOSAL THAT IS NOT RECEIVED BY THE APPOINTED TIME.

L) RESERVATION OF MSF DISCRETION

Notwithstanding any other statement in this RFP, the MSF reserves the right to:

- 1) reject any and all proposals;
- 2) waive any errors or irregularities in the bidding process or in any proposal;
- 3) reissue the project;
- 4) negotiate with any Applicant for a different award amount
- 5) reduce or expand the scope of the project, and reissue the RFP or negotiate with any Applicant regarding the revised project; or
- 6) extend the term of the project and add additional funding as necessary or appropriate; or
- 7) defer or abandon the project.

Decisions by the MSF are final and not subject to appeal.

Any attempt by an applicant, collaborating entity, or other party of interest to the project to influence the awards process, to appeal, and/or take any action, including, but not limited to, legal action, regarding the proposal or awards process in general may result in the applicant's disqualification and elimination from the award process.

M) JURISDICTION

In the event that there are conflicts concerning this RFP that proceed to court, jurisdiction will be in a Michigan court of law. Nothing in this RFP shall be construed to limit the rights and remedies of the MSF that are otherwise available.

N) ADDITIONAL CERTIFICATION

Pursuant to Public Act 517 of 2012, an Iran linked business is not eligible to submit a bid on a request for proposal, with a public entity.

Applicants must include the following certification in the technical proposal:

“Applicant certifies that it is not an Iran-linked business as defined in MCL 129.312.”

Failure to submit this certification will result in disqualification from consideration.

Proposal Evaluation Form
Michigan's Innovation to Manufacturing Statewide Program

Name of Applicant: _____

Name of Reviewer: _____

Criteria	Reviewer's Comments	Points
Eligibility: <ul style="list-style-type: none"> ○ Non-profit, proposing a statewide plan. 		Y/N
Executive Summary: Overview <ul style="list-style-type: none"> • NAME OF THE APPLICANT ORGANIZATION • ELIGIBILITY CRITERIA • AMOUNT OF FUNDS REQUESTED • AMOUNT OF MATCHING FUNDS • TERM • PURPOSE • The TARGETED NUMBERS FOR: <ul style="list-style-type: none"> ○ Companies Created ○ Jobs Created ○ Increase Investment/Revenue 		Max. Possible Points: 5 Score: _____
Purpose: <ul style="list-style-type: none"> • The Applicant must clearly indicate that the organization is a non-profit • The Applicant must clearly describe how the proposed use of funds will: <ul style="list-style-type: none"> ○ To provide community based services that support and guide any and all inventors, innovators, and entrepreneurs and start-ups through the process of product development and market assessment for manufactured goods. ○ To enhance the experiential education of Michigan students by providing real world experiences as they help inventors and entrepreneurs bring manufactured products from concept to market. ○ To increase manufacturing opportunities in Michigan by validating the commercialization and manufacture-ability of new products that can be produced by Michigan manufacturing companies and existing supply chains while fostering the creation of new companies, expansion of existing companies and creation of new jobs in the state. 		Max. Possible Points: 10 Score: _____
Past Experience: <ul style="list-style-type: none"> • The Applicant should indicate past experience providing community based services that support and guide any and all inventors, innovators, entrepreneurs and startups through the process of product development and market assessment for manufactured goods and specifically discuss how the ELIGIBILITY CRITERIA that the Applicant fulfilled and its success will play a role in this program. 		Max. Possible Points: 20 Score: _____
Team: <ul style="list-style-type: none"> • Identified key players • Identified collaborators 		Max. Possible Points: 15 Score: _____
Milestones/Deliverables: <ul style="list-style-type: none"> • Identified meaningful milestones/deliverables • Achievable and leading to economic impact 		Max. Possible Points: 20 Score: _____
Budget: <ul style="list-style-type: none"> • Identified meaningful budget for proposal • Organization budget clearly indicates need for funding • Demonstrate a plan for matching funds 		Max. Possible Points: 10 Score: _____
Economic Impact: <ul style="list-style-type: none"> • Realistic assumptions and expectations based on industry knowledge and past reported performance • Identified targeted metrics: <ul style="list-style-type: none"> ○ Companies Created ○ Jobs Created ○ Increase Investment/Revenue 		Max. Possible Points: 20 Score: _____

Total Score:		Max. Possible Points: 100 Score: _____
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MEMORANDUM

Date: April 26, 2016

To: Michigan Strategic Fund

From: Denise Graves, University Relations, Entrepreneurship and Innovation

Subject: Support for the Michigan Translational Research and Commercialization (MTRAC) Statewide Program, Related Guidelines and Scoring Criteria

Action

The MEDC requests that the MSF Board approve the establishment of a MTRAC Statewide Program, Program Guidelines and Scoring Criteria, as attached. The MEDC also requests the allocation of \$3,500,000 from the 21st Century Jobs Fund Entrepreneurship and Innovation 2016 budget as initial funding for this statewide program.

Establishing this statewide program will allow for greater collaboration with industry partners, research universities, institutions of higher education, research centers and hospital systems across the state as it relates to translating competitive edge technologies and bio economy technologies into commercial applications; thereby increasing the number of startups, jobs, industry licenses and follow-on investment for Michigan.

Background

At its September 27, 2012 meeting, the MSF approved the creation of the MTRAC Program to create Michigan-based start-up companies, facilitate investment to Michigan based start-up companies and to license technology to Michigan companies.

In addition, at its September 27, 2012 meeting the MSF acknowledged its desire to focus a Request for Proposals (RFP) for the MTRAC Program to make awards to non-profit organizations and/or universities to support technology transfer and commercialization activities to the private sector. At its February 13, 2013 meeting, the MSF Board approved awards to 4 Universities for 5 MTRAC Programs for 3 years:

University of Michigan for Life Sciences
University of Michigan for Advanced Transportation
Michigan State University for Ag Bio
Wayne State University for Bio Medical
Michigan Technological University for Advanced Materials

In their most recent progress reports (April 2016) the programs reported the following metrics cumulative to date (2013-2016):

Metrics	3 Year Projections	Actual to Date through 3/31/16
Start-ups	11	13
Jobs Created	38	33
Follow on Funding	\$57M	\$21.4M
Licenses to MI Companies	9	3
Licenses to non-MI Companies	16	4
Proposals Reviewed by Oversight Committee		255
Projects Funded		79
Dollars Matched by Universities		\$5.93M

The current MTRAC program is supported by each university providing a minimum a 1:1 match of funds along with a Commercialization Program Director to manage the program, mentor the projects and interact with the industry and investment led Oversight Committees. The Oversight Committee, tasked with reviewing and scoring proposals, mentoring projects and voting on awards to the projects is comprised of numerous key industry and investment professionals located in Michigan and across the US. A few examples of industry engagement in the program include: Ford, GM, BASF, RPM Ventures, Terumo Cardiovascular, Genzyme Corporation, Arboretum Ventures, Janssen Pharmaceutical, Thermo Fisher Scientific, Pioneer Technologies, Dow Ventures, Flagship Ventures, Plante Moran, Spectrum Health and Dow AgroSciences along with many others.

The MTRAC Statewide Program expands the current MTRAC program and allows for greater collaboration with research universities, institutions of higher education, research centers, and hospital systems with inventions of interest to the private sector. All cutting-edge research projects with a desire to translate the research into the commercial market will now have a pathway to receive targeted funding, industry interaction and project mentoring, all key to commercial success.

Recommendation

MEDC Staff recommends that the MSF Board approve the following:

- 1) Allocation of an initial \$3,500,000 from the 2016 21st Century Jobs Fund for the program;
- 2) Approval of the creation of a statewide MTRAC program;
- 3) Approval of the attached Program Guidelines and Scoring Criteria.

Statewide **MTRAC** Program

EDUCATION – Mentors

INNOVATION HUBS

Bio
Medical

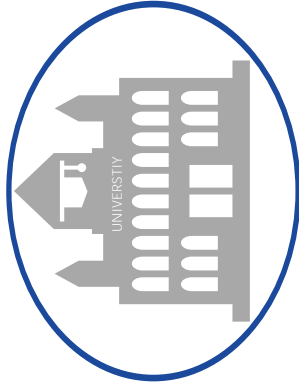
Life
Sciences

Advanced
Transportation

Advanced
Material

Agriculture
Bio

INSTITUTIONS OF
HIGHER EDUCATION



RESEARCH CENTERS



HOSPITAL SYSTEMS



MICHIGAN STRATEGIC FUND

**RESOLUTION
2016-**

**APPROVAL OF MICHIGAN TRANSLATIONAL RESEARCH
AND COMMERCIALIZATION PROGRAM**

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

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

WHEREAS, pursuant to Section 88o 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, the MSF desires to create and operate 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”);

WHEREAS, the MSF has reviewed program guidelines, which include provisions required by Section 88o of the Act and establishes a competitive process for awarding grants to Michigan institutions of higher education (the “MTRAC Program Guidelines”). A copy of the MTRAC Program Guidelines are attached to this Resolution as Exhibit A;

WHEREAS, the MEDC recommends that the MSF Board 1) approve the creation and operation of the MTRAC Program; 2) adopt the MTRAC Program Guidelines attached to this Resolution as Exhibit A; 3) adopt the MTRAC Evaluation Form attached as Exhibit B; and 4) allocate of \$3,500,000 to the MTRAC Program from the FY 2016 appropriation for the Entrepreneurship eco-system (collectively, the “Request”); and

WHEREAS, the MSF Board wishes to approve the Request.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the Request.

Ayes:

Nays:

Recused:

Lansing, Michigan
April 26, 2016

MICHIGAN TRANSLATIONAL RESEARCH AND COMMERCIALIZATION STATEWIDE PROGRAM GUIDELINES

IN GENERAL

- The Michigan Translational Research and Commercialization Statewide Program (the “MTRAC Statewide Program”) is created pursuant to Section 88o of the MSF Act, MCL 125.2088o, to 1) encourage and work with the State of Michigan’s public universities to identify commercial potential in advanced technologies from individual institutions of higher education; 2) facilitate the bundling of inventions from individual institutions of higher education into packages that could be of interest to private sector firms looking for commercialization opportunities; 3) encourage business formation efforts in institution of higher education technology transfer offices to increase the number of institution of higher education related start-up companies; 4) encourage institutions of higher education to provide their faculty with incentives for participating in the technology transfer and commercialization activities; and 5) facilitate the use of applied research expertise within institutions of higher education by qualified businesses.
- In furtherance of these objectives, the Michigan Strategic Fund (“MSF”) wishes to provide grant funding to up to five (5) Innovation Hubs (defined below) to accelerate technology transfer from Michigan’s institutions of higher education, non-profit research centers and hospital systems for commercialization of competitive edge technologies, as defined in Section 88a of the MSF Act, MCL 125.2088a et seq., to the private sector.

ELIGIBILITY REQUIREMENTS OF INNOVATION HUBS

In order to be designated as an Innovation Hub and to receive funding from the MSF under the MTRAC Statewide Program, an applicant must meet all of the following criteria:

- Be a state research university with a designated technology transfer office;
- Can meet or exceed the following metrics at the Innovation Hub or a Subawardee (defined below), or a combination thereof: 1) create a minimum of five (5) jobs; 2) create a minimum of two (2) start-up companies; 3) issue a minimum of three (3) licenses to corporate partners; and 4) obtain a minimum of \$2,000,000 in follow on funding.
- Demonstrated expertise in one of the following five key areas: Bio-Medical Sciences, Life Sciences, Advanced Transportation, Advanced Materials or Agriculture-Biology.
- Demonstrate a 1:1 financial match from the state research university with which the designated technology transfer office is affiliated.
- Maintain an annual Request for Proposals or alternative competitive process in which proposals can be submitted to the Innovation Hub from internal faculty of the state research university with which the Innovation Hub is affiliated, other Innovation Hubs, institutions of higher education, non-profit research centers and hospital systems throughout the State of

Michigan (the “Subawardee(s)”) for funding of Eligible Technology Transfer Activities (defined below).

- Have a Commercialization Program Director (“CPD”) who is responsible for program management, oversight and reporting to ensure program efficiency and future success.
- Have an Oversight Committee comprised of industry experts and investment professionals to review and score proposals, provide commercialization goals and milestones to projects, vote on project awards and mentor projects to completion.
- Demonstrate a commitment from the state research university with which the Innovation Hub is affiliated to support the commercialization of advanced technologies and bio economy technologies on a statewide basis through the collaboration with other Innovation Hubs, industry, institutions of higher education, research centers and hospital systems throughout the State of Michigan.

SUBAWARDEE ELIGIBILITY REQUIREMENTS

In order to apply for project funding from the Innovation Hub, a Subawardee must meet all of the following criteria:

- Be a Michigan institution of higher education, non-profit research center or hospital system.
- Propose a project that encompasses supporting translational research into a commercial market related to competitive edge technologies as defined in Section 88a of the MSF Act, MCL 125.2088a et seq., with the outcome being a new startup company or a license to a corporate partner (“Eligible Technology Transfer Activities”).
- Adhere to the Innovation Hub submission and reporting requirements and timelines.
- Demonstrate a 1:1 financial match in its request for funding to the Innovation Hub.
- Provide a project manager to assist in budget and milestone management.

ADDITIONAL PROGRAM DETAILS

- The MEDC provides administrative services to the MSF for the program, including conducting due diligence and compliance processes, and promoting the collaboration of Innovation Hubs with institutions of higher education, non-profit research centers, and hospital systems.
- The grant to a research university to for an Innovation Hub shall be performance based. The research university managing an Innovation Hub may apply for additional funding every two years, within three months prior to the current grant period end date. A grant award, for the continuation of the Innovation Hub activities, will be based on the Innovation Hub receiving at least an 80% score on the Scoring Criteria Worksheet, successful completion of the

requirements, including but not limited to milestones and budget from a previous award and will include submission of detailed annual program milestones, metrics and budgets.

- The designation as an Innovation Hub and its ability to receive funding from the MSF under the MTRAC Statewide Program is valid for a period not to exceed six (6) years from date of designation. The state research university with which the Innovation Hub is affiliated may reapply to be designated as an Innovation Hub upon expiration of its six (6) year designation.
- All MSF Support will be memorialized in a final written grant with terms and conditions in accordance with these guidelines and otherwise satisfactory to the MSF, including without limitation, requiring performance based milestones which shall govern disbursements; and requiring periodic reporting of data, financial information, and any other information required to facilitate reporting to the MSF Board and the Michigan legislature, including periodic reporting after completion of a project and repayment for misappropriation, event of default, or other actions or activities prohibited under the MSF Act.
- All decisions for MSF Support are subject to approval of the full MSF Board and available funding.

Application Evaluation Form MTRAC Statewide Program – Innovation Hub

Name of Applicant: _____

Name of Reviewer: _____

Criteria	Reviewer's Comments	Points
<p>Executive Summary: Following items are included:</p> <ul style="list-style-type: none"> • Name of the applicant organization • Amount of funds requested • Amount of cash matching funds • Term • Technology and/or market area of focus • The targeted numbers for: <ul style="list-style-type: none"> ○ Companies Created ○ Licenses to Michigan companies ○ Licenses to non-Michigan companies ○ Jobs created ○ Amount of follow-on funding 		
<p>Research Background and Past Experience: Does the description of the proposed technology and/or market area make sense? Does the applicant have the experience to do this? Is the team capable of doing it? Are the policies and processes conducive to commercialization? Please consider the following.</p> <ul style="list-style-type: none"> • The technology and/or market focus and the reasons for why this area has been chosen • The volume of federal, state, and other research funding in the proposed area • The applicant's experience and expertise in technology transfer in the proposed area • Key program personnel and their relevant experience (if available) • Technology transfer leadership and their experience • The applicant institution's leaders and their experience • Policies and processes being conducive to commercialization <ul style="list-style-type: none"> ○ Intellectual Property ○ Tenure promotion ○ Conflict of Interest Policy 		<p>Max. Possible Points: 25</p> <p>Score: _____</p>
<p>The university ecosystem and implementation of the MTRAC program: Do they have a reasonable plan for execution? Do they understand what they need to do to accomplish the goals? Does the applicant have the experience to do this? Please consider the following.</p> <ul style="list-style-type: none"> • Understanding of the MTRAC Process • How the Process will be implemented and how the relevant units (departments, centers and institutes) will be involved • Integration with the other commercialization programs • The applicant's commercialization expertise and experience in the proposed market and/or technology area • The university's commitment at all levels in terms of financial match, in-kind resources and willingness to support an Innovation Hub and collaborate with other institutions • Collaborative partners and their value • Technology Transfer leadership, their past track record and their commitment • Key program personnel and their value • Buy-in and support from the university leadership 		<p>Max. Possible Points: 25</p> <p>Score: _____</p>

<p>Milestones/Deliverables/Budget: Do they have a realistic plan and time line? Is the budget enough to support the necessary MTRAC activities and goals and bring the projects to an industry/investor-ready stage? Does the applicant fund the necessary personnel for the program?</p> <ul style="list-style-type: none"> • Reasonable milestones/deliverables • Achievable and leading to economic impact • The budget is appropriate in scale and scope to proposed technology and/or market area • Previous MTRAC program and accomplishment of milestones/deliverables and budget 		<p>Max. Possible Points: 25</p> <p>Score: _____</p>
<p>Economic Impact: Is the proposed impact reasonable given the proposed technology/market area and the local ecosystem?</p> <ul style="list-style-type: none"> • Potential for company creation per MEDC grant invested • Potential for licenses to industry per MEDC grant invested • Potential for generating local follow-on investment and/or drawing out-of-state investment into Michigan • Reasonable targeted metrics: <ul style="list-style-type: none"> ○ Companies Created ○ Licenses to Michigan companies ○ Licenses to non-Michigan companies ○ Jobs created ○ Amount of follow-on funding 		<p>Max. Possible Points: 25</p> <p>Score: _____</p>
<p>Total Score:</p>		<p>Max. Possible Points: 100</p> <p>Score: _____</p>

MEMORANDUM

Date: April 26, 2016

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

From: Trevor Friedeberg, Development Finance Manager

Subject: Duo Security, Inc. (“Company” or “Applicant”)
Michigan Business Development Program Action Performance-based Grant
Request

Summary

This is a request from the Applicant for a \$2.5 million performance-based grant. This project involves the creation of 297 Qualified New Jobs, and a capital investment of up to \$2,485,000 in the City of Ann Arbor, Washtenaw County.

The Applicant has demonstrated a need for the funding. The Company is challenged to identify, attract and develop critical talent and must consider all geographic locations in order to meet the targeted growth. The Company currently has physical operations in Michigan, California (Silicon Valley), London, UK, and Austin, Texas. The current investor team is based in Silicon Valley and may direct the Company to seek critical talent in markets with which they are more familiar, such as Silicon Valley and Austin. Without incentive assistance the Company is not well positioned to counter the investment team to rationalize this business expansion in Michigan.

Background

Launched in 2009, Duo Security is a software as a subscription (SaaS) company which markets an IT security product to companies as small as two employees up to large corporations with tens of thousands. The two products Duo markets are a two factor phone based log in authentication security solution and an agentless endpoint management security solution. The Company has grown from 2 employees to over 200, the vast majority of whom are in Michigan.

With incentive assistance, the Company can make the case to do this large expansion in Michigan and meet ever-growing customer demand.

The Applicant has not received any incentives from the MSF in the past.

The Applicant plans to expand existing operations, adding 30,000 square feet of office space to support growth in engineering, product development, sales, and other key functions in Ann Arbor, make investments and create jobs related to software publishing.

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

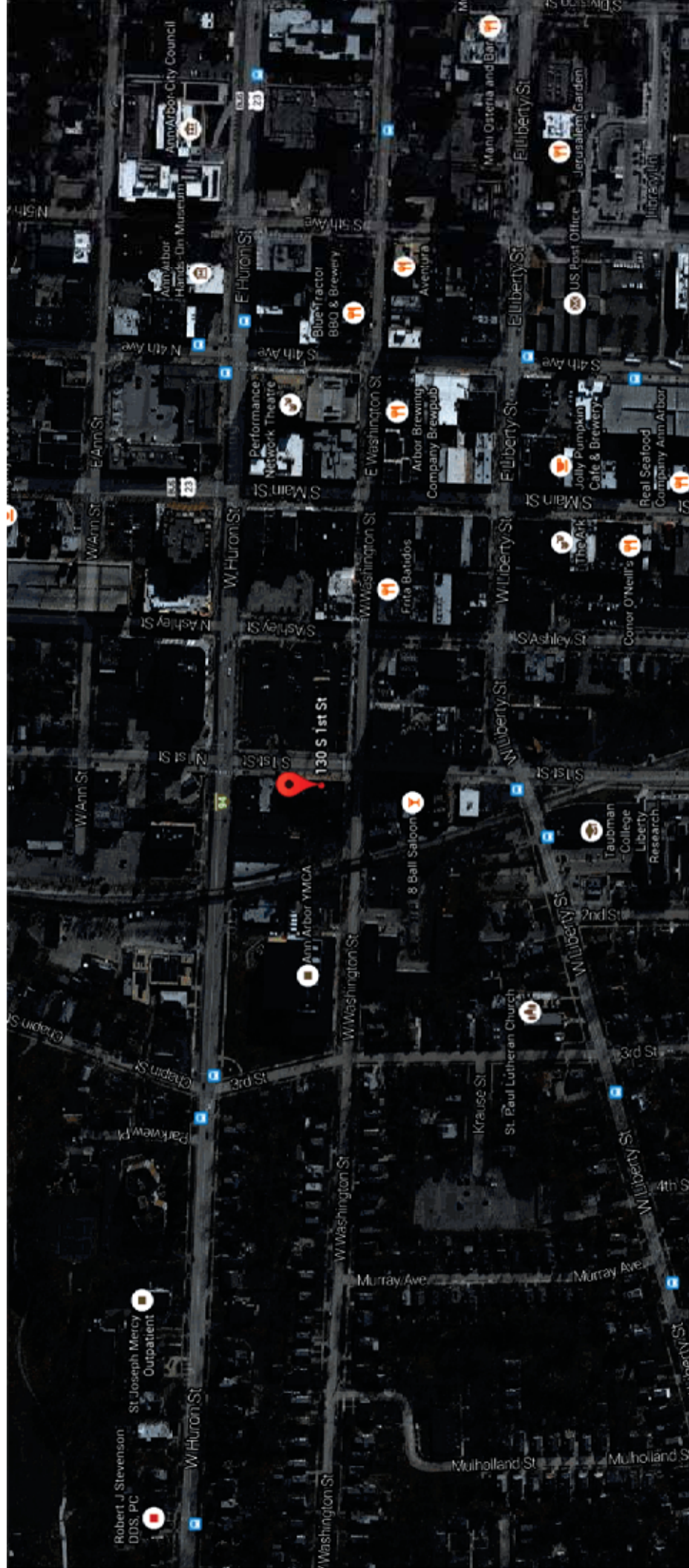
Considerations

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.
- b) The project will be located in the City of Ann Arbor. Ann Arbor SPARK has offered a “staff, financial, or economic commitment to the project” in the form of talent mixers designed to promote the recruitment of high quality talent.
- c) The Applicant has demonstrated a need for the funding. The Company is challenged to identify, attract and develop critical talent and must consider all geographic locations in order to meet the targeted growth. There are several states that offer low cost expansion options to the Company, including California, London, and Texas.
- d) The Applicant plans to create 297 Qualified New Jobs above a statewide base employment level of 157.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: is not a retail project; is not a retention project; involves out-of-state competition; has a net positive return to Michigan; prospect of near-term job creation; wage level for new jobs; projected employer benefits; and is located in a distressed or targeted community.

