



# MSF BOARD MEETING PACKET

AUGUST 28

2018

**MICHIGAN STRATEGIC FUND BOARD**  
**FINAL MEETING AGENDA**  
**August 28, 2018**  
**10:00 am**

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

*Communications*

**A. Consent Agenda**

Proposed Meeting Minutes – July 24, 2018  
Proposed Meeting Minutes – August 9, 2018  
RNFL Acquisition, LLC – Write Off Request – Colleen Horton  
NRG Enterprises, Inc. – Write Off Request – Dean Wade  
McCann Business Marketing – Amendment – Doug Kuiper  
McCann Travel Marketing – Amendment – David Lorenz  
Meredith Corporation – Amendment – David Lorenz  
Weber Shandwick Public Relations – Amendment – Doug Kuiper  
Brand USA – Agreement – Kelly Wolgamott  
Queen Lillian – MCRP Re-approval – Julius Edwards  
Williams International Co., LLC – MBDP Amendment – David Kurtycz  
MSU Ag Bio MTRAC Innovation Hub – Amendment – Denise Graves  
MSU University Early Stage Proof of Concept Fund – Amendment – Denise Graves  
Invest Detroit Hacker Fellowship – Amendment – Nataliya Stasiw  
International Trade Program Small Business Services – Contract Extensions – Synita Turner  
Annual Funding Allocations and Amendment to Administrative Services – Memorandum of Understanding – Mark Morante

**B. Business Investment**

**1. Business Growth**

Subaru Research and Development, Inc. – MBDP Grant – Matt Chasnis  
KPIT Infosystems – MBDP Grant – Julia Veale

**2. Capital Access**

United States Steel Corporation – Bond Inducement – Chris Cook

**C. Community Vitality**

449 Bridge Street Development – Brownfield Act 381 Work Plan – Lindsay Viviano  
Uptown Reinvestment Corporation and 352 SS, LLC/Flint Downtown Hotel – MCRP and  
Brownfield Act 381 Work Plan – Chuck Donaldson  
Façade Restoration Initiative – Request for Approval of Awards and Amendments to  
Guidelines – Lori Mullins and Stacy Esbrook

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2018-116**

**APPROVAL OF AUGUST 2018 CONSENT AGENDA  
FOR THE MICHIGAN STRATEGIC FUND BOARD**

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

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

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

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

Consent Agenda Items:

Proposed Meeting Minutes – July 24, 2018  
Proposed Meeting Minutes – August 9, 2018  
RNFL Acquisition, LLC – Write Off Request  
NRG Enterprises, Inc. – Write Off Request  
McCann Business Marketing – Amendment  
McCann Travel Marketing – Amendment  
Meredith Corporation – Amendment  
Weber Shandwick Public Relations – Amendment  
Brand USA – Agreement  
Queen Lillian – MCRP Re-approval  
Williams International Co., LLC – MBDP Amendment  
MSU Ag Bio MTRAC Innovation Hub – Amendment  
MSU University Early Stage Proof of Concept Fund  
Invest Detroit Hacker Fellowship – Amendment  
International Trade Program Small Business Services – Contract Extensions  
Annual Funding Allocations and Amendment to Administrative Services – Memorandum of Understanding

Ayes: Eric Bussis (on behalf of Treasurer Khouri, designation attached), Carl Camden, Roger Curtis, Larry Koops, Jeff Mason, Terrence J.L. Reeves, Shaun Wilson, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan  
August 28, 2018

**MICHIGAN STRATEGIC FUND  
FINAL MEETING MINUTES  
July 24, 2018**

**Members Present**

Paul Gentilozzi  
Andrew Lockwood (on behalf of Treasurer Khouri)  
Jeff Mason  
Terrence J.L. Reeves  
Shaun Wilson

**Members joined by phone**

Carl Camden  
Roger Curtis  
Terri Jo Umlor

**Members Absent**

Stephen Hicks  
Larry Koops  
Wayne Wood

Mr. Mason called the meeting to order at 10:05 am.

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

Mr. Mason recognized the following legislator in attendance: Representative Peter Lucido speaking in support of the SAPA Transmission Inc. project in Shelby Township.

**Communications:** Rhonda Bishop, Board Liaison, advised the Board that the United States Steel Corporation bond inducement project was pulled from the Agenda. A revised Agenda was provided to the Board at the table. She also advised the Board that the Quarterly Report of the Chief Compliance Officer was provided to them in the briefing packet, along with several program quarterly reports.

**A. CONSENT AGENDA**

**Resolution 2018-098 Approval of Consent Agenda Items**

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

Proposed Meeting Minutes – June 26, 2018

American HAVAL Motor Technology LLC – MBDP Grant Reauthorization and Amendment – **2018-099**

SpartanNash Company – MBDP Grant Amendment – **2018-100**

fairlife LLC and Continental Dairy Facilities, LLC – MBDP Grant Amendment – **2018-101**

CDBG Program Year 2018 – Funding Guide Excerpt Approval – **2018-102**

Free Press Holdings LLC – Brownfield Redevelopment MBT Credit Amendment #1 – **2018-103**

Pyramid Development Company, LLC – Brownfield Redevelopment MBT Credit Amendment #2 & Brownfield TIF Amendment #1 – **2018-104 & 2018-105**

Selden Partners, LLC – MCRP Loan Participation Award Amendment – **2018-106**

Terrence J.L. Reeves seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused**

## **B. BUSINESS INVESTMENT**

### **B1. Business Growth**

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

#### **Resolutions 2018-107 & 2018-108 Pfizer, Inc. – Good Jobs for Michigan Program Request and MBDP Grant**

*Mike Gietzen, Senior Business Development Project Manager, provided the Board with information regarding these action items.* Following brief discussion, Paul Gentilozzi motioned for the approval of Resolutions 2018-107 & 2018-108. Andrew Lockwood seconded the motion. **The motion carried: 7 ayes; 0 nays; 1 recused.**

*Shaun Wilson rejoined the meeting.*

#### **Resolution 2018-109 SAPA Transmission, Inc. – MBDP Grant**

*Mike Gietzen, Senior Business Development Project Manager, provided the Board with information regarding this action item.* Following brief discussion, Paul Gentilozzi motioned for the approval of Resolution 2018-109. Roger Curtis seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

#### **Resolution 2018-110 Morley Companies, Incorporated – MBDP Grant**

*David Kurtycz, Business Development Project Manager, provided the Board with information regarding this action item.* Following brief discussion, Andrew Lockwood motioned for the approval of Resolution 2018-110. Shaun Wilson seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

#### **Resolution 2018-111 International Trade Centers – RFP Contractor Recommendations**

*Natalie Chmiko, Director International Trade, provided the Board with information regarding this action item.* Following brief discussion, Paul Gentilozzi motioned for the approval of Resolution 2018-111. Andrew Lockwood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

### **B2. Access to Capital**

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

#### **Resolution 2018-112 Detroit Renewable Energy LLC / Detroit Renewable Power LLC / Detroit Thermal LLC – Bond Reissuance Amendments**

*Chris Cook, Director Capital Access, provided the Board with information regarding this action item.* Following brief discussion, Paul Gentilozzi motioned for the approval of Resolution 2018-112. Terrence J.L. Reeves seconded the motion. **The motion carried: 7 ayes; 0 nays; 1 recused.**

**ROLL CALL VOTE:** Ayes: Carl Camden, Roger Curtis, Paul Gentilozzi, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor; Nays: None; Recused: Shaun Wilson

*Shaun Wilson rejoined the meeting.*

#### **Resolution 2018-113 Southgate Properties/The Guidance Center/The Guidance Center Adult and Family Services – Bond Authorization - Refunding**

*Chris Cook, Director Capital Access, provided the Board with information regarding this action item.* Following brief discussion, Andrew Lockwood motioned for the approval of Resolution 2018-113. Shaun Wilson seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