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 2016-

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
DUO SECURITY, INC.**

WHEREAS, the Michigan legislature passed legislation establishing the 21st 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 21st 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, Duo Security, Inc. (“Company”) has requested a performance based MBDP grant of up to \$2.5 million (“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
April 26, 2016

EXHIBIT A

Company Name: Duo Security, Inc. **and/or its Affiliates**

Project Address: 130 South First Street
Ann Arbor, MI 48104

MBDP Award Amount: Up to \$2.5 million

MBDP Award Type: Grant

Base Employment Level: Estimated be at least 157

Total Qualified New Jobs: Estimated to be at least 297

Municipality supporting Project: Ann Arbor SPARK

Disbursement Milestones:

- 1) Up to \$600,000, upon demonstrated creation of 75 Qualified New Jobs above the base employment level and verification of local support
- 2) Up to \$800,000 upon completion of Disbursement Milestone 1, and upon creation of 100 additional Qualified New Jobs (for a total of 175 Qualified New Jobs) above the base employment level
- 3) Up to \$1,100,000 upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon the creation of 122 additional Qualified New Jobs (for a total of at least 297 Qualified New Jobs) above the Base Employment Level

All disbursement milestones must occur within five years of MSF Approval.

The actual numbers, and statutorily required repayment and reporting provisions, will be reflected in the Transaction Documents.

MEMORANDUM

Date: April 26, 2016

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

From: Jeremy Webb, Development Finance Manager

Subject: iSourceWorldwide, LLC and SkyPoint Ventures, LLC (“Companies” or “Applicants”) Michigan Business Development Program Performance-based Loan and Grant Combination Request

Summary

This is a request from the Applicants for a \$2,500,000 performance-based loan with the ability to convert to a grant based on job creation milestones, and a \$500,000 performance-based grant. This project, located at 601 South Saginaw Street in the City of Flint, Genesee County, involves the creation of up to 100 Qualified New Jobs and a capital investment of up to \$2,650,000.

The Applicants have demonstrated a need for the funding. One of iSourceWorldwide’s largest clients is headquartered in San Diego, California and has been pushing hard to have the company move their headquarters onsite to improve their strategic relationship. Despite the benefits of co-locating with their largest client as well as the abundance of IT talent in California, iSourceWorldwide wants to be a part of Flint's revival. In order to do so, state incentives are needed to help offset the costs associated with the vast building improvements at the Dryden building, as well as overcoming immediate talent availability challenges and building a long-term talent development program aimed at building a Flint-based workforce.

Background

iSourceWorldwide and Skypoint Ventures are co-applicants for this incentive. iSourceWorldwide is the entity creating jobs related to the project, and Skypoint Ventures is the building owner, building developer, and will be seeking additional tenants for the building to increase the job creation potential in the renovated Dryden building.

iSourceWorldwide, LLC was formed in 2008 and has grown into a highly skilled web application development company with an expertise in eCommerce applications. Since inception, iSourceWorldwide has continued to develop, from the ground up, a revolutionary online web-to-print (W2P) eCommerce solution, commonly known today as PrintSites. PrintSites has been successfully brought to market in the printing industry as a software as a service (SaaS) based solution. PrintSites is a cloud based platform accessed by customers under a subscription model, allowing iSourceWorldwide to maintain control of its intellectual property. Today, there are over 5,000 active PrintSites deployed nationwide, including the entire The UPS Store network. At the company’s current location in Fenton, Michigan, they are at capacity and need additional space to accommodate their growing business.

SkyPoint Ventures, LLC is a business capital and real estate investment firm founded in 2013 in Flint, Michigan. The firm targets investments in growth sectors and historic downtowns; emphasizing disruptive ideas, value and community impact.

The Applicants have not received any incentives from the MSF in the past. However, SkyPoint Ventures may receive Brownfield TIF assistance in the near-future for a project in Fenton, Michigan.

The Applicants plan to renovate the Dryden building in downtown Flint, Michigan, make investments and create jobs related to multiple sectors, including IT.

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

Considerations

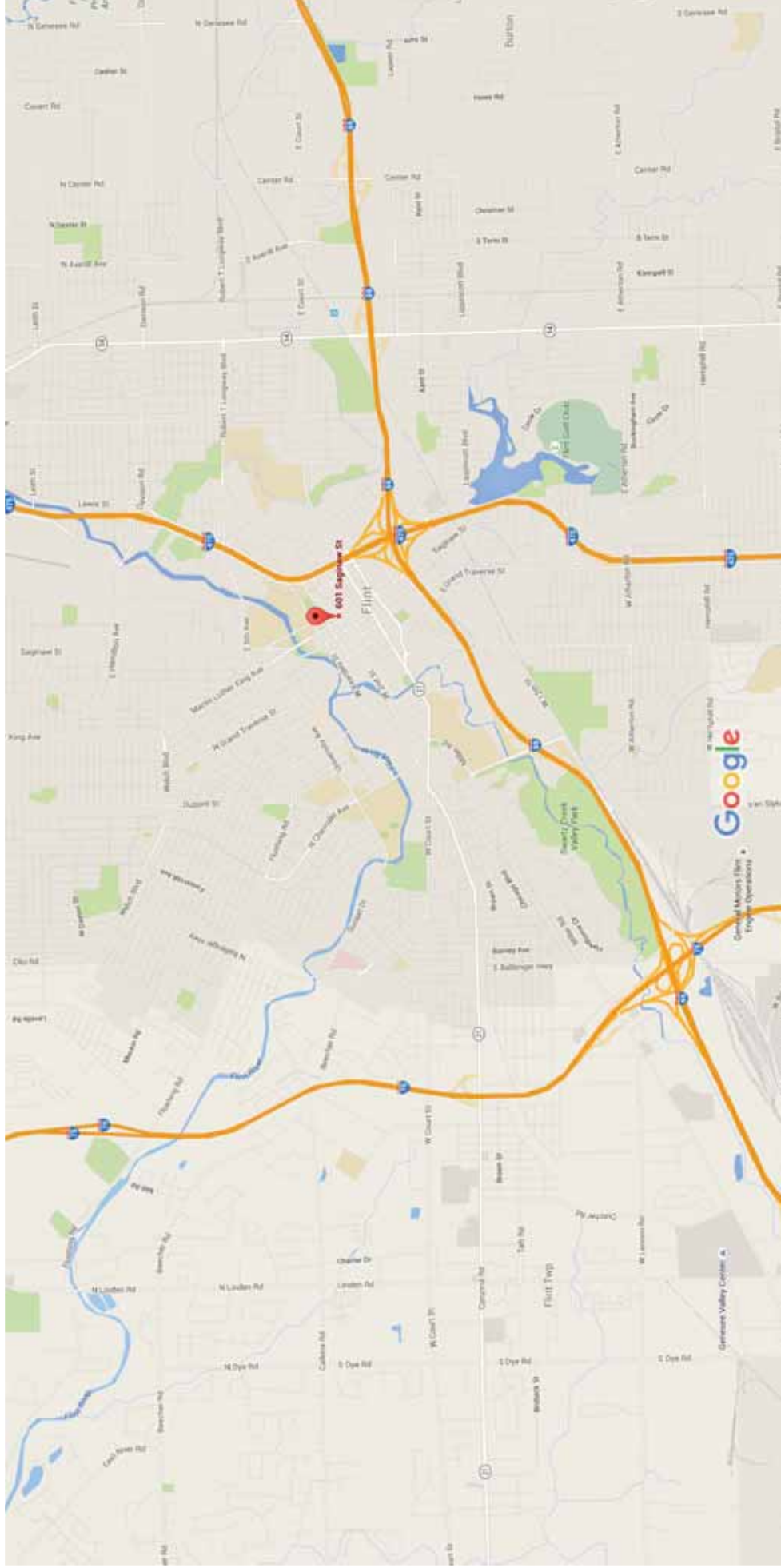
- a) The Applicants are “Qualified Businesses,” as defined in MCL 125.2088r(9)(b), that are located and operate in Michigan.
- b) The project will be located in the City of Flint. The Flint and Genesee Chamber of Commerce has offered a “staff, financial, or economic commitment to the project” in the form of staff time in support of the project.
- c) The Applicants have demonstrated a need for funding. iSourceWorldwide would greatly benefit from co-locating with their largest client, located in California, by not only having an even stronger strategic relationship due to proximity, but also tapping into the abundance of IT talent in California.
- d) The Applicants plan to create up to 100 Qualified New Jobs above a statewide base employment level of 32.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: the project is not a retail project; involves out-of-state competition; has a net positive return to Michigan; shovel-ready project with the support of the MSF; reuse of an existing facility; prospect of near-term job creation; wage level for new jobs; projected employer benefits; and is located in a distressed or targeted community.

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.

Google Maps 601 Saginaw St



Map data © 2016 Google

2000 ft

Google Maps

MICHIGAN STRATEGIC FUND

RESOLUTION 2016-

APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT AND LOAN COMBINATION TO ISOURCEWORLDWIDE, LLC AND SKYPOINT VENTURES, LLC

WHEREAS, the Michigan legislature passed legislation establishing the 21st 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 21st 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, iSourceWorldwide, LLC and SkyPoint Ventures, LLC (“Company”) has requested a performance based MBDP grant and loan combination of up to \$3,000,000 (“Grant/Loan 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/Loan 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
April 26, 2016

EXHIBIT A

Company Name: iSourceWorldwide, LLC and SkyPoint Ventures, LLC **and/or its Affiliates**

Project Address: 601 South Saginaw Street
Flint, Michigan 48502

MBDP Award Amount: Up to \$3,000,000

MBDP Award Type: Grant and Loan Combination

Base Employment Level: Estimated be at least 32

Total Qualified New Jobs: Estimated to be at least 25, up to 100

Municipality supporting Project: Flint & Genesee Chamber of Commerce

Disbursement Milestone Amounts/Dates:

- 1) \$1.5 million disbursement upon receipt of lease agreement of no less than three years for the building located at 601 South Saginaw Street, Flint, MI 48502
- 2) \$1.5 million disbursement upon verification of municipality support for the project, verification that \$1 million in eligible Qualified Investment has been completed, and that at least 25 new jobs have been created at the project

All disbursement milestones must occur within five years of MSF Approval.

*The actual numbers, and statutorily required repayment and reporting provisions, will be reflected in the Transaction Documents.

MEMORANDUM

Date: April 26, 2016

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

From: Stacy Bowerman, Senior Planning and Project Manager

Subject: *Ford Motor Company (“Company” or “Applicant”)
State Essential Services Assessment Exemption Request*

Summary

This is a request from the Applicant for a State Essential Services Assessment Exemption estimated to be worth \$27.3 million over 15 years. This project will result in \$1.2 billion in Qualified Investments in Eligible Personal Property, and total capital investment of \$1.4 billion, in the City of Livonia, Wayne County. Additionally, the project involves the creation of 500 total jobs as a result of the project.

The Applicant has demonstrated a need for the funding. The Company also evaluated existing facilities outside of Michigan for this project, including Mexico where they recently opened a new state-of-the-art transmission facility. Incentive assistance was necessary to ensure the project move forward in Michigan. Further explanation of need will also be included in considerations section.

Background

The Company was founded in Michigan in 1903 and incorporated in Delaware in 1919. Based in Dearborn, Michigan, the Company is among the world’s largest producer of cars and trucks. With about 199,000 employees and 67 plants worldwide, and approximately 40,000 employees in Michigan, its core business includes designing, manufacturing, marketing, financing, and servicing a full line of Ford cars, trucks, SUVs, and electrified vehicles, as well as Lincoln luxury vehicles. The Company is also pursuing emerging opportunities through Ford Smart Mobility, its plan is to be a leader in connectivity, mobility, autonomous vehicles, the customer experience, and data and analytics.

Ford Motor Company is proposing the creation of 500 new jobs and making significant capital investments in both real and personal property to its Livonia Transmission Plant. The project is part of an overall investment strategy planned for the United States. In November 2015, the company finalized negotiations with the UAW and announced its plan to create 8,500 new jobs and invest \$9 billion in the United States.

The Livonia plant is currently responsible for 6 speed rear wheel drive transmissions. The Company will invest a total of \$1.4 billion to upgrade equipment necessary to continue this production as well as add a new transmission to the facility. The new equipment will support a new 10 speed rear wheel drive transmission that will be used in the Raptor, F-150 and other rear-wheel drive vehicles. The new product line will also require significant investments in real property. In total, the Company is proposing investing \$1.4 billion and creating 500 new jobs to support the project.

The Applicant has received incentives from the MSF in the past. The Company currently has a Michigan Economic Growth Authority (MEGA) Retention Tax Credit effective until December 31, 2025. The tax credit is for a maximum 40,200 retained jobs in Michigan and requires the Company to make additional new capital investment of \$3.1 billion over the remaining term of the MEGA. Based on the most recent information provided by the Company, it is anticipated the jobs created as a result of the project will qualify as Qualified New Jobs under the existing MEGA. Additionally, the investment related to this project will count toward the required investment as a result of the recent MEGA amendment. However, the investment required in the MEGA amendment is not site specific and extends for the life of the MEGA so it does not require the company to locate this project in Michigan.

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

Considerations

- a) The Applicant is an “Eligible Claimant”, as defined in Public Act 92 of 2014, which will claim an exemption for Eligible Personal Property.
- b) The Applicant is eligible for a 15 year State Essential Services Assessment Exemption based on the following:
 - a. The project will be located in the City of Livonia, which is an Eligible Distressed Area; and
 - b. The project will result in Qualified Investments of greater than \$100 million in Eligible Personal Property.
- c) The Qualified Investments will be made after MSF approval and completed within three years of commencement of the project.
- d) The Company has agreed to pay an administrative fee of \$10,000 payable to the Michigan Economic Development Corporation upon completion of the first performance milestone.
- e) The Applicant has demonstrated a need for the funding. The Company evaluated locations throughout the United States and Mexico when determining where to site investments. In April 2015, the Company announced a \$2.5 billion investment and the creation of 3,800 new jobs in Mexico, which included a new state-of-the-art transmission facility in Irapuato. Locating the new transmission line at this facility would reduce the real property investment required to equip the facility as well as offer lower labor costs to operate facility. In addition to capacity, the Company also evaluated labor cost, current facility product lines, and long term cost of doing business. Incentive assistance was necessary to ensure the project move forward in Michigan.
- f) The Applicant plans to create 500 jobs as a result of this Project.
- g) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: The project will not only result in significant investment and job creation in Michigan, but will also bring a new technology to the Livonia facility. The new transmission is designed to offer better fuel economy on vehicles that aren't traditionally fuel efficient. Additionally, it is anticipated the expansion will create increased opportunities for Michigan suppliers.

Exemption Value Breakdown

The 15 year State Essential Services Assessment Exemption is estimated to be worth \$27.3 million. The requested exemption breaks down as follows:

	Years 1 – 5 (2.4 mills)	Years 6 – 10 (1.25 mills)	Years 11-15 (0.9 mills)	Total
State ESA Exemption Amount	\$12,780,000	\$8,276,250	\$6,243,750	\$27,300,000

Recommendation

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

- a) Approval of the State Essential Services Assessment Exemption for up to 15 years for up to \$1.2 billion in Qualified Investments in Eligible Personal Property;
- b) Closing the State Essential Services Assessment Exemption, is subject to satisfactory completion of due diligence (collectively, “Due Diligence”) and finalization of all 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
2016-**

**FORD MOTOR COMPANY
STATE ESSENTIAL SERVICE ASSESSMENT EXEMPTION APPROVAL**

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

WHEREAS, the Michigan legislature passed legislation, 2014 PA 80, to revise the personal property tax system so as to allow individuals, small businesses and large businesses to thrive and create jobs in the State of Michigan, but which needed to be approved by the qualified electors of the State of Michigan;

WHEREAS, on August 5, 2014, the qualified electors of the State of Michigan approved the legislation to revise the personal property tax system. This revision shall take effect January 1, 2015. The approval also enacted 2014 PA 92 and 2014 PA 93, the State Essential Services Assessment Act (“SESA”) and the Alternative State Essential Services Assessment Act (“Alternative SESA”);

WHEREAS, the SESA and the Alternative SESA authorized the creation and operation of the SESA and Alternative SESA Exemption Program by the Michigan Strategic Fund (“MSF”) pursuant to MCL 211.1059;

WHEREAS, on October 28, 2014, the MSF Board approved the SESA and Alternative SESA Exemption Program Guidelines.

WHEREAS, Ford Motor Company (the “Company”) has requested that the MSF Board approve a SESA exemption of up to fifteen (15) years for qualifying investment of up to \$1.2 billion in eligible personal property, as defined in the SESA and Alternative SESA Exemption Program Guidelines, in the City of Livonia (the “SESA Exemption Request”);

WHEREAS, the MEDC recommends that the MSF Board 1) approve SESA Exemption Request; 2) require a onetime administrative fee in the amount of \$10,000 payable to the MEDC upon completion of the first performance milestone; and 3) authorize the MSF Fund Manager to execute all final documents necessary to effectuate the SESA Exemption Request; and

WHEREAS, the MSF Board desires to 1) approve SESA Exemption Request; 2) require a onetime administrative fee in the amount of \$10,000 payable to the MEDC upon completion of the first performance milestone; and 3) authorize the MSF Fund Manager to execute all final documents necessary to effectuate the SESA Exemption Request.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board 1) approves SESA Exemption Request; 2) requires a onetime administrative fee in the amount of \$10,000 payable to

the MEDC upon completion of the first performance milestone; and 3) authorizes the MSF Fund Manager to execute all final documents necessary to effectuate the SESA Exemption Request.

Ayes:

Nays:

Recused:

Lansing, Michigan
April 26, 2016

MEMORANDUM

Date: April 26, 2016

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

From: Marcia Gebarowski, Senior Development Finance Manager

Subject: *FCA US, LLC (“Company” or “Applicant”)
State Essential Services Assessment Exemption Request*

Summary

This is a request from the Company for a five year State Essential Services Assessment Exemption estimated to be worth \$770,904 over five years. This project will result in \$74.7 million in Qualified Investments in Eligible Personal Property in the City of Trenton, Wayne County. Additionally, the project involves the retention of up to 245 total jobs as a result of the project.

The Company evaluated existing engine production facilities in Ohio, Michigan and Mexico to place this new investment. The Company’s engine facility in Saltillo, MX currently produces the four-cylinder line, the same product this investment will produce for future model years. The investment will be transformational for the Trenton facility as it would introduce a new engine platform and new technology to the plant.

Background

Headquartered in Auburn Hills, Michigan, FCA US, LLC is a North American automaker with a new name and a long history. The Company is a member of the Fiat Chrysler Automobiles N.V. (FCA) family of companies. The Company designs, engineers, manufactures and sells vehicles under the Chrysler, Jeep, Dodge, Ram, and Fiat brands as well as the SRT performance vehicle designation. FCA US is building upon the historic foundations of Chrysler, the innovative American automaker first established by Walter P. Chrysler in 1925; and Fiat, founded in Italy in 1899 by pioneering entrepreneurs, including Giovanni Agnelli.

FCA US, LLC has an existing retention MEGA credit through 2032 for up to 20,000 retained jobs in Michigan. They are currently in good standing with this credit.

The Company plans to invest \$74.7 million in new equipment to produce 2018 model year 4 cylinder engines at their Trenton North Engine Plant in the city of Trenton.

Considerations

- a) The Applicant is an “Eligible Claimant”, as defined in Public Act 92 of 2014, which will claim an exemption for Eligible Personal Property.
- b) The Applicant is eligible for a five year State Essential Services Assessment Exemption based on the following:

- a. The Project will be located in the City of Trenton, which is an Eligible Distressed Area; and
- b. The Project will result in Qualified Investments of \$25 Million to \$100 Million in Eligible Personal Property.
- c) The Qualified Investments will be made after MSF approval and completed within three years of commencement of the Project.
- d) The Applicant agrees to pay a onetime administrative fee in the amount of \$7,709 payable to the MEDC upon completion of the first performance milestone
- e) The Applicant has demonstrated a need for the funding. Multiple existing facilities were evaluated to place the new engine line. The Applicant could seek incentives for each alternative facility for the new investment. FCA US, LLC could place this anywhere in the NAFTA region, including their current engine facility in Saltillo, MX where labor rates and logistics are more competitive than the Midwest. The investment will be transformational for Trenton to retain 245 jobs in a distressed community as well as introduce a new platform at the facility.
- f) The Applicant plans to retain 245 jobs at their Trenton North Engine facility.
- g) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: The project will result in job retention as well as bring a new technology into the Trenton facility; net-positive return to this state; reuse of existing facilities; level of investment; strong links to Michigan suppliers; out-of-state competition.

Exemption Value Breakdown

The 5 year State Essential Services Assessment Exemption is estimated to be worth \$770,904. The requested exemption breaks down as follows:

	Years 1 – 5 (2.4 mills)	Total
State ESA Exemption Amount	\$770,904	\$770,904

Recommendation

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

- a) Approval of the State Essential Services Assessment Exemption for up to five years for up to \$74.7 million in Qualified Investments in Eligible Personal Property;
- b) Closing the State Essential Services Assessment Exemption or Alternative State Essential Services Exemption, is subject to satisfactory completion of due diligence (collectively, “Due Diligence”) and finalization of all 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
2016-**

**FCA US LLC
STATE ESSENTIAL SERVICE ASSESSMENT EXEMPTION APPROVAL**

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

WHEREAS, the Michigan legislature passed legislation, 2014 PA 80, to revise the personal property tax system so as to allow individuals, small businesses and large businesses to thrive and create jobs in the State of Michigan, but which needed to be approved by the qualified electors of the State of Michigan;

WHEREAS, on August 5, 2014, the qualified electors of the State of Michigan approved the legislation to revise the personal property tax system. This revision shall take effect January 1, 2015. The approval also enacted 2014 PA 92 and 2014 PA 93, the State Essential Services Assessment Act (“SESA”) and the Alternative State Essential Services Assessment Act (“Alternative SESA”);

WHEREAS, the SESA and the Alternative SESA authorized the creation and operation of the SESA and Alternative SESA Exemption Program by the Michigan Strategic Fund (“MSF”) pursuant to MCL 211.1059;

WHEREAS, on October 28, 2014, the MSF Board approved the SESA and Alternative SESA Exemption Program Guidelines.

WHEREAS, FCA US LLC (the “Company”) has requested that the MSF Board approve a SESA exemption of up to five years for a minimum qualifying investment of \$74.7 million in eligible personal property, as defined in the SESA and Alternative SESA Exemption Program Guidelines, in the City of Trenton (the “SESA Exemption Request”);

WHEREAS, the MEDC recommends that the MSF Board 1) approve SESA Exemption Request; 2) require a onetime administrative fee in the amount of \$7,709 payable to the MEDC upon completion of the first performance milestone; and 3) authorize the MSF Fund Manager to execute all final documents necessary to effectuate the SESA Exemption Request; and

WHEREAS, the MSF Board desires to 1) approve SESA Exemption Request; 2) require a onetime administrative fee in the amount of \$7,709 payable to the MEDC upon completion of the first performance milestone; and 3) authorize the MSF Fund Manager to execute all final documents necessary to effectuate the SESA Exemption Request.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board 1) approves SESA Exemption Request; 2) requires a onetime administrative fee in the amount of \$7,709 payable to

the MEDC upon completion of the first performance milestone; and 3) authorizes the MSF Fund Manager to execute all final documents necessary to effectuate the SESA Exemption Request.

Ayes:

Nays:

Recused:

Lansing, Michigan
April 26, 2016

MEMORANDUM

Date: April 26, 2016

TO: Michigan Strategic Fund Board

From: Christopher Cook, Director of Capital Access

Subject: *Private Activity Bond – Bond Inducement
Canterbury Health Care, Inc.
Non-Profit - \$11,000,000 – New*

Request:

Canterbury Health Care, Inc. (“Borrower”) is requesting private activity bond financing for the following improvements to its Canterbury-on-the-Lake continuing care retirement community in Waterford Township, Oakland County, Michigan:

- (a) construction of a new memory support building;
- (b) construction of a building connector between the new memory support building and the existing community facility/independent living building; and
- (c) renovation of existing health center building.

Background:

Borrower is an Episcopal faith-based Michigan non-profit corporation.

It was incorporated in January 1991 in the State of Michigan and is a 501(c)3 tax-exempt organization. The Borrower owns and operates the Canterbury-on-the-Lake continuing care retirement community in Waterford, Michigan. The Borrower has contracted with Life Care Services, LLC to provide management responsibilities for the Borrower since 1998. Life Care Services, LLC employs the community’s executive director and administrator, while other staff are employed directly by the Borrower. The Borrower currently employs 226 individuals. It is anticipated at the completion of the project, the Borrower will employ an additional 23-24 full-time equivalent employees.

Description of Project:

In correlation to request (a), (b), and (c) above:

- (a) Borrower intends to construct an approximately 24,500 square foot building with 30 private rooms and two semi-private rooms to be used as a memory support facility for persons with dementia. The facility will be licensed as a Home for the Aged. Included in the facility will be the construction of activities, commons and dining areas, and administrative office care areas. In addition, an enclosed courtyard and 10 visitor parking areas will be constructed.

- (b) A building connector of approximately 3,400 square foot will also be constructed connecting the new facility to a lower level of the existing community center, and; a new second story structure connecting upper level of existing community center (at main dining area) to existing independent living building; and selective renovation at existing main dining and independent living building to accommodate new connector link.

- (c) Renovation of existing approximately 53,000 square foot health center building, including selective reconfiguration and expansion of existing program spaces to improve efficiencies.

Plans of Finance:

FirstMerit Bank, N.A. has indicated an interest in the direct purchase of the bonds.

If the project size remains at \$11,000,000, the MSF issuance fee will be \$26,250.00.

Recommendation:

After reviewing the private activity bond application for the Borrower, staff finds this project meets the requirements for an Inducement Resolution in the amount of \$11,000,000.

MICHIGAN STRATEGIC FUND

INDUCEMENT RESOLUTION

2016-

Canterbury Health Care, Inc.

WHEREAS, Canterbury Health Care, Inc., a Michigan non-profit corporation (the "Company"), owns and operates a continuing care retirement community presently located at 5601 Hatchery Road, Waterford, Michigan (the "Community");

WHEREAS, the Company desires to make certain improvements to the Community described as follows: (a) construct a new memory support building; (b) construct a building connector between new memory support building and the existing community facility/independent living building; and (c) renovate existing health center building (together, the "Project");

WHEREAS, the Company has applied to the MSF for a loan (the "Loan") to finance the Project as defined in 1984 PA 270 (the "Act");

WHEREAS, the Company has advised the MSF that the cost of the Project will not exceed Eleven Million Dollars (\$11,000,000);

WHEREAS, the Act authorizes the MSF to loan moneys to business enterprises for the purpose of financing projects and to obtain the moneys for such loans by the issuance of bonds pursuant to the Act; and

WHEREAS, this Resolution has the purpose of providing the necessary official intent of the MSF to meet the requirements of Sections 141 and 144 of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations promulgated in connection therewith and, in particular, Section 1.150-2 of the Income Tax Regulations.

NOW, THEREFORE, BE IT RESOLVED, by the Michigan Strategic Fund that:

1. The MSF intends to provide the Loan to the Company subject to the conditions of this Resolution.
2. The Loan shall be designated for the Project in accordance with the Company's Tax-Exempt Application Form dated March 29, 2016.
3. The maximum principal amount of the bonds (the "Bonds") expected to be issued to provide the Loan to finance the Project shall not exceed Eleven Million Dollars (\$11,000,000). The Company shall be obligated to make loan repayments in an amount sufficient to assure full repayment of the Bonds, establish appropriate reserves and pay costs and expenses relating to the issuance of the Bonds and the making of the Loan.
4. The MSF's obligation to issue the Bonds and make the Loan shall be conditioned upon a) the ability of the MSF to issue, sell and deliver the bonds under applicable federal and state laws, and b) any prioritization, fee schedules or other requirements or limitations implemented by the MSF or the State Treasurer.
5. The MSF's obligation to make the Loan and issue the Bonds contemplated by this Resolution shall expire two years after the date of this Resolution.
6. The Loan may be evidenced by a promissory note and secured by such instruments as are in form and substance satisfactory to the MSF, the Attorney General of the State of Michigan (the "Attorney General") and bond counsel to the MSF, including a loan agreement, indenture, first mortgage, security agreement and such additional security as may be required by the MSF or purchaser of the Bonds.
7. Subject to compliance with this Resolution, the MSF will authorize a bond resolution approving the issuance of the Bonds (the "Bond Resolution") for the purpose of making the Loan and funding the reserves and costs associated with the issuance and administration of the Bonds, and enter into a loan agreement and related documents with the Company and a bond purchase agreement with a bond purchaser, which documents shall be subject to the approval of the Attorney General and bond counsel to the MSF.

8. The Bonds shall not be general obligations of the MSF but shall be payable as to principal and interest solely from the proceeds of the payments to be made by the Company to the MSF (or to a trustee appointed by the MSF pursuant to the Bond Resolution), as provided in the Bond Resolution. The agreements relating to the Loan and the issuance of the Bonds shall contain such provisions as will be necessary to make absolutely certain that under no circumstances will the Bonds or this Resolution be a debt or obligation of the State of Michigan or a general obligation of the Michigan Strategic Fund, nor will the State of Michigan be liable on the Bonds.

9. All costs and expenses involved in the authorization, issuance, sale, and delivery of the Bonds and in the making of the Loan shall be paid from the Bond proceeds or, if they are insufficient, by the Company.

10. The staff of the MSF is authorized and directed to initiate the proceedings described in this Resolution and to enter into negotiations, subject to the approval of the MSF, with a bond purchaser for the sale of the Bonds. Any authorized signatory is authorized to prepare and file with the Michigan Department of Treasury a request for allocation as it relates to the State limitations on the issuance of private activity bonds.

11. Bond counsel to the MSF and the Attorney General are authorized and directed to prepare and submit to the appropriate parties all proceedings, agreements and other documents as shall be necessary or appropriate in connection with the issuance of the Bonds and to make applications on behalf of the MSF to the United States Internal Revenue Service and to other governmental agencies for such income tax and other rulings and approvals as may be necessary in relation to the issuance of the Bonds. Any authorized signatory is authorized to execute such powers of attorney and other documents as may be appropriate in connection with the foregoing. All costs and expenses pertaining to the above matter shall be paid from the bond proceeds or by the Company.

12. A preliminary official statement or other offering materials may be used in connection with the sale of the Bonds; provided, however, that no preliminary official statement or other offering materials shall be circulated unless any description of the MSF, the Bonds and documents to which the MSF is a party shall have been approved by bond counsel to the MSF and the Attorney General.

13. All resolutions and parts of resolutions insofar as they conflict with this Resolution are rescinded.

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan

MEMORANDUM

To: Michigan Strategic Fund Board

From: Rachel A. Bakken, Capital Project and Portfolio Manager

Date: April 26, 2016

Subject: Michigan Custom Machines, Inc. (and/or related borrowers/guarantors)
MBGF – Collateral Support Proposal

Request

Michigan Custom Machines, Inc. (“MCM” or “Borrower”), is a manufacturer and leader in the design and build of custom test machines for automotive and industrial component manufacturers. It also offers customers expertise in turnkey component testing equipment for in-line and end-of-line production requirements as well as laboratory and research and development. The Borrower is located in Novi, Michigan.

Citizens Bank (“Bank”) has proposed financing of a \$10,000,000 revolving line of credit (“RLOC”) to MCM primarily for its General Motors (“GM”) transmission building lines. MCM is unable to bill GM for the testing line until it is shipped (building takes approximately 10 months), while still incurring expenses. Due to the extended repayment terms required by GM, the Bank is requesting collateral support from the MSF in the amount of 49.9% or \$4,990,000.

A. Bank Facility and MSF Support

The Bank has proposed to provide the following credit facilities:

Revolver = Line of Credit	\$10,000,000
<u>Term = Real Estate Loan</u>	<u>\$1,600,000</u>
Total Loans Leveraged	\$11,600,000

Given the above structure, the proposed MSF exposure is a maximum of:

<u>Revolver = Line of Credit</u>	<u>\$4,990,000</u>
Total MSF Contribution	\$4,990,000

Under definitions provided by the US Department of Treasury related to the calculation of leverage, the reported leveraged lending as compared to MSF exposure is 2.32:1.

B. Confidentiality

As part of preparation for closing of the facility, there are numerous underwriting documents which contain financial and other proprietary information that are shared with Staff. The MSF Act, (pursuant to MCL 125.2005(9)) provides the MSF the authority to acknowledge such information as confidential information (“Designated Information”). The Bank and the Company seek confidentiality protection from the MSF as described on the attached summary of Designated Information.

Background

Michigan Custom Machines, Inc. was founded in 1994 by Michael (“Mike”) Schena, President and CEO. He graduated from college with a degree in Computer Engineering and has extensive experience in controls, hydraulic and mechanical engineering. He decided to form MCM after working for a similar company after college. Mike has grown his company to include an engineering staff of certified fluid power engineers, electrical engineers, controls engineers and mechanical engineers. His manufacturing staff includes electricians, machine builders, pipe fitters, fixture builders and painters.

MCM builds testing machines for both original equipment manufacturers (“OEM”) as well as Tier 1 and 2 suppliers. It is currently fulfilling on orders from General Motors, General Motors Shanghai, Continental, Caterpillar, Eaton, Hitachi, Husco Automotive and Technologia Modifiata. Caterpillar and Eaton have been using MCM for many years, GM and Continental are MCM’s newest clients. The Borrower has very few direct competitors. MCM’s competitors typically do not have technical expertise to design and build the machines for which MCM is noted. This technical expertise is MCM’s competitive advantage as they bid on jobs that most of its competitors will not or cannot build.

MCM utilizes a unique and different application that allows it to offer a diversified auto product testing line that is tailor made to its customer’s exact specifications:

- **PRODUCTION** – Many machines built sit on an assembly line to validate function of a component or sub assembly at critical stages prior to adding more value to that component. This stage involves collecting and storing data as well as handshaking with the automation process.
- **PRODUCTION DEVELOPMENT** – MCM’s equipment starts in the product development stage of the manufacturing cycle. It designs and builds a piece of testing equipment that is highly flexible and heavily instrumented for determining a test strategy for production. These product development benches are also used for initial durability evaluation and production audit testing and can be used for new products for 10-20 years.
- **DURABILITY** – Durability test machines come in many forms and are usually not as heavily instrumented as a Product Development machine. They are often designed to operate many components at the same time under extenuating circumstances (extreme temps, contamination, excessive pressures, flow speeds or load). The tests not only help to predict product life expectancy but also serve as a way of exposing a quality problem in audit capacity.

MGS Company, LLC (“MGS”) is the real estate holding company that owns the property in which MCM operates, MGS is jointly owned by Mike Schena and his father, George Schena. The property is used as a joint investment and MCM pays rent to MGS. The rent is managed according to the needs of the company, while paying off the outstanding debt on the building.

MCM utilized the Grow Michigan Program to finance mezzanine debt, however, that debt was paid off in full in 2014. On January 25, 2012, the Michigan Strategic Fund approved an award to Grow Michigan LLC to operate the Operating Company Initiative (“OCI”) under the Capital Conduit Program. The program provides attractively priced growth capital in the form of subordinated/mezzanine debt to Michigan small business community.

Employment

MCM currently has 35 full-time equivalent employees. The company anticipates adding 2 fulltime employees within the next 6 months and an additional 3 within the next 2 years. The average annual salary for employees of MCM is \$90,000.

Financing Opportunity

Federal fuel economy standards are increasing and auto manufacturers continually have to make investments in order to adhere to U.S. federal government standards. Ford Motor and General Motors jointly developed new 9 and 10 speed transmissions to increase fuel economy in its respective vehicles. GM is building the transmissions themselves and will manufacture the units in six different plants located in diverse locations around the world. Each plant will utilize a testing line which will have been and are in the process of being built by MCM. MCM has built two lines already, the first build occurred at the end of 2015 and the second build is near completion. MCM just received a purchase order for a \$9.2 million build in mid-March and expects to receive an additional purchase order by May/June for a \$7 million build as well. The last two builds will finish in FY 2017/2018. Each build cycle takes approximately 10 months and MCM receives 90% of its billings after shipment; which is currently received within 90 days. The remaining 10% is typically received 4 months after shipping, after GM confirms use of the product. From a GM perspective, the new transmissions will be placed in vehicles starting FY 2017 and are expected to be in all new vehicles in FY 2018.

The request for the \$10 million line comes from the Borrower’s business relationship with GM, since MCM is unable to bill GM for the testing line until it is shipped, while still incurring expenses. The RLOC will be utilized to support the period of time expenses are incurred before payment is received. The RLOC will be monitored by a monthly borrower base. The borrowing base formula shall be calculated as: 80% of the unpaid face amount of all eligible accounts receivable (excluding WIP) not more than 90 days from the date of invoice for which invoices have been issued and are payable, insured foreign A/R allowed subject to an insurer and policy acceptable to the Bank, and 50% of all eligible inventory.

The RLOC will be secured by 1st blanket UCC lien on MCM’s business assets, a personal guarantee from Mike Schena, a Citizens Bank deposit account in the name of Michael Schena in the amount of up to \$800,000, and a first perfected security interest in a MEDC deposit account at Citizens Bank with a cash balance of 49.9% of the total RLOC commitment provided by Citizens Bank to MCM.

The Borrower is projecting substantial growth in both FY2016 as well as FY2017, mainly due to the GM jobs. Gross and operating profit margins are expected to increase both years as only marginal new engineering costs will be incurred due to the largest driver of incremental sales volume being tied to the

GM jobs. Additional new jobs are expected to be in line with historical margins. Although interest expense will increase, resulting from incremental debt taken on to support the new jobs, profitability is expected to increase significantly.

The Borrower operates with a 12/31 FYE and continues to see increased success year over year, as evidenced in its upward trending financials. As MCM builds custom testing machines that are unique to specific jobs, and it typically only builds one machine for each unique application, sales volume and associated margins/profitability can fluctuate dramatically from year to year. Revenues saw a significant decline from 2011 to 2012 of 46.6%, however, revenues have continued to climb year over year with increase of 33.6%, 49.8% and 74.8% in the years 2013, 2014, and 2015 respectively. FY 2015 was MCM's strongest sales year. Sales benefited from the GM transmission testing line, which was billed in 2015. The financial statements provided also show that a significant portion of the Borrower's competitive advantage is tied to intellectual capital provided by its engineering team, causing its direct labor costs to be high compared to other industries.

MCM's balance sheet shows an acceptable current ratio in FY 2015 of 1.85x, which is up from 1.21x in 2014. The significant increase in working capital is mainly due to the borrower paying off mezzanine debt through the Grow Michigan program in 2014. The 12/31/2015 debt to net worth ratio is improved to 0.99x; down from 3.25x in FY 2014, again due to the pay down of the mezzanine debt and a pay down on the existing RLOC. MCM's leverage will vary and may increase significantly during the course of any given FY depending on the size of the orders received and the balances on the RLOC. It's anticipated that balance sheet leverage will increase during the latter half of FY 2016 as the Borrower become more reliant on debt to support the significant increase tied to the GM builds.

Source of Information

It is the role of Capital Services Team staff ("CST") to review for eligibility, completeness, and adherence to industry standards and practices, the information provided by the financial institution and to manage the MSF's structural risk. Explanatory and background information is supplied in summary form to provide context for the request and is drawn exclusively from material submitted by the lending institution and from third party research sources such as Dunn and Bradstreets FirstResearch database.

Recommendation

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

- a. Acknowledgment by the MSF that the Designated Information set forth on the attached summary is confidential;
- b. Approval of the MBGF-CSP proposal contained herein and:
- c. Subject to available funding under the MBGF-CSP at the time of closing ("Available Funding"), completion of due diligence, the results of which are satisfactory to the MEDC (collectively, "Due Diligence"), finalization of a MBGF-CSP Cash Collateral Deposit Agreement, and further subject to the following terms and conditions:

Facility 1 – Michigan Custom Machines, Inc.

Borrower: Michigan Custom Machines, Inc.
Lender: Citizens Bank
Loan Amount: up to \$10,000,000
MSF Cash Collateral: up to \$4,990,000
Loan Type: Demand Revolving Line of Credit
Fees: Tier II: 1.25% at Closing
1.0% annually thereafter on the MSF Share Balance.

Other

- Commitment will remain valid for 90 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.
- Unlimited, unsecured personal guaranty of Michael Schena.
*Guarantees are for the benefit of the MSF, subordinated to the senior lender and limited by senior lender's exposure at time of closing, but the subordination of the guarantees to the MSF in favor of the senior lender may not exceed a principal balance of \$11,600,000, along with reasonable interest and fees.
- The proposed financing will be required to apply receivables to principal outstanding for the working capital line of credit, per the Bank's and CST's discretion.

SUMMARY OF DESIGNATED INFORMATION

MICHIGAN STRATEGIC FUND CONFIDENTIALITY LOG

MBGF-CSP

Per MSF Approval of the Staff Recommendation dated April 26, 2016

Name of Applicant	Summary of Designated Information
Michigan Custom Machine, Inc. located at 22750 Heslip Dr., Novi, MI 48375 and any related borrowers and guarantors; and Citizens Bank, (collectively, "Interested Parties to the Proposed Transaction")	Any portion of any documents or record of any kind containing any of the following business or personal information pertaining to any of the Interested Parties to the Proposed Transaction: Financial statements (including without limitation, income statements, balance sheets, statements of cash flow and profit and loss statements), ratio analysis, appraisals and other appraisal reporting, collateral analysis, accounts receivable aging reports, customer names and lists, tax returns, credit reports, social security or other tax identification numbers, and any analysis, report or record of any kind by or on behalf of any of the Interested Parties to the Proposed Transaction containing any of the foregoing information.

MICHIGAN STRATEGIC FUND

RESOLUTION 2016-

SSBCI MBGF-CSP APPROVAL OF COLLATERAL SUPPORT AGREEMENT FOR MICHIGAN CUSTOM MACHINES, INC. AND RELATED BORROWERS

WHEREAS, under the State Small Business Credit Initiative Act of 2010 (title III of the Small Business Jobs Act of 2010, Public Law 111-240, 124 Stat. 2568, 2582 (the “SSBCI”), the United States Congress appropriated funds to the United States Department of Treasury (“US Treasury”) to be allocated and disbursed to states that have applied for and created programs in accordance with the SSBCI to increase the amount of capital made available by private lenders to small businesses (“SSBCI Programs”);

WHEREAS, At its May 25, 2011 meeting, the MSF Board approved: (i) the creation of the Michigan Business Growth Fund (the “MBGF”), an SSBCI Program created by the MSF to disburse SSBCI funds in accordance with the SSBCI, and (ii) as part of the MBGF, the creation of a collateral support program designed to enhance the collateral position of commercial borrowers to promote advancement of credit facilities from lenders (the “MBGF-CSP”), and (iii) the guidelines for the MBGF-CSP (“MBGF-CSP Guidelines”) and MBGF-CSP Cash Collateral Deposit Agreement (“MBGF-CSP Agreement”), each to be utilized for the operation of the MBGF-CSP, and (iv) the MSF Fund Manager or Chairperson to negotiate and sign the terms and conditions of the MBGF-CSP Agreement as authorized by the MSF Board;

WHEREAS, On June 21, 2011, the US Department of Treasury approved the State of Michigan, through the MSF, to receive and disburse SSBCI funds within the SSBCI Programs created by the MSF;

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the Michigan Strategic Fund (“MSF”) for SSBCI Programs, including the MBGF-CSP;

WHEREAS, Citizens Bank (“Bank”) has proposed new credit facilities to Michigan Custom Machines, Inc. and/or related borrowers (the “Proposed Borrowers”) of \$10,000,000 for working capital;

WHEREAS, Proposed Borrowers have requested collateral support from the MSF under the MBGF-CSP in an amount not to exceed the lesser of: (i) \$4,990,000 or (ii) up to 49.9% of the total amount of the Bank loan (“MBGF-CSP Support”);

WHEREAS, the MEDC has reviewed the Bank’s current credit documents for the Proposed Borrowers, and recommends that the MSF Board approve the MBGF-CSP Support, subject to: (i) available funding, and final due diligence performed, to the satisfaction of the MEDC; and (ii) execution of the MBGF-CSP Agreement within 90 days of the date of this Resolution (“Time Period”), or the collateral support approvals under 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;

NOW, THEREFORE, BE IT RESOLVED, the MSF approves the MBGF-CSP Support subject to: (i) available funding, and final due diligence performed, to the satisfaction of the MEDC; and (ii) execution of the MBGF-CSP Agreements within 90 days of the date of this Resolution (“Time Period”), or the loan participation support approvals under 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; and

BE IT FURTHER RESOLVED, that the MSF Fund Manager is authorized to negotiate all final terms and conditions and to execute the MBGF-CSP Agreement on behalf of the MSF, so long as the final terms and conditions are not materially adverse to the MSF.

Ayes:

Nays:

Recused:

Lansing, Michigan
April 26, 2016

MEMORANDUM

Date: April 26, 2016

To: Michigan Strategic Fund Board

From: Christine Whitz, Manager, Community Development Block Grant Program

Subject: *Community Development Block Grant Program
Infrastructure Capacity Enhancement (ICE) Funding Round*

Request

Michigan Economic Development Corporation (MEDC) staff requests approval to set aside up to \$8,000,000 in Community Development Block Grant (CDBG) funds for eligible projects in the Infrastructure Capacity Enhancement (ICE) competitive funding round.

Background

The purpose of the ICE program is to accelerate economic development and provide benefit to low and moderate income communities. The program is designed to assist these communities make necessary improvements or upgrades to their existing public infrastructure systems. Activities eligible for funding include projects that upgrade existing public infrastructure systems either by replacing deteriorating or obsolete systems or by adding needed capacity to existing, but burdened systems. These activities may include: water lines and related facilities; sanitary and storm sewer lines and related facilities; wastewater treatment plants and related activities, and only road replacement activities related to these activities.

National Objective:

In order to qualify for CDBG funding, populations of communities must be at least 51 percent low and moderate income as determined by census data provided by the U.S. Department of Housing and Urban Development or an income survey.

Screening Guidelines:

All eligible projects must meet the following criteria:

1. Project is located in a Community listed on the CDBG Low-Moderate Income Community Customer list and the project benefits the entire community.
2. Project shall be for an existing system capital replacement or upgrade, not system expansion or maintenance.
3. Community shall have a locally approved Capital Improvements Plan (CIP) and the proposed project shall be specifically identified within the CIP as a non-maintenance capital expenditure.
4. Project includes only eligible CDBG activities and Community must own or be able to acquire easement to the property encompassing the project.
5. Community must contribute a minimum cash match equal to 10% of the total eligible public infrastructure activities. In-kind contributions are ineligible to count as match.

6. Communities shall demonstrate a management/maintenance plan for the proposed project for its useful life.
7. Project must be completed by December 31, 2017.
8. Grant request must be between \$500,000 and \$1,000,000. (One grant request per community.)

Priority for funding approval will be given to projects as follows:

- Project is documented as a public health need or emergency by an administrative corrective action order of a State department, such as Michigan Department of Environmental Quality (MDEQ) or the Michigan Department of Health and Human Services (MDHHS) (30 pts)
- Plans and specifications are complete and sealed by an engineer at time of application (30 pts)
- Community is actively advancing in the Redevelopment Ready Communities® program (10 pts)
- Community is a Master or Select community in Michigan's Main Street program (10 pts)
- Community's percentage of committed cash match exceeding the required 10% (up to 10 pts)
- Leverage of other committed cash funding sources (up to 10 pts)

Recommendation

MEDC Staff recommends the MSF authorizes no more than \$8,000,000 be used for the Infrastructure Capacity Enhancement (ICE) funding round.

The MSF President or the MSF Fund Manager, in coordination with MEDC Staff, are authorized to approve funding for specific applicants and execute CDBG grant agreements as provided in the previously adopted delegation of authority (Resolution 2014-122).

MICHIGAN STRATEGIC FUND

RESOLUTION 2015- _____

APPROVAL OF INFRASTRUCTURE CAPACITY ENHANCEMENT FUNDING ROUND

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 2015 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 2015-039, authorized and approved the 2015 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, MEDC staff is recommending the use of CDBG funding for the Infrastructure Capacity Enhancement funding round; and

WHEREAS, the CDBG program staff will review any presented applications and proposed Projects in light of the Criteria, Guide and HUD regulations and will assure the Project is eligible for funding, are not speculative in nature, are economically sound, are ready to proceed, and requirement that at least 51% of the project beneficiaries are low and moderate income persons.

NOW, THEREFORE, BE IT RESOLVED, that the MSF allocates \$8,000,000 from the Michigan CDBG program for the purpose of funding Communities’ proposed projects related to the Infrastructure Capacity Enhancement (ICE) funding round contingent upon the MSF’s continued receipt of CDBG funds, and availability of adequate funds; and

BE IT FURTHER RESOLVED, that the MSF Board authorizes the MSF President and/or the MSF Fund Manager to approve ICE grants in accordance with the delegation of authority approved by Resolution 2014-122.

Ayes:

Nays:

Recused:

Lansing, Michigan
April 26, 2016

MEMORANDUM

Date: April 26, 2016

To: Michigan Strategic Fund Board

From: Christine Whitz, Manager, Community Development Block Grant Program

Subject: *Community Development Block Grant Program 2016 Action Plan*

Request

Michigan Economic Development Corporation (MEDC) staff recommends the Michigan Strategic Fund (MSF) authorize the Fund Manager to submit the final Community Development Block Grant (CDBG) 2016 Action Plan as part of the Consolidated Plan, in coordination with the Michigan State Housing Development Authority (MSHDA), to the U.S. Department of Housing and Urban Development (HUD) for their consideration.

Background

HUD allocates CDBG funding to the State of Michigan, through the MSF, for further distribution to eligible Units of General Local Government to carry out State approved activities.

The State of Michigan's Housing and Community Development Consolidated Plan is submitted pursuant to a HUD rule (24 CFR Part 91, 1/5/95) as a single submission covering the planning and application aspects of HUD's CDBG, Emergency Shelter Grant (ESG), HOME Investment Partnership (HOME) and Housing Opportunities for Persons with AIDS (HOPWA) formula programs. While the MSHDA submits the Consolidated Plan on the State's behalf, the MSF has authority over the attached Action Plan (Exhibit A) related to CDBG funds.

The details on the selection criteria for each program are general in the Action Plan, but are further defined in the CDBG Application Guide that was approved by the MSF, April 28, 2015. Project periods and grant amounts will be determined and tailored for each specific project proposal.

The public comment period for the Action Plan started on April 8, 2016, and will be completed on May 9, 2016. Any public comments received that would be appropriate to be implemented and would require substantial changes to the Action Plan will be brought back to the MSF Board for consideration at the May MSF meeting.

Recommendation

After reviewing the programs and regulations, staff has concluded that the programs identified are in compliance with the federal CDBG regulations, and recommends the MSF authorizes the Fund Manager to submit the final CDBG 2016 Action Plan as part of the Consolidated Plan, in coordination with the MSHDA, to HUD for their consideration.

MICHIGAN STRATEGIC FUND

RESOLUTION 2015- _____

**APPROVAL OF COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM 2016 ACTION
PLAN**

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 2015 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 2015-039;

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 MSF submitted the 2015 Consolidated Plan to HUD on or about May, 2015, and was accepted by HUD;

WHEREAS, the MSF desires to authorize the Fund Manager, in coordination with the Michigan State Housing Development Authority, to submit the final 2016 Action Plan as part of the Consolidated Plan to HUD;

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes the Fund Manager, in coordination with the Michigan State Housing Development Authority, to submit the final CDBG 2016 Action Plan, pursuant to the Consolidated Plan, to HUD. The MSF President or Fund Manager is authorized to modify the Action Plan prior to submission to HUD on the MSF’s behalf so long as the final terms and conditions are consistent with this resolution of the MSF Board and not otherwise materially adverse to the interests of the MSF.

Ayes:

Nays:

Recused:

Lansing, Michigan
April 26, 2016

FINAL DRAFT OF FY16 ACTION PLAN FOR PUBLIC COMMENT

Executive Summary

AP-05 Executive Summary - 24 CFR 91.200(c), 91.220(b)

1. Introduction

The State of Michigan's Housing and Community Development Consolidated Plan is submitted pursuant to a U.S. Department of Housing and Urban Development (HUD) rule (24 CFR Part 91, 1/5/95) as a single submission covering the planning and application aspects of HUD's Community Development Block Grant (CDBG), Emergency Solutions Grant (ESG), HOME Investment Partnership (HOME) and Housing Opportunities for Persons with AIDS (HOPWA) formula programs.

The purpose of the Action Plan is to describe programs and activities that will be undertaken in conjunction with HUD programs by the state of Michigan within the next fiscal year. Funding from these programs is awarded to the State by HUD and administered by the Michigan State Housing Development Authority, the Michigan Strategic Fund, and the Michigan Department of Health and Human Services. Each of the programs and activities that are proposed are described in detail within the following documents.

The programs and activities to be provided in FY16 address the housing and community development needs and goals identified within the State of Michigan's Consolidated Plan. The Action Plan is tied to the five-year Consolidated Plan and references strategies developed to address the following goals of the programs that it covers during the fiscal year period July 1, 2016 through June 30, 2017. These goals are to:

- Expand the availability and supply of safe, decent, affordable, and accessible rental housing for low and extremely low-income individuals and families;
- Improve and preserve the existing affordable housing stock and neighborhoods;
- Increase sustainable homeownership opportunities for individuals and families by reducing the costs of homeownership;
- Make homeless assistance more effective and responsive to local need through the use of evidence-based best practices and partnership within the continuum of care;
- Develop linkages between the housing and service sectors to provide greater housing opportunities for households with special needs;
- Establish a suitable living environment and expand economic opportunities for low and moderate-income people through economic and community infrastructure development;
- Reduce incidences of spot and/or area blight to improve safety and revitalize downtown districts;

- Respond to community's urgent needs or unique opportunities to support economic and community development; and
- Support communities and businesses in job creation and business assistance.

This consolidated submission specifies the State of Michigan's plan to use federal funds to implement housing and community development activities under four HUD-funded formula programs.

2. Summarize the objectives and outcomes identified in the Plan

Housing programs authorized through FY16 by the National Affordable Housing Act (NAHA) represent a significant source of funding through which states, like Michigan, may address their need for affordable housing.

These programs include the: Community Development Block Grant (CDBG) program; HOME investment partnership program; HOPE program; Shelter Plus Care program; Supportive Housing for the Elderly (Section 211); Emergency Solution Grants (ESG) program; Supportive Housing program; Moderate Rehabilitation Single Room Occupancy program; Housing Opportunities for Persons With AIDS (HOPWA) program; Technical Assistance; Rural Homelessness Grant program; Revitalization of Severely Distressed Public Housing program; and the Low-Income Housing Preservation program.

The state has identified job creation, job training, blight elimination, infrastructure assistance and responding to unique community development needs and opportunities as desired outcomes in the next fiscal year.

3. Evaluation of past performance

The State believes the activities and strategies funded through the Consolidated Plan are making an impact on identified needs. The demand for the programs funded under CDBG, HOME, ESG and HOPWA remain greater than the funding available. Commitment and disbursement of funds are proceeding on a timely basis. Federal funding is being used to accomplish the major goals cited in the State of Michigan Consolidated Plan. The overall goals of providing affordable housing and a suitable living environment are being accomplished with our homeowner, homebuyer, and rental housing development programs. The overall goal of expanding economic opportunities for low and moderate-income persons is being met with the CDBG economic development program. The State does not believe an adjustment to its strategies is needed at this time.

The 2016 Program Year anticipated achievements are identified within this document and the accomplishment data will be provided in the CAPER. It should also be noted that the HOPWA achievement data will be fully reported within the CAPER.

4. Summary of Citizen Participation Process and consultation process

The Michigan State Housing Development Authority (MSHDA), which is the lead agency responsible for preparing the Michigan Consolidated Plan, is soliciting comments from the public regarding the plan through multiple methods, including a formal public hearing and a 30-day public comment period. The formal public comment period, held between April 8, 2016 and May 9, 2016, covered the draft document for FY16.

5. Summary of public comments

The second comment period is currently underway. The State of Michigan actively solicits comments and feedback from the public on an ongoing basis. Our programs are all outlined on the correlating websites and staff interaction with the public occurs on an ongoing basis.

This section will be updated prior to submission.

The State of Michigan actively solicits comments and feedback from the public on an ongoing basis. Our programs are all outlined on the correlating websites and staff interaction with the public occurs on an ongoing basis.

6. Summary of comments or views not accepted and the reasons for not accepting them

MSHDA will disclose all comments received during the public comment periods. MSHDA will provide a summary of the acceptable submitted comments and applicable responses. In addition, MSHDA will indicate if any of the received comments were deemed unacceptable and if applicable provide a written explanation within the final action plan submission to HUD.

7. Summary

This section will be updated prior to submission.

The State of Michigan accepts all comments or views on an ongoing basis. For the stakeholders meetings, regional grantee meetings, and the survey responses received, programs and policies were analyzed to ensure that we are providing programs that are tied to meeting the needs of our communities from a health, safety, housing, community, and economic development perspective. For the public hearing on the Consolidated Plan will include any formal written comments.

PR-05 Lead & Responsible Agencies - 91.300(b)

1. Agency/entity responsible for preparing/administering the Consolidated Plan

The following are the agencies/entities responsible for preparing the Consolidated Plan and those responsible for administration of each grant program and funding source.

Agency Role	Name	Department/Agency
CDBG Administrator	MICHIGAN	MSF
HOPWA Administrator	MICHIGAN	MDHHS
HOME Administrator	MICHIGAN	MSHDA
ESG Administrator	MICHIGAN	MSHDA

Table 1 – Responsible Agencies

Narrative

MSHDA is responsible for the submission of the Consolidated Plan on behalf of the State of Michigan. The Michigan State Housing Development Authority encourages participation in the development of the plan, any substantial amendments to the plan, and the performance report. Participation of low and moderate-income persons is encouraged, particularly those living in slum and blighted areas and in areas where CDBG funds are proposed to be used, and by residents of predominantly low and moderate-income neighborhoods, through the following strategies:

- Public hearing announcements have been made available to interested parties at MSHDA regional workshops. Participants in the workshops include local units of government, nonprofit organizations (including homeless providers), lenders, and individuals interested in affordable housing and community development.
- A hearing is scheduled in a location accessible to low and moderate-income persons and persons with disabilities.
- Consultation sessions are scheduled, providing interested stakeholders an opportunity to give input on trend, needs, issues, and program designs.

- Citizen and local government comment on the citizen participation plan and amendments.

All public hearing announcements and comment periods specifically reference the fact that comments are requested on both the consolidated plan and the citizen participation plan. These plans will be made available in a format accessible to persons with disabilities upon request, translated upon request, and copies will be made available for free to any Michigan resident upon request.

Consolidated Plan Public Contact Information

Written comments are being accepted by mail to the attention of Tonya Young, Consolidated Plan Coordinator, MSHDA, 735 East Michigan Avenue, P.O. Box 30044, Lansing, Michigan 48909 or sent electronically via the Housing Initiatives Division's mailbox via the e-mail address: cddmailbox@michigan.gov.

AP-10 Consultation - 91.110, 91.300(b); 91.315(l)

1. Introduction

The State supports the continuum concept by providing technical assistance for the development of local continua of care and the Balance of State (BOS) continuum. Additionally, applicants for the State's Emergency Solutions Grant Program must be part of a local continuum of care to be funded.

It should be noted that the State submits a competitive application each year through the Balance of State Continuum of Care for competitive Homeless Assistance Grant (HAG) funds. These funds support the creation of new permanent supportive housing projects, as well as the ongoing operation of over 31 existing projects.

Provide a concise summary of the state's activities to enhance coordination between public and assisted housing providers and private and governmental health, mental health and service agencies

Ending homelessness in Michigan is an achievable goal through well-planned, sustained (long-term) effort, with all partners working toward this common goal. To that end, the State of Michigan created a state Interagency Council on Homelessness (ICH) in January 2015. The Michigan ICH consists of directors from the Michigan departments of Military Affairs, Health and Human Services, Education, Natural Resources, MSHDA, Corrections, Management and Budget, Courts and five members representing the general public.

In addition, Michigan is in the process of updating the state level plan to end homelessness. The state's plan is aligned with "Opening Doors", the federal strategic plan to prevent and end homelessness adopted by the United States interagency council on homelessness.

Describe coordination with the Continuum of Care and efforts to address the needs of homeless persons (particularly chronically homeless individuals and families, families with children, veterans, and unaccompanied youth) and persons at risk of homelessness

The Michigan State Housing Development Authority (MSHDA) and the Michigan Homeless Assistance Advisory Board (MHAAB) representatives work diligently to foster collaborative relationships with private and public sector stakeholder groups and to recruit key personnel from those entities to serve on the Balance of State Continuum of Care planning body. The CoC Planning Body is known as the Michigan Homeless Assistance Advisory Board (MHAAB). There are twenty regular members representing both private and public stakeholders. State officials from the Michigan Department of Education, Veteran's Affairs, and the Michigan Department of Health and Human Services participate in MHAAB and the Michigan ICH and work to meet the needs of chronically homeless, families with children, veterans, youth and survivors of domestic violence.

In addition, the Michigan ICH has a working committee consisting with staff members from the state departments listed above along with staff from the Michigan Coalition Against Homeless, the Coalition Against Homelessness, the Michigan Municipal League, Veteran's Affairs, the United Way, and the Michigan Community Action Agency.

Michigan has held many Project Homeless Connect events across the state. These events were sponsored in part by MSHDA.

Describe consultation with the Continuum(s) of Care that serves the State in determining how to allocate ESG funds, develop performance standards for and evaluate outcomes of projects and activities assisted by ESG funds, and develop funding, policies and procedures for the operation and administration of HMIS

The Balance of State Continuum sponsors the applications for funding by stakeholders in geographic locations of the State that do not apply directly to HUD for HAG funding. The MHAAB provides the leadership and decision-making body for the Balance of State Continuum of Care. It develops annual action plans, establishes funding priorities, engages local continua representatives in planning dialogue, and promotes inter-agency collaboration.

2. Agencies, groups, organizations and others who participated in the process and consultations

Table 2 – Agencies, groups, organizations who participated

1	<p>Agency/Group/Organization</p> <p>Agency/Group/Organization Type</p> <p>Housing PHA Services - Housing Services-homeless Services-Health Health Agency Child Welfare Agency Other government - Federal Other government - State Other government - County Other government - Local</p>	<p>Michigan Homeless Assistance Advisory Board (MHAAB)</p>
	<p>What section of the Plan was addressed by Consultation?</p> <p>Homeless Needs - Chronically homeless Homeless Needs - Families with children Homelessness Needs - Veterans Homelessness Needs - Unaccompanied youth Homelessness Strategy</p>	

<p>Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?</p>	<p>On behalf of the BOS, the MHAAB is responsible for applying for CoC Program funds annually during the HUD CoC Program Competition. In addition, the MHAAB oversees the HUD ESG Program funds awarded to BOS geographic areas. The Michigan State Housing Development Authority (MSHDA) and the Michigan Homeless Assistance Advisory Board (MHAAB) representatives work diligently to foster collaborative relationships with private and public sector stakeholder groups and to recruit key personnel from those entities to serve on the Balance of State Continuum of Care planning body. The CoC Planning Body is known as the Michigan Homeless Assistance Advisory Board (MHAAB). There are twenty regular members representing both private and public stakeholders. State officials from the Michigan Department of Education, Veteran Affairs, and the Michigan Department of Health and Human Services participate in MHAAB and the Michigan ICH and work to meet the needs of chronically homeless, families with children, veterans, youth and survivors of domestic violence. In addition, the Michigan ICH has a working committee consisting with staff members from the state departments listed above along with staff from the Michigan Coalition Against Homeless, the Coalition Against Homelessness, the Michigan Municipal League, Veteran Affairs, the United Way, and the Michigan Community Action Agency. Michigan has held many Project Homeless Connect events across the state. These events were sponsored in part by MSHDA.</p>
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Identify any Agency Types not consulted and provide rationale for not consulting

Not Applicable.

Other local/regional/state/federal planning efforts considered when preparing the Plan

Name of Plan	Lead Organization	How do the goals of your Strategic Plan overlap with the goals of each plan?
Continuum of Care	MSHDA	The goal of making homeless assistance more effective and responsive to local need through the use of evidence-based best practices and partnership within the continuum of care is being achieved through the process outlined in the plan.

Table 3 - Other local / regional / federal planning efforts

Narrative

AP-12 Participation - 91.115, 91.300(c)

1. Summary of citizen participation process/Efforts made to broaden citizen participation
Summarize citizen participation process and how it impacted goal-setting

Comment period is underway. This section will be updated prior to submission to HUD.

Citizen Participation Outreach

Sort Order	Mode of Outreach	Target of Outreach	Summary of response/attendance	Summary of comments received	Summary of comments not accepted and reasons	URL (if applicable)

Table 4 – Citizen Participation Outreach

Expected Resources

AP-15 Expected Resources – 91.320(c)(1,2)

Introduction

Anticipated Resources

Program	Source of Funds	Uses of Funds	Expected Amount Available Year 2				Narrative Description
			Annual Allocation: \$	Program Income: \$	Prior Year Resources: \$	Total: \$	
CDBG	public - federal	Acquisition Admin and Planning Economic Development Housing Public Improvements Public Services	30,766,406	2,350,000	0	33,116,406	Program Income amounts are estimates and include state held, locally held and revolving loan funds. Required matching funds will be supplied by the State. CDBG works to leverage both private investment and local match by including those criteria in the application guide.
						97,437,098	

Program	Source of Funds	Uses of Funds	Expected Amount Available Year 2				Expected Amount Available Remainder of ConPlan \$	Narrative Description
			Annual Allocation: \$	Program Income: \$	Prior Year Resources: \$	Total: \$		
HOME	public - federal	Acquisition Homebuyer assistance Homeowner rehab Multifamily rental new construction Multifamily rental rehab New construction for ownership TBRA - * See Discussion Note	12,234,184	2,000,000	0	14,234,184	42,427,691	All allocated funds and program income will be awarded through MSHDA programs.
HOPWA	public - federal	Permanent housing in facilities Permanent housing placement Short term or transitional housing facilities STRMU Supportive services TBRA	1,091,421	0	0	1,091,421	4,265,899	All allocated funds will be awarded during FY16.

Program	Source of Funds	Uses of Funds	Expected Amount Available Year 2				Narrative Description	
			Annual Allocation: \$	Program Income: \$	Prior Year Resources: \$	Total: \$		
ESG	public - federal	Conversion and rehab for transitional housing Financial Assistance Overnight shelter Rapid re-housing (rental assistance) Rental Assistance Services Homeless Prevention Financial Assistance Case Management Administrative Funds Transitional housing **See Discussion Note	4,852,422	0	0	4,852,422	14,064,126	All allocated funds will be awarded during FY16.

Table 5 - Expected Resources – Priority Table

Explain how federal funds will leverage those additional resources (private, state and local funds), including a description of how matching requirements will be satisfied

For MSHDA HOME projects, local administrators are encouraged to leverage funds from other housing programs, such as federal weatherization funding, Rural Development, and MSHDA PIP, as well as to provide in-kind services and local housing funding. Leveraging targets and results will be a factor in determining funding awards.

For CDBG grants matching and private investment are often required. The MSF's current goal is to have more than \$200 million in private investment associated with CDBG projects each year.

If appropriate, describe publically owned land or property located within the jurisdiction that may be used to address the needs identified in the plan

CDBG funds may be used for publicly held property. This is most likely in cases of infrastructure projects like streetscapes, parks, trails, public restrooms, parking facilities, and other infrastructure. Grant or loan-funded projects could also take place on publically owned land or property in the case of blight elimination on property held by a community.

Discussion

*Note: Due to decreases in Michigan's HOME allocation, MSHDA has determined that using these funds for the development of additional affordable rental units across the state would produce a larger, more permanent public benefit. Therefore, no funds are being allocated to Tenant Based Rental Assistance (TBRA) at this time.

**Note: The use of funds in ESG by MSHDA is identified as: Financial Assistance; Overnight Shelter; Rapid re-housing (rental assistance); Homeless Prevention Financial Assistance; Case Management; and Administrative funding. Therefore, no funds are being allocated to activities of: Conversion and rehab for transitional housing; Rental Assistance Services, and/or Transitional Housing at this time.

Annual Goals and Objectives

AP-20 Annual Goals and Objectives – 91.320(c)(3)&(e)

Goals Summary Information

Sort Order	Goal Name	Start Year	End Year	Category	Geographic Area	Needs Addressed	Funding	Goal Outcome Indicator
1	MSHDA HOME Rental	2015	2019	Affordable Housing	Statewide Distribution	Low to Moderate Income Households (LMMI)	HOME: \$9,175,638	Rental units constructed: 79 Household Housing Unit Rental units rehabilitated: 600 Household Housing Unit
2A	MSF CDBG Housing Activities	2015	2019	Affordable Housing	Statewide Distribution	Low to Moderate Income Households (LMMI)	CDBG: \$3,202,291	Rental units rehabilitated: 65 Household Housing Unit
2B	MSHDA HOME	2015	2019	Affordable Housing	Statewide Distribution	Low to Moderate Income Households (LMMI)	HOME: \$1,835,128	Homeowner Housing Rehabilitated: 10 Household Housing Unit
3	HOME DPA	2015	2019	Affordable Housing	Statewide Distribution	Low to Moderate Income Households (LMMI)	HOME: \$1,223,418	Direct Financial Assistance to Homebuyers: 90 Households Assisted

Sort Order	Goal Name	Start Year	End Year	Category	Geographic Area	Needs Addressed	Funding	Goal Outcome Indicator
4	ESG	2015	2019	Homeless	Statewide Distribution	Coordination of Care	ESG: \$4,852,422	Tenant-based rental assistance / Rapid Rehousing: 200 Households Assisted Homelessness Prevention: 350 Persons Households Assisted
5	HOPWA	2015	2019	Non-Homeless Special Needs	Statewide Distribution	Health Care Services to residents statewide	HOPWA: \$1,071,464	Tenant-based rental assistance / Rapid Rehousing: 100 Households Assisted Housing for People with HIV/AIDS added: 106 Household Housing Unit HIV/AIDS Housing Operations: 44 Household Housing Unit
6	Economic Development Jobs - MSF CDBG	2015	2019	Non-Housing Community Development	Statewide Distribution	Area Benefit Projects in LMI Areas Job Creation Urgent Need	CDBG: \$12,168,707	Jobs created/retained: 400 Jobs
7	Community Development Jobs - MSF CDBG	2015	2019	Non-Housing Community Development	Statewide Distribution	Job Creation	CDBG: \$2,882,062	Businesses assisted: 20 Businesses Assisted

Sort Order	Goal Name	Start Year	End Year	Category	Geographic Area	Needs Addressed	Funding	Goal Outcome Indicator
8	Community Dev. Infrastructure & Facades - MSF CDBG	2015	2019	Non-Housing Community Development	Statewide Distribution	Area Benefit Projects in LMI Areas	CDBG: \$8,005,728	Businesses assisted: 10 Businesses Assisted Other: 20,000 Other Households
9	Blight Elimination - MSF CDBG	2015	2019	Non-Housing Community Development	Statewide Distribution	Elimination of Blight	CDBG: \$5,866,244	Businesses assisted: 10 Businesses Assisted

Table 6 – Goals Summary

Goal Descriptions

1	Goal Name	MSHDA HOME Rental
	Goal Description	Expand the availability and supply of safe, decent, affordable, and accessible rental housing for low and extremely low-income households.
2A	Goal Name	MSF CDBG Housing Activities
	Goal Description	MSF CDBG housing funds provide Rental Rehabilitation, Homeowner Rehabilitation and Emergency Repair assistance. These programs support safe, decent affordable housing by making funds available for rental rehabilitation, homeowner rehabilitation and emergency repair projects. The main focus in 2016 will be on rental rehabilitation projects in traditional downtowns. These projects can be funded as a grant award from a current CDBG program year, program income, or as a loan from the CDBG Revolving Loan Funds (RLFs) or 105(a)15 loans. The estimated dollar amounts in AP-20 table above includes local administration associated with these grants.
2B	Goal Name	MSHDA HOME Housing Activities

	Goal Description	MSHDA HOME housing funds provide Homeowner and/or Homebuyer assistance in priority areas based on program criteria.
3	Goal Name	HOME DPA
	Goal Description	Down payment assistance to LMIML households.
4	Goal Name	ESG
	Goal Description	MSHDA aims to have 200-250 homeless households served with rapid rehousing rental assistance and 350-450 households served with Prevention financial assistance. Thousands will be served with case management and coordinated entry will be used by all CoCs to assess each family's needs and determine the appropriate housing intervention.
5	Goal Name	HOPWA
	Goal Description	

6	<p>Goal Name</p> <p>Goal Description</p>	<p>Economic Development Jobs - MSF CDBG</p> <p>Economic Development Job Creation – Assistance to Businesses</p> <p>Supports communities seeking to provide necessary public infrastructure and private industry support to induce job creation. Eligible under this activity would be assistance to private, for-profit entities as identified in Section 105(a) (17) of Title I of the Housing and Community Development Act of 1974, as amended. Activities eligible for direct assistance to private and for-profit businesses include, but are not limited to: machinery and equipment, façade improvement, building rehabilitation, signature building acquisition, job training, rail enhancement and equipment, small business expansion, working capital, and utility/pipeline projects. These projects can be funded as a grant award from current program year CDBG funds, program income or as a loan from the CDBG Revolving Loan Fund (RLF) or 105(a)15 loans. The estimated dollar amounts in AP-20 table above include local administration associated with these grants.</p> <p>The state expects to dedicate approximately \$12,168,707 to meeting this goal, subject to the results of the method of distribution. This number is an estimate only.</p>
7	<p>Goal Name</p> <p>Goal Description</p>	<p>Community Development Jobs - MSF CDBG</p> <p>Community Development Job Creation – Assistance to Businesses</p> <p>Direct assistance to businesses provides grants or loans to create and retain jobs in Michigan and help create vibrant communities. These grants are provided to jumpstart growth of existing and development of new businesses, create jobs and support an entrepreneurial environment. These projects include primarily: Building Improvements and Acquisition. They qualify based on job creation. These projects can be funded as a grant award from current program year CDBG funds, program income or as a loan from the CDBG Revolving Loan Funds (RLF) or 105(a)15 loans. The estimated dollar amounts in AP-20 table above include local administration associated with these grants.</p> <p>The state expects to dedicate \$2,882,062 to meeting this goal, subject to the results of the method of distribution. This number is an estimate.</p>

8	<table border="1"> <tr> <td data-bbox="245 189 298 1906"> <p>Goal Name</p> </td> <td data-bbox="298 189 971 1906"> <p>Community Dev. Infrastructure & Facades - MSF CDBG</p> </td> </tr> <tr> <td data-bbox="245 317 298 1906"> <p>Goal Description</p> </td> <td data-bbox="298 317 971 1906"> <p>Community Development Assistance to Communities - Infrastructure & Facades</p> <p>This is financial assistance provided to communities qualifying under Low-Mod area benefit. The project types under this objective include Building Improvement, Infrastructure, and Planning. Infrastructure grants are available to help UGLs upgrade existing public infrastructure systems either by replacing deteriorating, obsolete systems or by adding capacity to existing public infrastructure services in need of upgrade. UGLs may also request grants to provide public infrastructure improvements necessary for the location, expansion, and/or retention of a specific for-profit business. Public infrastructure includes items located on public property, such as: parking facilities, farmer's markets, streetscape, public water or sanitary sewer lines and related facilities, streets, roads, bridges, privately owned utilities, and publically owned utilities. Eligible under this activity would be public facilities and improvements and privately owned utilities, as identified in Section 105(a) (2) of Title I of the Housing and Community Development Act of 1974, as amended. These projects can be funded as a grant award from current program year CDBG funds or as a loan from the CDBG Revolving Loan Funds (RLF) or 105(a)15 loans.</p> <p>The state expects to dedicate approximately \$8,005,728 to meeting this goal, subject to the results of the method of distribution. This number is an estimate only.</p> </td> </tr> </table>	<p>Goal Name</p>	<p>Community Dev. Infrastructure & Facades - MSF CDBG</p>	<p>Goal Description</p>	<p>Community Development Assistance to Communities - Infrastructure & Facades</p> <p>This is financial assistance provided to communities qualifying under Low-Mod area benefit. The project types under this objective include Building Improvement, Infrastructure, and Planning. Infrastructure grants are available to help UGLs upgrade existing public infrastructure systems either by replacing deteriorating, obsolete systems or by adding capacity to existing public infrastructure services in need of upgrade. UGLs may also request grants to provide public infrastructure improvements necessary for the location, expansion, and/or retention of a specific for-profit business. Public infrastructure includes items located on public property, such as: parking facilities, farmer's markets, streetscape, public water or sanitary sewer lines and related facilities, streets, roads, bridges, privately owned utilities, and publically owned utilities. Eligible under this activity would be public facilities and improvements and privately owned utilities, as identified in Section 105(a) (2) of Title I of the Housing and Community Development Act of 1974, as amended. These projects can be funded as a grant award from current program year CDBG funds or as a loan from the CDBG Revolving Loan Funds (RLF) or 105(a)15 loans.</p> <p>The state expects to dedicate approximately \$8,005,728 to meeting this goal, subject to the results of the method of distribution. This number is an estimate only.</p>
<p>Goal Name</p>	<p>Community Dev. Infrastructure & Facades - MSF CDBG</p>				
<p>Goal Description</p>	<p>Community Development Assistance to Communities - Infrastructure & Facades</p> <p>This is financial assistance provided to communities qualifying under Low-Mod area benefit. The project types under this objective include Building Improvement, Infrastructure, and Planning. Infrastructure grants are available to help UGLs upgrade existing public infrastructure systems either by replacing deteriorating, obsolete systems or by adding capacity to existing public infrastructure services in need of upgrade. UGLs may also request grants to provide public infrastructure improvements necessary for the location, expansion, and/or retention of a specific for-profit business. Public infrastructure includes items located on public property, such as: parking facilities, farmer's markets, streetscape, public water or sanitary sewer lines and related facilities, streets, roads, bridges, privately owned utilities, and publically owned utilities. Eligible under this activity would be public facilities and improvements and privately owned utilities, as identified in Section 105(a) (2) of Title I of the Housing and Community Development Act of 1974, as amended. These projects can be funded as a grant award from current program year CDBG funds or as a loan from the CDBG Revolving Loan Funds (RLF) or 105(a)15 loans.</p> <p>The state expects to dedicate approximately \$8,005,728 to meeting this goal, subject to the results of the method of distribution. This number is an estimate only.</p>				

9	Blight Elimination - MSF CDBG	<p>Goal Name</p>
	<p>Elimination of Blight</p>	<p>Goal Description</p>
<p>This program is designed to provide assistance to communities in eliminating spot blight and increase the safety to its residents and improvement to downtown districts. Priority will be given to buildings that pose a threat to public health. The Michigan CDBG Program for blight elimination is allowable anywhere within the UGLG that is designated a slum or blighted area (spot or area wide). Eligible under this activity would be property acquisition, clearance/demolition, historic preservation, and building rehabilitation (only to the extent necessary to eliminate specific conditions detrimental to public health and safety), as identified in Section 105(a) of Title I of the Housing and Community Development Act of 1974, as amended. These projects can be funded as a grant award from current program year CDBG funds, program income or as a loan from the CDBG Revolving Loan Funds (RLF) or 105(a)15 loans. The estimated dollar amounts in AP-20 table above include local administration associated with these grants.</p> <p>The state expects to dedicate approximately \$5,764,124 to meeting this goal, subject to the results of the method of distribution. This number is an estimate only.</p>		

Table 7 – Goal Descriptions

AP-25 Allocation Priorities – 91.320(d)

Introduction

Below is the allocation percentages outlined within each program. These percentages are best estimates and actual percentages allocated to each priority may fluctuate based on the needs that arise throughout the program year. Any variance within 35% of the original amount allocated will be considered standard and not require an amendment of this plan.

Funding Allocation Priorities

	MSHDA HOME Rental (%)	MSHDA HOME and MSF CDBG Housing Activities (%)	HOME DPA (%)	ESG (%)	HOPWA (%)	Economic Development Jobs - MSF CDBG (%)	Community Development Jobs - MSF CDBG (%)	Community Dev. Infrastructure & Facades - MSF CDBG (%)	Blight Elimination - MSF CDBG (%)	Total (%)
CDBG	0	10	0	0	0	38	9	25	18	100
HOME	75	15	10	0	0	0	0	0	0	100
HOPWA	0	0	0	0	100	0	0	0	0	100
ESG	0	0	0	100	0	0	0	0	0	100

Table 8 – Funding Allocation Priorities

Reason for Allocation Priorities

The majority of the HOME allocation is dedicated to multi-family rental projects. The allocation is primarily used to expand the availability and supply of safe, decent, affordable and accessible rental housing for low and extremely low-income households. In addition, a portion of the allocation is used to provide for single-family homeowner, homebuyer and/or down payment assistance to low and moderate income households below 80% AMI.

The MSF and the MEDC have key results that are considered when evaluating projects. Those key results are increased private investment, job creation, higher wages, square footage improved, supporting safe and affordable housing and location impact. These factors are considered when evaluating CDBG projects depending on if the goal is business or community development. All projects are required to meet a national

objective. Funding priorities may shift, based on project readiness, and the percentages above and dollar amounts in SP-45 for CDBG are estimates, and may fluctuate within 25% of the original established amounts.

How will the proposed distribution of funds will address the priority needs and specific objectives described in the Consolidated Plan?

The needs outlined within the Consolidated Plan indicated that households below 80% AMI are in need of affordable rental units. This distribution formula will address their need by providing additional affordable rental units.

The distribution of CDBG funds reflects the need for job creation, infrastructure improvements, safe and affordable housing and blight elimination. CDBG urgent need projects are not assigned funding in this action plan, as there is no way to foresee the use of urgent need funds, but these funds may be used if a need arises. Many job creation projects are grants for job training. The needs assessment shows that one of the ways that individuals move from low to middle skill jobs is by attaining on the job training.

AP-30 Methods of Distribution – 91.320(d)&(k)

Introduction

Distribution Methods

Table 9 - Distribution Methods by State Program

1	<p>State Program Name:</p>	<p>Housing and Community Development Programs</p>
	<p>Funding Sources:</p>	<p>CDBG HOPWA HOME ESG</p>
	<p>Describe the state program addressed by the Method of Distribution.</p>	<p>The State uses a combination of methods for distributing funds that are described in more detail within the specific CDBG, HOME, ESG and HOPWA sections below. Methods of distribution may include: competitive awards, need based awards, direct funded awards based on an RFP evaluation, NOFA(s) issued based on funding levels, and on-going open application windows per program parameters.</p>
	<p>Describe all of the criteria that will be used to select applications and the relative importance of these criteria.</p>	<p>Applicant criteria is outlined within each program's detailed section below.</p>

<p>If only summary criteria were described, how can potential applicants access application manuals or other state publications describing the application criteria? (CDBG only)</p>	<p>MSF CDBG Process:</p> <p>Proposals are considered on a continuous basis for most programs. CDBG funds for economic and community development activities, administered by the MSF have detailed <u>guidelines</u> in the Application Guide, which is available to the public at: http://www.michiganbusiness.org/community/development-assistance/#CDBG.</p> <p>Applications for competitive allocations will be preceded with public announcements and notifications, when possible, to potential applicants and will identify specific selection criteria that are outlined in the MSF-approved Application Guide. The Application Guide also outlines the selection criteria for non-competitive grants and is available online.</p> <p>The remaining 2015 and later awards for housing grants will be administered by the MSF which may utilize rounds, but generally funds projects on an ongoing basis.</p>
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<p>Describe the process for awarding funds to state recipients and how the state will make its allocation available to units of general local government, and non-profit organizations, including community and faith-based organizations. (ESG only)</p>	<p>MSHDA will publish and distribute a Notice of Funding Availability (NOFA) statewide, which describes the allocation process through which ESG funds may be awarded. Eligible CoCs will have to submit an Exhibit 1, CoC Update, and be in good standing with MSHDA to receive these funds. Funds will be awarded to the HARA who is recommended by the CoC Body via completion of Exhibit 1. Exhibit 1, CoC Annual Planning Update contains the following information:</p> <ul style="list-style-type: none"> • The community's four key stakeholders; • List of all current funding sources in the community available for housing and prevention services to the homeless; • Diagram showing the Community's Service Delivery System; • Description of CoC oversight and evaluation of activities and outcomes of the HARA to ensure agencies are performing satisfactorily and are effectively addressing the needs in the community; • CoC process for building public support and political will for ending homelessness with city and county officials, businesses, and school liaisons; and • Breakdown of ESG allocated amounts and populations to be targeted. <p>Funds are awarded to the HARA are based upon prior applicant performance, applicant capacity, eligibility of project activities, and consistency with the criteria and standards discussed in the NOFA. MSHDA will be receiving its FY16 allocation of \$4,697,475, plus Dearborn's \$154,947, for a total of \$4,852,422. The additional \$154,947 will be awarded to a Wayne County HARA and administered within the Out-Wayne County CoC area.</p>
<p>Identify the method of selecting project sponsors (including providing full access to grassroots faith-based and other community-based organizations). (HOPWA only)</p>	<p>MDHHS contracts with seven Project Sponsors from the seven state regions that serve all areas of the state, except the Detroit EMSA (Wayne County) and the Warren EMSA (Lapeer, Livingston, Macomb, Monroe, Oakland, and St. Clair counties). The Project Sponsors include 1 Health Department, 1 Hospital, and 5 nonprofit agencies. All Sponsors provide tenant-based rental assistance (TBRA), short-term rent, mortgage and utility assistance (STRMU), housing information services, resource identification, permanent housing placement and supportive services (mainly housing case management).</p>

<p>Describe how resources will be allocated among funding categories.</p>	<p>Program guidelines are used to identify the methodology of applying for funding. Funding allocations are determined in each program's action plan. The dollar amounts and percentages in the action plan are estimates and variation is expected.</p>
<p>Describe threshold factors and grant size limits.</p>	<p>All program criteria, including threshold factors and grant size limits, are identified within each program's action plan.</p> <p>For MSF CDBG projects, the screening guidelines in the Application Guide are considered to be thresholds that must be met or exceeded for a particular project to receive funding. If thresholds are met by a proposed project, a positive funding decision may be made depending on the availability of funds, quality of jobs, project sustainability and compliance with all other program requirements. The selection criteria are used to weigh the viable aspects of projects when a competitive award is to be determined. Administration and compliance of current and previous grant awards will be considered during funding evaluation. Multiyear or multiphase projects may be given first priority for funding if they have complied with the terms of their initial grant award.</p>

	<p>What are the outcome measures expected as a result of the method of distribution?</p>	<p>Outcome measures are identified within the Annual Goals and Objectives section of this report (AP-20). The objectives and outcomes for the programs funded under the 2016 Consolidated Plan formula funding are identified in this plan and outcomes will be provided as part of the CAPER submission.</p>
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Discussion

AP-35 Projects – (Optional)

Introduction: CDBG Only

CDBG grants are grouped at the “project” level in IDIS according to categories outlined in the Method of Distribution.

#	Project Name
1	2016 State Administration and Technical Assistance
2	2016 CDBG Housing Projects
3	2016 CDBG Loan and RLF Projects
4	2016 CDBG Business Development Grants
5	2016 CDBG Community Development Grants

Table 10 – Project Information

Describe the reasons for allocation priorities and any obstacles to addressing underserved needs

HUD requires the State to identify any obstacles to addressing underserved needs. The main obstacle is the lack of state, federal, and private resources to address the level of need identified in the State’s 2015 Consolidated Plan Housing and Homeless Needs Assessment.

AP-38 Project Summary

Project Summary Information – CDBG Only

Table 11 – Project Summary

1	Project Name	2016 State Administration and Technical Assistance
	Target Area	
	Goals Supported	MSF CDBG Housing Activities Economic Development Jobs - MSF CDBG Community Development Jobs - MSF CDBG Community Dev. Infrastructure & Facades - MSF CDBG Blight Elimination - MSF CDBG
	Needs Addressed	Low to Moderate Income Households (LMMI) Area Benefit Projects in LMI Areas Job Creation Urgent Need Elimination of Blight
	Funding	CDBG: \$1,093,492.18
	Description	2016 state level funds for administration and technical assistance.
	Target Date	6/30/2020
	Estimate the number and type of families that will benefit from the proposed activities	n/a - This project is for state admin & ta only, not direct benefit to families.
	Location Description	State employee admin and TA
	Planned Activities	Two Activities are planned. One for State Administration and one for State Technical Assistance.
	2A	Project Name
Target Area		
Goals Supported		MSF CDBG Housing Activities
Needs Addressed		Low to Moderate Income Households (LMMI)
Funding		CDBG: \$3,202,291
Description		Project to track all 2016 CDBG housing projects granted from the MSF.
Target Date		6/30/2020

	Estimate the number and type of families that will benefit from the proposed activities	65 low to moderate income families
	Location Description	Statewide in non-entitlement areas.
	Planned Activities	Project Activities will be identified and established as funds are granted out. Each Project corresponds to the Method of Distribution allowing the information to be easily summarized.
3	Project Name	2016 CDBG Loan and RLF Projects
	Target Area	
	Goals Supported	Economic Development Jobs - MSF CDBG Community Development Jobs - MSF CDBG Community Dev. Infrastructure & Facades - MSF CDBG Blight Elimination - MSF CDBG MSHDA HOME and MSF CDBG Housing Activities – MSF CDBG
	Needs Addressed	Area Benefit Projects in LMI Areas Job Creation Elimination of Blight Low to Moderate Income Housing (LMMI)
	Funding	CDBG: \$1,500,000
	Description	This project will contain all the activities associated and generate by the CDBG Loan Fund through the 105(a)15 fund managers or local RLFs.
	Target Date	6/30/2020
	Estimate the number and type of families that will benefit from the proposed activities	30 families.
	Location Description	Statewide in non-entitlement areas.
	Planned Activities	Project Activities will be identified and established as funds are granted out. Each Project corresponds to the Method of Distribution allowing the information to be easily summarized.
4	Project Name	2016 CDBG Business Development Grants
	Target Area	

	Goals Supported	Economic Development Jobs - MSF CDBG
	Needs Addressed	Area Benefit Projects in LMI Areas Job Creation Elimination of Blight Planning
	Funding	CDBG: \$12,168,707
	Description	This project is used primarily to track projects generating with the business development team and that are primarily job creation related.
	Target Date	6/30/20
	Estimate the number and type of families that will benefit from the proposed activities	This project is expected to impact up to 150 low and moderate income families.
	Location Description	Statewide in non-entitlement areas.
	Planned Activities	Project Activities will be identified and established as funds are granted out. Each Project corresponds to the Method of Distribution allowing the information to be easily summarized.
5	Project Name	2016 CDBG Community Development Grants
	Target Area	
	Goals Supported	Community Dev. Infrastructure & Facades - MSF CDBG Blight Elimination - MSF CDBG
	Needs Addressed	Area Benefit Projects in LMI Areas Job Creation Elimination of Blight LMH Housing
	Funding	CDBG: \$8,005,728
	Description	This project will generally hold grant projects generated by the CATeam and used for community assistance.
	Target Date	
	Estimate the number and type of families that will benefit from the proposed activities	Community wide infrastructure will benefit many families, but it is very challenging to estimate.
	Location Description	Statewide in non-entitlement areas.

	Planned Activities	Project Activities will be identified and established as funds are granted out. Each Project corresponds to the Method of Distribution allowing the information to be easily summarized.
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AP-40 Section 108 Loan Guarantee – 91.320(k)(1)(ii)

Will the state help non-entitlement units of general local government to apply for Section 108 loan funds?

No

Available Grant Amounts

Not Applicable.

Acceptance process of applications

Not Applicable.

AP-45 Community Revitalization Strategies – 91.320(k)(1)(ii)

Will the state allow units of general local government to carry out community revitalization strategies?

No

State's Process and Criteria for approving local government revitalization strategies

The State of Michigan does not formally run and oversee a community revitalization strategy in the sense of the program outlined in 24 CFR 91.320. However there are policies and programs in place that are very similar in intent. This includes some additional consideration given to projects that participate in our state's Redevelopment Ready Communities (RRC) program, Michigan Main Street program and the Rising Tide Program. In addition, the state maintains a team of people who work directly with communities to identify CDBG and other community projects. Michigan's policy for regional and local community development is organized on a "place"-based philosophy, known as "placemaking". Placemaking's contribution to the State Economic Growth strategy is to demonstrate and promote the locational setting(s) for targeting sustained economic, social, and ecological vibrancy. The State economy consists of economic regions comprised of places ranging from natural to urban, cities and urban places are the key locations for prosperity because they provide the best proximity to knowledge and capital resources. Research data shows that investments in urban places have the best economic, social, and ecological return. A wider range of choice in housing, employment and transportation, combined with mixing buildings, uses, incomes – known as the "form" of places -- is a critical element in determining its success in attracting talent with subsequent entrepreneurial activity benefit, as well as providing the highest opportunity for low/mod income households to benefit across most, if not all economic and social measures. The State has implemented steps to structure its process for investment into vibrant places which sustains long-term economic, social, and ecological prosperity: 1. Raise awareness that long-term, sustainable prosperity is place-based and placemaking is linked to economic development to achieve success; 2. Provide a platform for developing knowledge and practice of the Place-Based Economic Development; 3. Develop and promote place-based investment strategies and projects; and 4. Institutionalize place-based economic development as a principal State policy. These process steps, and the principles underlying them, have been recognized by the HUD Office of Resilience (formerly Sustainable Communities) as a state-level equivalent of the federal Livability principles established by Federal E.O. 13514 & Executive Memorandum 10-21. Previously the State has required local units to demonstrate their revitalization strategies were principal elements contained within their community master plans as prerequisite for use of CDBG funds. In 2012 this standard was enhanced with a "Redevelopment Readiness" analysis/review/certification program. Communities who receive certification from the State are now placed at priority status for State project investments from resources including the Michigan Small Cities CDBG program. Michigan has created the MI-place Partnership Initiative, a State/partner collaborative effort to help communities and neighborhoods develop and implement place-based planning, programming, and development strategies and projects. This has induced several state departments to

work together to align and reshape existing programs for housing, economic development, transportation, brownfield redevelopment, environmental best practices, greenspace, and local food systems toward a targeted, place-based investment system. Partners joined in this effort include state agencies, a Sense of Place Council, regional organizations, state associations, and local units. The State has developed progress metrics for achieving the above steps via a cross-agency/discipline team.

AP-50 Geographic Distribution – 91.320(f)

Description of the geographic areas of the state (including areas of low-income and minority concentration) where assistance will be directed

The State has been broken down into prosperity regions. In general, the State distributes the formula funds through a competitive process and cannot predict the ultimate geographic distribution of the assistance. The method of distribution for the Emergency Solutions Grant Program is based on allocation to geographic areas. The CDBG program distributes funds in non-entitlement communities throughout the State.

Geographic Distribution

Target Area	Percentage of Funds
Statewide Distribution	100

Table 12 - Geographic Distribution

Rationale for the priorities for allocating investments geographically

The rationale for the priorities of each funding source allocation is more fully described in each program's guidelines.

Discussion

Affordable Housing

AP-55 Affordable Housing – 24 CFR 91.320(g)

Introduction

One Year Goals for the Number of Households to be Supported	
Homeless	
Non-Homeless	206
Special-Needs	250
Total	456

Table 13 - One Year Goals for Affordable Housing by Support Requirement

One Year Goals for the Number of Households Supported Through	
Rental Assistance	0
The Production of New Units	104
Rehab of Existing Units	700
Acquisition of Existing Units	0
Total	804

Table 14 - One Year Goals for Affordable Housing by Support Type

Discussion

Michigan will use funds for 'Acquisition of Existing Units', however all acquired units will be produced or rehabilitated, so this field was left blank so as not to duplicate the unit count.

AP-60 Public Housing - 24 CFR 91.320(j)

Introduction

The State does not own or operate public housing in Michigan; consequently, no initiatives are planned in this area.

Actions planned during the next year to address the needs to public housing

Not applicable.

Actions to encourage public housing residents to become more involved in management and participate in homeownership

Not applicable.

If the PHA is designated as troubled, describe the manner in which financial assistance will be provided or other assistance

Not applicable.

Discussion

AP-65 Homeless and Other Special Needs Activities – 91.320(h)

Introduction

Describe the jurisdictions one-year goals and actions for reducing and ending homelessness including

Reaching out to homeless persons (especially unsheltered persons) and assessing their individual needs

MSHDA's Chief Housing Solutions Officer chairs the Michigan Interagency Council on Homelessness (MI ICH). This council consists of leaders from seven other state agencies and four other interested parties. In addition, a team of state and non-profit leaders meet monthly to further develop and strengthen the Campaign to End Homelessness in Michigan. The Campaign began in 2006 and several pilot programs and initiatives were developed, many of which have become common practice in the day-to-day work of ending homelessness. The Campaign also has four on-going statewide workgroup that address housing, communications, technology, and training needed to further our goal of ending homelessness.

Addressing the emergency shelter and transitional housing needs of homeless persons

Through the Emergency Solutions Grant Program (ESG) and the PATH Program CoC's provide outreach to people living on the streets and in shelters. Through a MSHDA grant to the Michigan Coalition Against Homelessness (MCAH), Continua of Care hold Project Homeless Connect events to provide housing outreach to people living in homelessness, food, haircuts, dental work, etc. MSHDA also provides media/awareness and training on conducting a Point in Time account.

Helping homeless persons (especially chronically homeless individuals and families, families with children, veterans and their families, and unaccompanied youth) make the transition to permanent housing and independent living, including shortening the period of time that individuals and families experience homelessness, facilitating access for homeless individuals and families to affordable housing units, and preventing individuals and families who were recently homeless from becoming homeless again

MSHDA's ESG follow the HUD HEARTH regulations in making maximum amounts of ESG available to CoC Bodies to provide to shelters. MSHDA provides an Domestic Violence (DV) grant to the Michigan Department of Health and Human Services (MDHHS). These funds are awarded to DV shelters statewide. MSHDA works closely with the MDHHS who has contracts with the Salvation Army to provide hotel/motel rooms when shelters are full. CoCs use a state-wide common assessment and prioritization tool to ensure resources are used efficiently and households are provided the most appropriate housing

intervention.

Helping low-income individuals and families avoid becoming homeless, especially extremely low-income individuals and families and those who are: being discharged from publicly funded institutions and systems of care (such as health care facilities, mental health facilities, foster care and other youth facilities, and corrections programs and institutions); or, receiving assistance from public or private agencies that address housing, health, social services, employment, education, or youth needs

MSHDA has aligned our 10-Year Plan with HUD's. In working to end homelessness, MSHDA preferences all of our Housing Choice Vouchers (approximately 28,000+) to people who are living in homelessness, i.e., people on the homeless preference waiting list are given a voucher before people on the regular (non-homeless preference) waiting list. Through the federal Low Income Housing Tax Credit (LIHTC) Program MSHDA creates housing for all homeless populations. In 2015, MSHDA provided a dollar-for-dollar match to HUD's ESG funding. In addition, MSHDA mandates that CoC use a percentage of their ESG for rapid re-housing. MSHDA works to keep ESG case management costs reasonable thereby enabling ESG dollars to reach the public in the form of prevention and rapid re-housing.

Discussion

AP-70 HOPWA Goals – 91.320(k)(4)

One year goals for the number of households to be provided housing through the use of HOPWA for:	
Short-term rent, mortgage, and utility assistance to prevent homelessness of the individual or family	106
Tenant-based rental assistance	100
Units provided in permanent housing facilities developed, leased, or operated with HOPWA funds	44
Units provided in transitional short-term housing facilities developed, leased, or operated with HOPWA funds	0
Total	250

AP-75 Barriers to affordable housing – 91.320(i)

Introduction

The State created the Interagency Partnership Team as a means to target and coordinate the funding decisions of the State agencies to enhance community and housing development. State field staff serve as liaisons between local applicants and State departments to streamline and facilitate development approvals.

The housing data within this Consolidated Plan, demonstrates the tremendous number of Michigan households with unmet housing needs. The housing needs of very low, low and moderate income levels are widespread. The scarcity of affordable housing impacts the State as a whole from a geographical (urban, suburban, and rural) distribution/availability perspective which impacts all current and/or incoming residents.

Actions it planned to remove or ameliorate the negative effects of public policies that serve as barriers to affordable housing such as land use controls, tax policies affecting land, zoning ordinances, building codes, fees and charges, growth limitations, and policies affecting the return on residential investment

The barriers to affordable housing are as multi-faceted as the State's population. Some of the major barriers facing affordable housing include: aging and insufficient infrastructure, a lack of regional housing strategy, negative public perception of affordable housing, and high project costs with limited rates of return. Local opposition to affordable housing sometimes makes it difficult and expensive to construct or renovate units, and undermines efforts to win political support for funding, zoning, and project approval. Some potential solutions that have been examined include: the creation of new funding sources (or at least maintaining current funding levels if possible on the programs already in existence), changes in zoning to allow for flexibility and density, rent control, tax credit financing, action plans for underutilized properties, and the use key resources such as nonprofit organizations. Housing is a universal need for a community, at all income levels, and its availability and sustainability is key to preserving the quality of life and making sure that the "live, work and play" placemaking component is maintained.

Discussion

AP-85 Other Actions – 91.320(j)

Introduction

Actions planned to address obstacles to meeting underserved needs

MSHDA has issued a Request for Proposals to update the Analysis of Impediments to Fair Housing Choice in Michigan's CDBG non-entitled communities. Once the new data is available, we will analyze our programs and policies to make sure they are aligned with meeting the underserved needs identified within the plan.

Actions planned to foster and maintain affordable housing

The State of Michigan continues to struggle with federal budget cuts that have a trickle-down impact on all of our programs. As a result of limited resources, our agencies are having to continually streamline our programs and make targeted, strategic, funding decisions to enable our agencies to continue to provide affordable housing assistance. Competition for our available funds, the tremendous need, and our limited resources make this task extremely difficult.

Actions planned to reduce lead-based paint hazards

Funding is allocated to reduce lead-based paint hazards in the assisted homes and/or units. Additional attention is being given to align our services with those of other State agencies. Training opportunities for current, and to develop additional, lead-based paint certified contractors is ongoing and an important priority for MSHDA.

Actions planned to reduce the number of poverty-level families

The State programs are designed to provide affordable housing to families and/or to provide additional economic opportunities through job creation.

Actions planned to develop institutional structure

The Regional Prosperity Initiative is aligning services and programs offered by the State of Michigan to better serve the population. In addition, streamlining of policies, programs, and paperwork is a top priority.

Actions planned to enhance coordination between public and private housing and social service agencies

As part of the ICC's comprehensive agenda, conducting assessments of local needs in conjunction with

local leaders to create greater community prosperity is also planned. A major component of each assessment is working to identify programs and funding that will support initiative(s) of both the public and private sector on a regional basis.

Discussion

Program Specific Requirements

AP-90 Program Specific Requirements – 91.320(k)(1,2,3)

Introduction

Community Development Block Grant Program (CDBG) Reference 24 CFR 91.320(k)(1)

Projects planned with all CDBG funds expected to be available during the year are identified in the Projects Table. The following identifies program income that is available for use that is included in projects to be carried out.

1. The total amount of program income that will have been received before the start of the next program year and that has not yet been reprogrammed	0
2. The amount of proceeds from section 108 loan guarantees that will be used during the year to address the priority needs and specific objectives identified in the grantee's strategic plan.	0
3. The amount of surplus funds from urban renewal settlements	0
4. The amount of any grant funds returned to the line of credit for which the planned use has not been included in a prior statement or plan	0
5. The amount of income from float-funded activities	0
Total Program Income:	0

Other CDBG Requirements

1. The amount of urgent need activities	0
2. The estimated percentage of CDBG funds that will be used for activities that benefit persons of low and moderate income. Overall Benefit - A consecutive period of one, two or three years may be used to determine that a minimum overall benefit of 70% of CDBG funds is used to benefit persons of low and moderate income. Specify the years covered that include this Annual Action Plan.	70.00%

HOME Investment Partnership Program (HOME) Reference 24 CFR 91.320(k)(2)

1. A description of other forms of investment being used beyond those identified in Section 92.205 is as follows:

The Key to Own program is a down payment assistance program, which can only be used by MSHDA Housing Choice Voucher Participants (Section 8) and is combined with a FHA or Conventional 97% first mortgage. The down payment assistance is provided in the form of a second mortgage for a

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maximum amount of \$3,500 toward payment of the refinancing costs to allow the participant to get a better rate and term. In order to be eligible, the borrower must not have more than \$10,000 in liquid cash assets. This program is available to a borrower(s) whose income does not exceed 80% of the area median income, adjusted for family size, except where lower by state law. The sales price limits will be identical to those in effect for the regular MSHDA loan program. The second mortgage is a forgivable loan due on sale or transfer of the property, or when the property ceases to be the principal residence of the mortgagor, or when the mortgagor repays in full any mortgage loans encumbering the property that are senior to the debt.

2. A description of the guidelines that will be used for resale or recapture of HOME funds when used for homebuyer activities as required in 92.254, is as follows:

The regulations stipulate that the initial homebuyer may sell the property during the term of affordability provided that the initial homebuyer repays the HOME subsidy upon resale (the "recapture" option). MSHDA will utilize the recapture option in its homebuyer programs. Under the recapture option, MSHDA will secure the amount of HOME-funded homebuyer subsidy provided to an eligible homebuyer with a forgivable mortgage pro-rated monthly for the affordability period. The term of the mortgage will depend upon the amount of HOME assistance provided to the buyer (5, 10, or 15 years). Repayment is required if any of the following actions take place within the affordability period: sale, transfer, or conveyance (voluntarily or involuntarily) through foreclosure or otherwise, or if the property ceases for any other reason to be the buyer's principal place of residence, or if they default on liens existing at the time of closing.

Resale/Recapture does not apply to Rental Projects.

3. A description of the guidelines for resale or recapture that ensures the affordability of units acquired with HOME funds? See 24 CFR 92.254(a)(4) are as follows:

Recapture provisions will be utilized for our homebuyer assistance programs.

MSHDA allows HOME-assisted homebuyers to sell their unit at any time during the period of affordability to any willing buyer and at the price the market will bear. MSHDA imposes recapture provisions via a written agreement and recorded lien between MSHDA and the homebuyer.

The lien could be in the format of a deferred, forgivable, or a partially deferred/partially forgivable lien based on the policy determinations outlined within either MSHDA or MSHDA's Grantee's program guidelines.

The amount subject to recapture is limited to the direct subsidy amount which is the HOME investment that includes down payment assistance, closing costs, or other HOME assistance provided directly to the homebuyer) and/or the difference between the fair market value of the property and a reduced sales price attributable to HOME development assistance.

The amount subject to recapture is limited to the net proceeds available from the sale which are calculated based on: sales price minus repayment of senior loans (non-HOME funds) and customary closing costs. The nature of the sale (voluntary, short sales, and/or involuntary sales including foreclosures) does not impact the calculation of net proceeds.

Resale/Recapture does not apply to Rental Projects.

4. Plans for using HOME funds to refinance existing debt secured by multifamily housing that is rehabilitated with HOME funds along with a description of the refinancing guidelines required that will be used under 24 CFR 92.206(b), are as follows:

In an effort to refinance and rehabilitate multifamily transactions with existing debt, MSHDA makes available annually a combined total of approximately \$18 million of MSHDA HOME and Preservation Funds exclusively in the Authority's Gap Financing Program. Participation in the Gap Financing Program requires the applicant to also obtain tax-exempt bond-funded permanent financing from MSHDA. Although both gap funding types will be made available to projects without regard to whether they are a new construction, adaptive reuse, acquisition/rehabilitation, or preservation transaction, most loans are preservation transactions.

For purposes of allocating these limited resources, MSHDA has determined that these funds can be best put to use through a public Notice of Funding Availability (NOFA). The gap funds will be committed and closed over a 9-12 month period. The Gap Financing Program Guidelines describe what types of projects will be eligible and the allocation process through which these funds will be awarded.

In addition, MSHDA may also make available a portion of the HOME funding for the purpose of creating permanent supportive housing transactions that may include refinancing and rehabilitating multi-family developments. The allocation of these funds is also handled through a NOFA similar to the Gap Financing Program Guidelines.

Emergency Solutions Grant (ESG)

Reference 24 CFR 91.320(k)(3)

1. Include written standards for providing ESG assistance (may include as attachment)

Please go to www.michigan.gov/mshda, click on Homeless Program Funding, click on ESG for ESG policy and procedures.

2. If the Continuum of Care has established centralized or coordinated assessment system that

meets HUD requirements, describe that centralized or coordinated assessment system.

Recipients of BOS ESG are required to have a Housing Assessment and Resource Agency (HARA) for each CoC. A *minimum* of forty percent (40%) of each CoCs ESG funds are required to be given to the HARA from the CoC award. The HARA is the centralized point of intake. HARAs are required to use the Service Prioritization Decision Assistance Tool (SPDAT) to guide the household to the right support intervention and housing. HARAs are the only agencies providing ESG prevention and rapid re-housing funds within the CoCs. Each HARA is required to employ a Housing Resource Specialist to ensure that landlord relationships exist and people living in homelessness are rapidly re-housed.

3. Identify the process for making sub-awards and describe how the ESG allocation available to private nonprofit organizations (including community and faith-based organizations).

BOS ESG funds are awarded statewide based upon poverty and homelessness data. Each CoC body determines how to best fund agencies in their area to end homelessness. All ESG recipients are required to be non-profit agencies. In addition, CoC Bodies must describe their fair funding process annually and that plan is required to be submitted to MSHDA.

4. If the jurisdiction is unable to meet the homeless participation requirement in 24 CFR 576.405(a), the jurisdiction must specify its plan for reaching out to and consulting with homeless or formerly homeless individuals in considering policies and funding decisions regarding facilities and services funded under ESG.

MSHDA has a current or former HCV tenant on its Board of Directors. Also, each CoC Body is advised to have a person that formerly lived in homelessness attending the local CoC meetings. In addition, Michigan's governor has created the Michigan Interagency on Ending Homelessness which consists of staff from MSHDA, the Michigan Department of Health and Human Services, Michigan Department of Education, Veteran Affairs, Michigan Association of United Ways, the Michigan League for Public Policy, and Michigan Community Action Agency who represent people living in homelessness and poverty in Michigan. This group, known as the Michigan ICH, meets monthly to strategize and direct the Campaign to End Homelessness in Michigan.

5. Describe performance standards for evaluating ESG.

MSHDA ESG employs a Housing Compliance Specialist who monitors ESG annually on a statewide basis. This Specialist conducts an annual financial audit which includes accounting and record keeping. The Housing Compliance Specialist insures all applicable ESG program forms are submitted. This position reviews documentation of homelessness, household income limit, and habitability inspection. In addition, MSHDA employs four Homeless Assistance Specialists who oversee Michigan's ten regions. The Homeless Specialist oversees ESG on a data-based grant management system known as MATT 2.0. Quarterly ESG draws, billing, and reporting are completed via MATT 2.0. Quarterly Progress Reports are submitted to the Homeless Assistance Specialist. The

progress reports identify length of shelter stay, increase in income, services provided, etc.

Discussion

Attachments

Grantee Unique Appendices

2016 EDBG Local Account Projections

This Local Account report is provided in order to meet a new HUD requirement regarding the reporting of locally held program income and to increase transparency in the CDBG program. The CDBG dollar amounts, types of activities and national objectives listed below are projections, and should not be considered final. This chart represents our best guess regarding which construction and non-profit entities will have or earn program income as grant period July 1, 2016 - June 30, 2017 and what they might do with those funds.

Administering Entity	Contact Name	Address	City	State	Zip	Phone	Email	Expected Amount Available to program year	Account Type	Activity Type*	National Objectives*
Chesare	Greg Minicelli	1220 E. Washington Ave	Lansing	MI	48103	(313) 986-1100	gminicelli@globalinnovations.com	3,612,709	RI	Economic Development & Housing	LMI, SBA, SBA, LMI
LEI Regional Development Corp.	Patricia Lewis	443 McCaskey Drive	Lansing	MI	48106	(313) 447-2022	plewis@leiregionaldevelopment.com	314,358	RI	Economic Development & Housing	LMI, SBA, SBA, LMI
Great Lakes Bay	Jackson Cheny	717 N. Washington Ave	Lebanon	MI	48049	(989) 754-8222	jceny@greatlakesbay.com	2,798,354	RI	Economic Development & Housing	LMI, SBA, SBA, LMI
Benham County	Daniel Fette	702 Main Street	St. Joseph	MI	49085	(269) 943-7111	dfette@benhamcounty.org	949,426	RI	Economic Development	LMI, SBA, SBA
Buchanan City	Derek Palmer	302 N. Bedford	Buchanan	MI	49317	(734) 691-3844	dpalmer@buchananmi.com	78,775	RI	Economic Development	LMI, SBA, SBA
Mythrilis Industries	Dennis West	1401 Perique Isle Ave, 202 (Jacobelli) Center	Marquette	MI	49855	(906) 229-2971	dwest@mythrilisindustries.org	3,772,345	RI	Economic Development & Housing	LMI, SBA, SBA, LMI
Venture North	Laura Galbraith	323 E. Grandhans Parkway	Traverse City	MI	99664	(231) 995-7111	laura@venturenorthfunding.org	1,861,589	RI	Economic Development & Housing	LMI, SBA, SBA, LMI
Van Buren County	Edward Vanderweyde	219 Paw Paw Street, #102	Paw Paw	MI	49074	(269) 617-8234	vanderweyde@vanburen.org	619,942	RI	Economic Development	LMI, SBA, SBA
Houghton County	Scott Aja	481 East Houghton Avenue	Houghton	MI	49931	(504) 481-5901	scottaja@houghtonmi.com	203,105	RI	Economic Development	LMI, SBA, SBA
Geoghegan County	Juliana Giacomi	E 4296 Jackson Road	Ironwood	MI	49938	(906) 647-1111	gjacomi@geoghegan.org	76,122	RI	Economic Development	LMI, SBA, SBA
Alcona County	Cam Huberman	729 W. Chisholm	Alcona	MI	49715	(989) 254-9664	camhuberman@alconacounty.org	26,384	PI	Housing	LMI
Antoni County	Michael Crawford	221 S. Cayuga, PO Box 206	Berthier	MI	49823	(228) 318-3535	mcrawford@antonimichigan.org	43,862	PI	Housing	LMI
Cherobyan County	Steve Schwel	870 S. Main St., PO Box 70	Cherobyan	MI	49721	(231) 627-8835	stevschw@cherobyancounty.net	27,765	PI	Housing	LMI
Chippewa County	Scott Shankleton	119 Court Street	Sault Ste. Marie	MI	49783	(906) 635-6236	schank@chippewacountymi.gov	51,143	PI	Housing	LMI
Fulton County	Blake Muller	1045 Independence Blvd.	Charlotte	MI	48813	(517) 541-3585	blake@blakemuller.com	45,068	PI	Housing	LMI
Grand Traverse County	Ivan Demery	400 Boardman Ave	Traverse City	MI	49684	(231) 932-4679	idemery@grandtraverse.org	85,127	PI	Housing	LMI
Gratiot County	Rene Hubbard	214 E. Center St.	Hills	MI	48847	(989) 879-5241	rhubbard@gratiotmi.com	25,428	PI	Housing	LMI
Leelanau County	Trudy Sully	8127 E. Government Center, Office, Ste. 108	Leelanau Bldg	MI	49624	(231) 256-8812	tsully@leelanau.mi.us	64,174	PI	Housing	LMI
Marquette County	Debra Johnson	234 W. Niagara Street	Marquette	MI	49855	(906) 225-8187	djohn@marquettemi.org	45,344	PI	Housing	LMI
Midland County	Karin Benson	220 W. Elsworth	Midland	MI	48843	(517) 932-6796	kabenson@midland.mi.us	34,373	PI	Housing	LMI
Monroe County	Michael Bouchar	124 E. Second Street	Monroe	MI	48151	(734) 340-7161	michael_bouchar@monroemichigan.org	40,851	PI	Housing	LMI
Oshtemo County	Maryanne Hopp	225 W. Main Street, Room 211	Ludlow	MI	49771	(989) 731-7576	mhoppp@oshtemocounty.org	74,741	PI	Housing	LMI
Ottawa County	Paula Hopper	12731 James St	Holland	MI	49424	9671-18340-4833	phopper@ottawacounty.org	42,025	PI	Housing	LMI
Resurrection County	Laura Mackillop	300 Lake Street, PO Box 422	Resurrection	MI	48855	(989) 775-5306	lmackillop@resurrectioncounty.net	13,863	PI	Housing	LMI
Stroford County	Jayne Stanton	417 E. Division Street	Carleton	MI	49501	(231) 775-2473	jstanton@strofordcounty.org	23,000	PI	Housing	LMI

*Must locally held program income, regardless of type is available for multiple types of activities and national objectives. The activities and objectives listed are what is expected to be the most common uses.

MEMORANDUM

Date: April 26, 2016

To: Michigan Strategic Fund Board

From: Ryan Kilpatrick, Community Assistance Team Region 4
Jennifer Schwanky, Brownfield and MCRP Program Specialist

Subject: City of Grand Rapids Brownfield Redevelopment Authority
Request for Approval of an Act 381 Work Plan
Grand Rapids Properties I, LLC

Request

The proposed project will be undertaken by Grand Rapids Properties I, LLC, an entity of RISE Real Estate Development Group. The project will redevelop approximately 4 acres of property located along the 400 blocks of Benson and Grand, north of Michigan Street in the City of Grand Rapids. The project is located adjacent to a traditional business district and corridor improvement authority 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 \$8,882,556.

Significant demolition, site preparation and infrastructure improvements are needed to support the dramatic increase in density within an aging neighborhood just outside of downtown Grand Rapids. Without support for the site preparation and infrastructure improvements, this project would not be financially viable. These costs include demolition of existing structures, land balancing and site preparation, road reconstruction and installation of new public infrastructure as well as the construction of a multi-level parking deck to accommodate approximately 334 parking spaces. 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 of approximately \$53,000,000, along with the creation of approximately 10 full-time jobs with an average hourly wage of \$20.

Background

The proposed project will involve the construction of two multi-story buildings which will include 286 market rate residential apartments and a multi-story parking deck to accommodate 334 parking spaces.

The project will result in more than 246,000 square feet of new private residential space, and approximately 141,000 square feet of improved public infrastructure.

Lead and asbestos abatement will be necessary prior to demolition activities in order to protect human health. Demolition activities will be necessary to remove the existing structures on the site. Site preparation activities include grubbing and clearing, grading, geotechnical, dewatering and similar expenses. Infrastructure improvements including streetscaping, sidewalks, curbs, street paving in the public right of way, storm water management and construction of a new parking deck are necessary to support the new development.

Grand Rapids Properties 1, LLC has not received any State incentives in the past. The sponsoring agency, RISE was involved in the SkyVue on Michigan project in participation with the City of Lansing Brownfield Redevelopment Authority in 2015. This project received MSF approval for up to \$25,000,000 in brownfield TIF eligible reimbursement related to a total private investment of approximately \$88,000,000.

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

Recommendation

MEDC staff recommends approval of the following:

- a) Local and school tax capture for the Act 381 eligible activities totaling \$8,882,556. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$4,562,969.

APPENDIX A – 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) on March 22nd, 2016.

The property is the subject of a Brownfield Plan, duly approved by the City of Grand Rapids on January 12, 2016.

In addition, the project is requesting from the DEQ \$25,000 in TIF to assist with environmental eligible activities.

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 via the addition of a 287 unit residential project adjacent to downtown Grand Rapids to help address the current housing needs near downtown. The project will also increase property and income taxes for the City and State of Michigan. Further, the project will help to support an increase in overall residential density and will further bolster the neighborhood business district as well as the State's ability to attract talent to the region.

b) Jobs Created (Excluding Construction and other Indirect Jobs):

This project is expected to create approximately 10 new, full-time jobs in property management, maintenance and repair, with an anticipated average wage of \$20 per hour.

c) Area of High Unemployment:

The City of Grand Rapids unadjusted jobless rate was 3.9% in November 2015.

d) Level and Extent of Contamination Alleviated:

The eligible property contains concentrations of certain metals and polynuclear aromatic hydrocarbons in excess of applicable state residential criteria, including drinking water protection criteria, groundwater and surface water interface protection criteria, and direct contact criteria. The compounds in the soil that exceed residential criteria include arsenic, lead, mercury, benzo(a)pyrene, fluorene and phenanthrene. Grand Rapids Properties 1, LLC will undertake due care and additional response activities as necessary to address the existing contamination during the construction process.

e) Reuse of Functionally Obsolete Buildings and/or Redevelopment of Blighted Property:

The project is not qualifying as functionally obsolete or blighted.

- f) Cost Gap that Exists between the Property and a Similar Greenfield Property:**
The Brownfield TIF is needed to assist with activities related to asbestos abatement, demolition, site preparation and public infrastructure improvements.
- g) Whether Project will Create a New Brownfield Property in the State:**
No new Brownfields will be created by this project.
- h) Whether the Project is Financially and Economically Sound:**
From the materials received, the MEDC infers that the project is financially and economically sound.
- i) Other Factors Considered:**
No additional factors need to be considered for this project.

Tax Capture Breakdown

There are 46.7179 non-homestead mills available for capture, with school millage equaling 24 mills (51.37%) and local millage equaling 22.7179 mills (48.63%). Tax increment capture will begin in 2018 and is estimated to continue for 14 years. The requested tax capture for MSF eligible activities breaks down as follows:

School tax capture	(51.37%)	\$	4,562,969
Local tax capture	(48.63%)	\$	4,319,587
TOTAL		\$	8,882,556

Cost of MSF Eligible Activities

Demolition	\$	415,000
Asbestos Abatement		135,000
Infrastructure Improvements		6,456,366
Site Preparation	+	708,900
Sub-Total	\$	7,715,266
Contingency (15%)	+	1,157,290
Sub-Total	\$	8,872,556
Brownfield/Work Plan Preparation	+	10,000
TOTAL	\$	8,882,556

APPENDIX C – Project Map and Renderings





MICHIGAN STRATEGIC FUND

RESOLUTION 2016-

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN
CITY OF GRAND RAPIDS BROWNFIELD REDEVELOPMENT AUTHORITY
GRAND RAPIDS PROPERTIES I – GR RISE (BENSON AND GRAND AVENUE
REDEVELOPMENT)**

WHEREAS, 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 Michigan Strategic Fund (“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 or asbestos abatement, and for structure 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 414, 420, 421, 424, 425, 426, 430, 431, 436, 437, 439, 440, 443 Benson Avenue, and 421, 425, 429, 435, 441, 455, 457 Grand Avenue within the City of Grand Rapids, known as GR RISE – Benson and Grand Avenue Redevelopment Project (the “Project”);

WHEREAS, the City of Grand Rapids is a “qualified local governmental unit” and is eligible to provide for a) demolition; b) lead and asbestos abatement; c) public infrastructure improvements; d) site preparation; e) brownfield work plan preparation and f) 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, that the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as the 51.37% to 48.63% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, asbestos abatement and infrastructure improvements as presented in the revised Work Plan dated March 22, 2016. Any change in millage that increases the capture percentage of school operating taxes 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 a maximum of \$8,872,556 for the principal activity costs of non-environmental activities and a contingency, and 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 \$4,562,969.

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. Eligible activities authorized by this resolution must be completed within three (3) years.

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
April 26, 2016

MEMORANDUM

Date: April 26, 2016
To: Michigan Strategic Fund Board
From: Jennifer Schwanky, Brownfield and MCRP Program Analyst
Subject: City of Detroit Brownfield Redevelopment Authority
Request for Approval of an Act 381 Work Plan Amendment #1

Request

In order to alleviate Brownfield conditions across the site and make it suitable for redevelopment, the City of Detroit Brownfield Redevelopment Authority is seeking approval to increase the amount of school tax increment revenue for the MSF eligible activities to \$1,009,833 over approximately 18 years.

The Brownfield TIF was originally approved on March 26, 2015 for \$248,033, and was needed to offset the costs associated with getting the site ready for redevelopment. However, after construction activities began, the developer encountered unforeseen circumstances that caused considerable changes in the scope of work and related costs. The developer is seeking to amend the plan to recover the cost of the additional eligible activities. With the additional activity reimbursement, the developer rate of return remains reasonable at approximately 11%.

The project was undertaken by PDRM Properties, LLC (“PDRM”), and redeveloped approximately 3.2 acres of property located at 4300 and 4290 Marseilles in the City of Detroit. The project was the renovation and adaptive re-use of a former Detroit Public School property into a local youth sports facility, and qualified for an Act 381 work plan because it was functionally obsolete. The eligible activities alleviated Brownfield conditions across the site to make it suitable for redevelopment, and protected human health and the environment. Without Brownfield tax increment reimbursement, the cost burden related to Brownfield conditions make the project financially unfeasible.

The Applicant stated that the amended project has resulted in double the original total capital investment, in the amount of \$2,000,000, along with the creation of the originally expected 3 full-time equivalent jobs with an average hourly wage of \$12.50.

Background

After construction activities began, the developer encountered unforeseen circumstances that caused considerable changes in the scope of work and related costs. These unforeseen costs were due to issues with the soil conditions on the property and failing drainage systems. Initial proposals for the soil work only included removal of a few inches of topsoil to prepare for the turf base. However, after construction began, it was found that 5-10 feet of topsoil would actually have to be removed. Additionally, in May of 2015, the property experienced heavy rain and flooding, which lead to burst sewer pipes. The developer

had the sewer system evaluated, and it was determined that the sewer collapse was due to a failing infrastructure system that needed to be replaced.

Asbestos abatement was necessary prior to demolition activities in order to protect human health. Demolition activities were necessary to remove the functionally obsolete three-story school building, as well as various site improvements in order to provide space for the construction of the dome. Site preparation activities include mass grading and land balancing, as well as clearing and grubbing. Infrastructure improvements were not originally planned for the project, but now include installing a concrete storm sewer, installing under drains around the perimeter of the dome, installing storm catch basins, and adding trench foots, excavating, and reinstalling drain tile. These infrastructure improvements were necessary to support the new development.

Appendix A addresses the programmatic requirements and **Appendix B** includes a project map and renderings. The March 26, 2015 approval by the MSF Delegates confirmed the project met all statutory requirements, and **Appendix C** contains the original project approval.

Recommendation

MEDC staff recommends approval of the following amendment:

- a) Local and school tax capture for the Act 381 eligible activities totaling \$1,009,833. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$382,727.

APPENDIX A – Programmatic Requirements & Screening Guidelines

Property Eligibility

The project is located within the boundaries of the City of Detroit, which is a Qualified Local Governmental Unit, and was deemed functionally obsolete as verified by a City of Detroit Michigan Master Assessing Officer on October 30, 2014.

The property is the subject of an amended Brownfield Plan, duly approved by the City of Detroit on February 2, 2016.

In addition, the project is requesting \$3,900 in tax increment financing from the DEQ to assist with environmental eligible activities.

Tax Capture Breakdown

There are 63.3244 non-homestead mills available for capture, with school millage equaling 24 mills (37.90%) and local millage equaling 39.3244 mills (62.10%). Tax increment capture began in 2015 and is estimated to continue for 18 years. The requested tax capture for MSF eligible activities breaks down as follows:

School tax capture	(37.90%)	\$	382,727
Local tax capture	(62.10%)	\$	<u>627,106</u>
TOTAL		\$	1,009,833

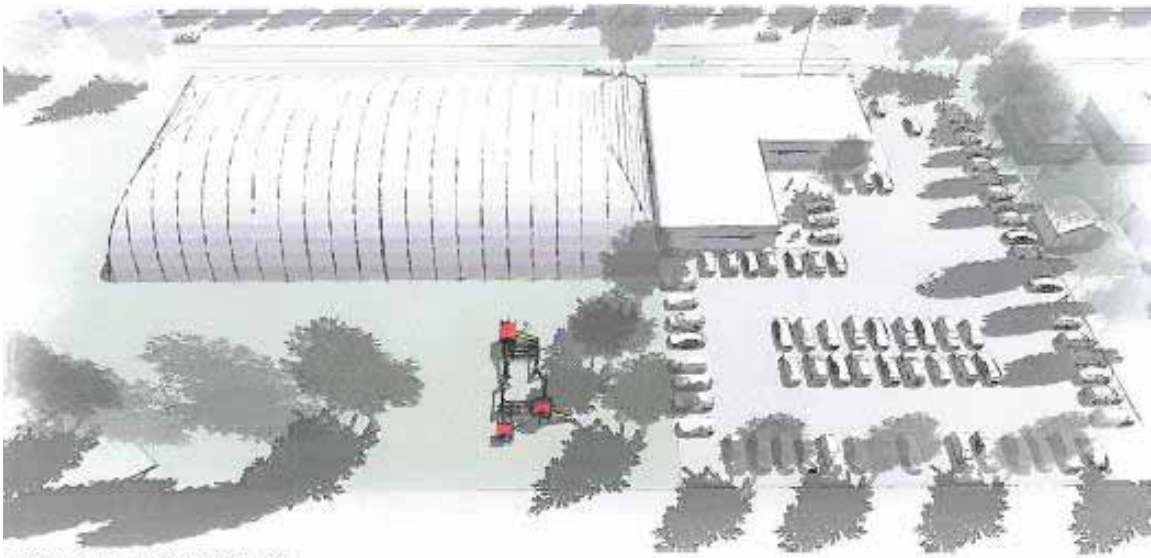
Cost of MSF Eligible Activities

Demolition	\$	150,667
Asbestos Abatement		40,098
Infrastructure Improvements		362,315
Site Preparation	+	<u>398,560</u>
Sub-Total	\$	951,640
Contingency (5%)*	+	<u>38,193</u>
Sub-Total	\$	989,833
Brownfield/Work Plan Preparation	+	<u>20,000</u>
TOTAL	\$	1,009,833

*Contingency amount is 5% of site preparation and infrastructure improvements only.

APPENDIX B – Project Map and Renderings





PROPOSED PERSPECTIVE
NOT TO SCALE

APPENDIX C – Original Project Approval



MEMORANDUM

Date: March 26, 2015

To: Steven Arwood, Chairperson
Michigan Strategic Fund

From: ^{DS} *BM* Brent Morgan, Manager, Brownfield and Community Revitalization Programs
Stacy Esbrook, Senior Community Assistance Team Specialist
Dan Wells, Brownfield Program Senior Specialist

Subject: City of Detroit Brownfield Redevelopment Authority
Community Incentive Program — Act 381 Work Plan Approval

Request

The City of Detroit Brownfield Redevelopment Authority is seeking approval to capture new local and school tax increment revenue for MSF eligible activities in the amount of \$248,033 over approximately 20 years.

The Brownfield TIF is needed to offset the costs associated with getting the site ready for redevelopment. This project will demolish a vacant school building that is in complete disrepair and will redevelop the administration building that is currently functionally obsolete. In essence, the project will remove blight, convert a vacant school property into a local youth sports facility, and create approximately three full time-jobs to support the operation and maintenance of the Mack Athletic Complex.

Background

The school taxes will be utilized to redevelop approximately three acres of property located at 4300 and 4290 Marseilles in the City of Detroit. The project is the renovation and adaptive re-use of a former Detroit Public School property. The property is currently owned by PDRM Properties, LLC (PDRM).

The project includes the demolition of the vacant Hanstein School, the redevelopment and repurposing of the school administration building, and the new construction of an athletic indoor field house and training center for youth sports. The new facility will be known as the Mack Athletic Complex and will primarily be used for youth sport leagues such as soccer, lacrosse, football, and baseball. The Mack Boxing Club is an example of an organization that will have an on-site presence. Eligible activities that will be undertaken to alleviate Brownfield conditions on the property and complete the project include demolition of the school building while recycling and repurposing as much of the material as possible, lead and asbestos abatement and site preparation. Upon project completion, the property will contain approximately 79,000 square feet of active space.

Approximately three permanent full-time jobs are anticipated to be created by the project to manage and maintain the property. Average wages are expected to be \$12.50 per hour. The total capital investment will be approximately \$1 million.

Property Eligibility

The project is located within the boundaries of the City of Detroit, which is a Qualified Local Governmental Unit, and has been deemed functionally obsolete as verified by a City of Detroit Michigan Master Assessing Officer on October 30, 2014.

The property is the subject of a Brownfield Plan, duly approved by the City of Detroit on February 17, 2015.

Other State and Local Assistance to the Project

No other assistance is being provided to this project.

Tax Capture Breakdown

There are 85.9611 non-homestead mills available for capture, with school millage equaling 24 mills (27.92%) and local millage equaling 61.9611 mills (72.08%). Tax increment capture will begin in 2015 and is estimated to continue for 20 years. The requested tax capture for MSF eligible activities breaks down as follows:

School tax capture (27.92%)	\$ 69,251
Local tax capture (72.08%)	<u>\$ 178,782</u>
TOTAL	\$ 248,033

Cost of MSF Eligible Activities

Demolition	\$ 145,200
Lead and Asbestos Abatement	32,000
Site Preparation	<u>+ 21,090</u>
Sub-Total	\$ 198,290
Contingency (15%)	<u>+ 29,743</u>
Sub-Total	\$ 228,033
Brownfield/Work Plan Preparation	<u>+ 20,000</u>
TOTAL	\$ 248,033

Recommendation

The MEDC recommends approval of the request by City of Detroit Brownfield Redevelopment Authority to capture local and school taxes for the MSF eligible activities totaling \$248,033 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$69,251.

APPROVAL AUTHORITY – ACT 381 BRIEFING MEMO

The Recommendation is approved in accordance with Act 381 of 1996, as amended, and MEDC guidelines. To utilize the approval authority under Act 381 Section 15(24), the approval of the MSF Chairperson is required.

Michigan Economic Development Corporation

DocuSigned by:

Deborah Stuart


3/26/2015

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Deborah S. Stuart, Director, Community Incentive Programs

Michigan Strategic Fund

DocuSigned by:



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By: Steven Arwood
Its: Chairman

4/2/2015

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 City of Detroit will benefit from this project because it is converting a vacant school property into a new youth sports facility. The property is located in a neighborhood adjacent to an active commercial corridor (Mack Avenue), and this project will draw additional traffic to the area. The property, once a neighborhood anchor for youth and families, will again be a safe and inviting location. The project will also contribute to the City of Detroit tax base through the conversion of a public building into a private use.

b) Jobs Created (Excluding Construction and other Indirect Jobs):

This project is expected to create approximately three new, full-time jobs to support the operations and maintenance of the Mack Athletic Complex. Expected wages for these jobs will average \$12.50 per hour. In addition, the project will contract for services (coaching, trainers, etc.) and those contacts are anticipated to create additional jobs.

c) Area of High Unemployment:

The City of Detroit unadjusted jobless rate was 12.2% in December 2014. This compares to the statewide seasonally adjusted average of 6.3% in December 2014.

d) Level and Extent of Contamination Alleviated:

The project is not qualifying as a facility. Appropriate environmental investigations were conducted, but the property is not defined as a facility as in Part 201 of the Natural Resources and Environmental Protection Act.

e) Reuse of Functionally Obsolete Buildings and/or Redevelopment of Blighted Property:

This project will demolish a vacant school building that is in complete disrepair and will redevelop the administration building that is currently functionally obsolete.

f) Cost Gap that Exists between the Property and a Similar Greenfield Property:

The Brownfield TIF is needed to offset the costs associated with getting the site ready for redevelopment. The existing school building is in such poor condition that it is necessary to demolish it. The development team is deconstructing the building and salvaging all remaining useful materials for reuse. Cash flow will be very limited because the primary objective of the Mack Athletic Center is to deliver access of youth sports to neighboring youth. The tax increment reimbursements will help offset the high upfront costs of building and site demolition, lead and asbestos abatement, and site preparation for this development.

g) Whether Project will Create a New Brownfield Property in the State:

No new Brownfields will be created by this project.

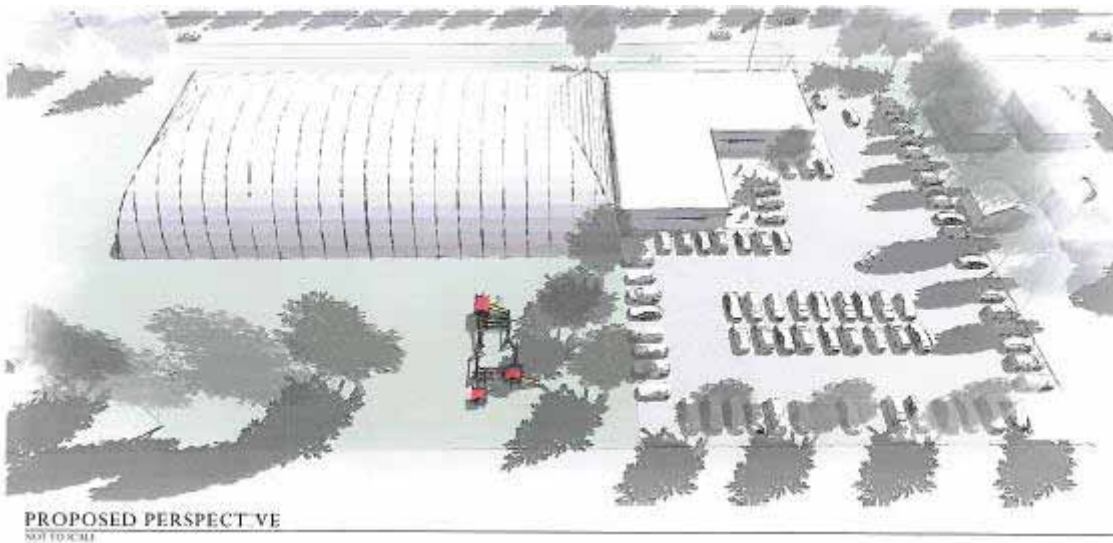
h) Whether the Project is Financially and Economically Sound:

From the materials received, the MEDC infers that the Work Plan is financially and economically sound.

i) Other Factors Considered:

No additional factors need to be considered for this project.

MAP OF PROJECT AREA



MICHIGAN STRATEGIC FUND

RESOLUTION 2016-

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN
CITY OF DETROIT BROWNFIELD REDEVELOPMENT AUTHORITY
MACK ATHLETIC COMPLEX
(AMENDMENT #1)**

WHEREAS, 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, the Michigan Strategic Fund Delegates approved a Work Plan request for Mack Athletic Complex (the “Project”) on March 26, 2015, authorizing the Authority to capture taxes levied for school operating purposes based on a maximum of \$248,033 in eligible activities;

WHEREAS, the qualified taxpayer wishes to amend the scope of the Project by incorporating costs for infrastructure improvements and site preparation activities related to storm water improvements and soil work activities, and increasing the maximum amount for eligible costs;

WHEREAS, the City of Detroit Brownfield Redevelopment Authority (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 amended Brownfield Work Plan by the MSF Board.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as the 38% to 62% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, asbestos abatement and infrastructure improvements as presented in the revised Work Plan dated February 2, 2016. Any change in millage that increases the capture percentage of school operating taxes 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 a maximum of \$1,009,833 for the principal activity costs of non-environmental activities and a contingency, and a maximum of \$20,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$382,727.

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. Eligible activities authorized by this resolution must be completed within three (3) years from the date of this resolution.

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
April 26, 2016

MSF DELEGATED AUTHORITY QUARTERLY UPDATE
MSF CONFIDENTIALITY MEMOS
BOARD MEETING – APRIL 26, 2016
FOR QUARTER ENDED MARCH 31, 2016

BACKGROUND

As a part of the process for negotiating with companies seeking to invest in Michigan, the Michigan Strategic Fund (MSF) receives information of a financial and/or proprietary nature from applicant companies. Avoiding the public disclosure of this information is desirable in order to protect against the potential for significant competitive harm to the applicant companies.

Via MCL 125.2005(9), as amended by Public Act 251 of 2011, information of a financial or proprietary nature considered by the applicant as confidential and acknowledged as confidential by the Michigan Strategic Fund Board or its designee is exempted from disclosure by the Michigan Freedom of Information Act (FOIA), Public Act 442 of 1976, as amended. Pursuant to Section 125.2005-1(3) of the Michigan Strategic Fund Compiled Resolutions, the MSF Fund Manager or the MSF President is authorized to acknowledge financial or proprietary information as confidential and not subject to disclosure under FOIA.

APPROVALS BY AUTHORIZED DELEGATE

During the period between January 1, 2016 and March 31, 2016, the following confidentiality memos were approved by the MSF Fund Manager:

Company Name and Location	Overview of Confidential Information
<p>Bralyn, Inc. (Ram Electronics) 259 N. 3rd Avenue., Fruitport, MI 49415 Troy, MI 48084</p>	<p>Any portion of any documents or record of any kind containing any of the following business or personal information pertaining to any of the Interested Parties to the Proposed Transaction: Financial statements (including without limitation, income statements, balance sheets, statements of cash flow and profit and loss statements), ratio analysis, appraisals and other appraisal reporting, collateral analysis, accounts receivable aging reports, customer names and lists, tax returns, credit reports, social security or other tax identification numbers, and any analysis, report or record of any kind by or on behalf of any of the Interested Parties to the Proposed Transaction containing any of the foregoing Information.</p>
<p>Cascade Metal Works 6098 Alden Nash Ave. S.E. Alto, MI 49302</p>	<p>Any portion of any documents or record of any kind containing any of the following business or personal information pertaining to any of the Interested Parties to the Proposed Transaction: Financial statements (including without limitation, income statements, balance sheets, statements of cash flow and profit and</p>

	loss statements), ratio analysis, appraisals and other appraisal reporting, collateral analysis, accounts receivable aging reports, customer names and lists, tax returns, credit reports, social security or other tax identification numbers, and any analysis, report or record of any kind by or on behalf of any of the Interested Parties to the Proposed Transaction containing any of the foregoing Information.
<p>Comprehensive Coating, LLC 3578 Van Dyke . Almont, MI 48003</p>	Any portion of any documents or record of any kind containing any of the following business or personal information pertaining to any of the Interested Parties to the Proposed Transaction: Financial statements (including without limitation, income statements, balance sheets, statements of cash flow and profit and loss statements), ratio analysis, appraisals and other appraisal reporting, collateral analysis, accounts receivable aging reports, customer names and lists, tax returns, credit reports, social security or other tax identification numbers, and any analysis, report or record of any kind by or on behalf of any of the Interested Parties to the Proposed Transaction containing any of the foregoing Information.
<p>Revitalizing Auto Communities Environmental Response Trust and RACER Properties LLC. 500 Woodward Avenue Suite 2650 Detroit, MI 48226</p>	Purchase and Sale Agreement; Access Agreement – Pre-closing Property Inspection Agreement; Drawing/map showing the easements from the title documents; Drawing/map noting other utilities not in recorded easements, plus recorded easements; Sumpter Gas line easement (DTE); 2011 Draft title commitment; Environmental Easement Agreement; Declaration of Restrictive Covenant; Lease for storm water detention system area
<p>Woodward and Erskine LLC 260 East Brown Street Suite 280 Birmingham, MI 48009</p>	Construction Loan Agreement between Fifth Third Bank and Woodward and Erskine LLC dated as of December 3, 2015; Loan Agreement among Detroit Neighborhoods Fund, LLC, Detroit Investment Fund, L.P.; Chase Invest Detroit Fund, LLC and Woodward and Erskine, LLC dated as of December 31, 2015; Final GMP Proposal from Sachse Construction dated September 10, 2015; Standard Form of Agreement between Owner and Construction Manager dated August 3, 2015; Guaranteed Maximum Price Amendment dated September 10, 2005; Items 1-4 from

	the February 11, 2016 letter signed by Lee A. Hurwitz regarding owners' equity payments.
Catt's Realty Company 829 W. Main Street Suite C Gaylord, MI 49735	Catt's Realty Company (Profit & Loss Preliminary Statement from 2015; Catt's Realty Company (3 year Profit & Loss Comparison from 2013-2015; Catt's Realty Company (2015 Preliminary Balance Sheet); Catt's Realty Company – MEDC Financial Review Document (Dated 2/16/16)
Encore Performing Arts Center 79 Oakland Avenue Pontiac, MI 48360	Balance Sheet (Statement of Financial Position) for Encore Performing Arts Center; Bank Statements for Encore Performing Arts Center; Donor Information for Encore Performing Arts Center (names, contact information, proposals, agreements, contracts, communications, etc.); Vendor Agreements with Encore Performing Arts Center
Disher, Corp. 201 W. Washington Ave, Suite 230 Zeeland, MI 49464	Redacted portions of the MBDP application including annual wages, annual private investment, and portions of the application that specify financially sensitive details of property ownership interests and company sales.

**MSF DELEGATED AUTHORITY QUARTERLY UPDATE
FOR 21CJF LOAN PORTFOLIO
BOARD MEETING – APRIL 26, 2016**

FOR QUARTER ENDED MARCH 31, 2016

BACKGROUND

Pursuant to Section 125.2088k-3 of the Michigan Strategic Fund Compiled Resolutions, the Michigan Strategic Fund (MSF) Board approved a delegation of authority for decisions with regard to awards under the (i) Company Formation and Growth Fund (“CFGF”), (ii) 21st Century Jobs Fund 2006 and 2008 business plan competition rounds, as well as its predecessor programs, Michigan Technology Tri-Corridor (“MTTC”) Fund program and Michigan Life Sciences Corridor Fund program, and (iii) those loans awarded under the Choose Michigan program, including the authority to approve loan restructure requests (the “Delegation of Authority”). Under the Delegation of Authority, actions related to awards with an original amount of \$1,000,000 or less may be approved by the MSF Chairperson, the MSF Fund Manager and the MSF State Treasurer Director, with only one required to act. Actions related to awards with an original amount of \$1,000,001 to \$3,000,000 are reviewed by the MSF Advisory Subcommittee before presentation to the delegates for final approval. Actions related to awards with an original amount of \$3,000,001 are presented to the full MSF Board.

APPROVALS BY AUTHORIZED DELEGATE

Between January 1, 2016 and March 31, 2016 the following actions were approved pursuant to the Delegation of Authority:

Organization	Action(s)	Award Amount (full award amount)	Disbursed Amount (actual amount disbursed)	Date
Emiliem Inc.	Restructure	\$250,000	\$125,000	January 13, 2016
Zoltan Laboratories, LLC	Forbearance	\$200,000	\$200,000	January 22, 2016
Empirical Bioscience, Inc. (f/k/a Syzygy Biotech, LLC)	Restructure	\$100,000	\$100,000	February 7, 2016
Single Source Procurement LLC	Restructure	\$80,000	\$80,000	February 18, 2016

**MSF DELEGATED AUTHORITY QUARTERLY UPDATE
MSDF AND SSBCI PROGRAMS
CAPITAL ACCESS TEAM
January 1 – March 31, 2016**

APPROVALS BY AUTHORIZED DELEGATES

Between January 1 and March 31, 2016 the following actions were approved by the MSF Chairperson and MSF Fund Manager, subject to due diligence, and available funding:

SSBCI - MBGF:						
Organization	Request Type	MSF Support	Loan Amount	Action	Date Approved	Closed
Comprehensive Coating, LLC	MBGF-LPP	\$ 99,800	\$ 200,000	Approved by Chair and Fund Manager	January 16, 2016	Y
Total		\$ 99,800	\$ 200,000			
MSDF:						
Organization	Request Type	MSF Support	Loan Amount	Action	Date Approved	Closed
Cascade Metal Works Inc.	MSDF-CSP	\$ 74,850	\$ 150,000	Approved by Chair and Fund Manager	February 8, 2016	Y
Bralyin, Inc.	MSDF-CSP	\$ 600,000	\$ 1,220,000	Approved by Chair and Fund Manager	February 10, 2016	Y
Total		\$ 674,850	\$ 1,370,000			

MEMORANDUM

DATE: April 26, 2016

TO: Michigan Strategic Fund (“MSF”) Board Members

FROM: Josh Hundt, Director, Business Incentives
Lisa Pung, Manager, Brownfield, MCRP and SmartZone Programs

SUBJECT: Quarterly Report of Delegated Approvals on Michigan Business Development Program & Michigan Community Revitalization Program

On December 21, 2011, the MSF Board approved the Michigan Business Development Program (“MBDP”) and the Michigan Community Revitalization Program (“MCRP”). Both programs allow for delegated approval of projects that have incentives of \$1 million or less. Listed below is a synopsis of the delegated deals that were approved during the second quarter of the 2016 fiscal year.

Detailed information is now sent to all Board Members as they are approved. As such, the detailed informational sheet on each approval is not included in this memo. If you would like additional information on a project, please let us know.

MBDP APPROVALS

Project Name	Approval Date	Location	Incentive Approved	Jobs	Investment
Pro Services	10/12/2015	City of Portage	\$875,000	175	\$3,900,000
Byrne Electrical Specialists	10/13/2015	Village of Lakeview	\$160,000	38	\$250,000
Faurecia Automotive Seating	10/15/2015		\$350,000	90	\$8,006,800
Global Tooling Systems	10/21/2015	Macomb Township	\$475,000	70	\$3,610,000
Notions Marketing Corporation	10/23/2015	City of Grand Rapids	\$800,000	250	\$33,000,000
Total Quality Logistics	11/3/2015	Cascade Charter Township	\$300,000	75	\$839,000
MMI Engineered Solutions	11/18/2015	City of Saline	\$150,000	47	\$5,595,000

MBDP and MCRP Delegated Approvals

April 26, 2016

Page 2 of 2

Hanson Systems dba Eagle Technologies Group	11/20/2015	Saint Joseph Charter Township	\$500,000	100	\$5,970,000
Performance Fabricating	11/30/2015	Fenton Charter Township	\$150,000	52	\$9,052,942

MCRP APPROVALS

Project Name	Approval Date	Location	Incentive Approved	Jobs	Investment
GTW Depot, LLC	3/29/2016	City of Kalamazoo	\$484,435	20	\$3,110,509

MEMORANDUM

DATE: April 26, 2016
TO: Michigan Strategic Fund (“MSF”) Board Members
FROM: Lisa Pung, Manager, Brownfield, MCRP and SmartZone Programs
SUBJECT: Quarterly Report of Delegated Approvals on Act 381 Work Plans

On December 31, 2012, The Brownfield Redevelopment Financing Act (Act 381) was amended to allow the chairperson of the Michigan Strategic Fund delegated approval of work plans that consist of tax capture of less than \$500,000. Listed below is a synopsis of the delegated work plans that were approved during the second quarter of the 2016 fiscal year.

Detailed information is now sent to all Board Members as they are approved. As such, the detailed informational sheet on each approval is not included in this memo. If you would like additional information on a project, please let us know.

Project Name	Approval Date	Location	Approved TIF Amount	Jobs	Investment
Lake Street Commercial Redevelopment Project	3/16/2016	Boyne City	\$107,949	30	\$2,121,345
Depot Building Project (GTW Depot, LLC)	3/29/2016	Kalamazoo	\$145,050	20	\$3,110,509
Total			\$252,999	50	\$5,231,854

MEMORANDUM

Date: April 26, 2016
To: Michigan Strategic Fund Board
From: Christine Whitz, Manager, Community Development Block Grant Program
Subject: *Community Development Block Grant Program
Quarterly Report of Delegated Approvals (January – March, 2016)*

On October 23, 2013, the MSF Board approved the Community Development Block Grant (CDBG) program delegated approval of projects that have incentives of \$1 million or less. Listed below is a synopsis of the delegated deals that were approved during the previous quarter. If you would like additional information on a project, please feel free to contact me.

Grantee	Approval Date	CDBG Funds	Brief Summary of Project
City of Boyne City	03/16/2016	\$500,000	The City requested \$500,000 in CDBG funds for blight elimination through historic preservation needed for their Lake Street redevelopment project. The City expects that the project could result in private investment of up to \$2,121,345.
Total CDBG Funds for Quarter		\$500,000	