**ROLL CALL VOTE:** Ayes: Carl Camden, Roger Curtis, Paul Gentilozzi, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Shaun Wilson; Nays: None; Recused: None

### **C. COMMUNITY VITALITY**

#### **Resolution 2018-114 Gemini Capital Management, LLC / Alma Brewery Apartments Project – MCRP Grant**

*Chelsea Rowley, Community Assistance Team Specialist, provided the Board with information regarding this action item.* Following brief discussion, Andrew Lockwood motioned for the approval of Resolution 2018-114. Shaun Wilson seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused**

Mr. Mason adjourned the meeting at 10:51 am.



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

NICK A. KHOURI  
STATE TREASURER

January 18, 2018

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

Dear Ms. Tebedo:

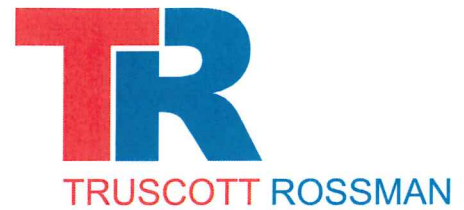
I hereby designate Andrew Lockwood to represent me at Michigan Strategic Fund Meeting, I am unable to attend.

Sincerely,

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

N.A. Khouri  
State Treasurer

Cc: Andrew Lockwood



**Tuesday, July 24, 2018**

Rhonda Bishop  
Board Relations Liaison  
And FOIA Coordinator  
**Michigan Economic Development Corporation**  
300 N. Washington Square  
Lansing, MI 48913

Dear Rhonda,

Please consider this communication as a letter of recusal for Detroit Renewable Energy, Detroit Renewable Power LLC, Detroit Thermal LLC; and Pfizer Inc., agenda items listed for the Tuesday, July 24, 2018 Michigan Strategic Fund board meeting.

I will be recusing myself due to our firm's direct business dealings with listed companies.

Thank you,

A handwritten signature in cursive script that reads 'Shaun W. Wilson'.

Shaun W. Wilson



**MICHIGAN STRATEGIC FUND  
FINAL SPECIAL SESSION MINUTES  
August 9, 2018**

**Member Present**

Jeff Mason

**Members joined by phone**

Paul Gentilozzi

Stephen Hicks

Andrew Lockwood (on behalf of Treasurer Khouri)

Terrence J.L. Reeves

Terri Jo Umlor

Shaun Wilson

**Members Absent**

Carl Camden

Roger Curtis

Larry Koops

Wayne Wood

Mr. Mason called the meeting to order at 10:05 am.

**Public Comment:** No public comment.

**Communications:** None

**A. BUSINESS INVESTMENT**

**A1. Business Growth**

**Resolution 2018-115 Spartan Michigan LLC – New Agricultural Processing Renaissance Zone**

*Jeremy Webb, Senior Business Development Project Manager, provided the Board with information regarding this action item.* Following brief discussion, Andrew Lockwood motioned for the approval of Resolution 2018-115. Paul Gentilozzi seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

Mr. Mason adjourned the meeting at 10:18 am.



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

NICK A. KHOURI  
STATE TREASURER

January 18, 2018

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

Dear Ms. Tebedo:

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

Sincerely,

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

N.A. Khouri  
State Treasurer

Cc: Andrew Lockwood

## MEMORANDUM

**Date:** August 28, 2018

**To:** Michigan Strategic Fund

**From:** Colleen Horton, Director, Business Compliance

**Subject:** RNFL Acquisition, LLC Write-Off Request

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### **Request**

Michigan Economic Development Corporation (“MEDC”) staff requests that the Michigan Strategic Fund (“MSF”) approve a write-off of the RNFL Acquisition, LLC (“RNFL”) Michigan Business Development Program (“MBDP”) grant (the “Request”).

### **Background**

On December 17, 2012, the MSF approved a performance-based MBDP grant of up to \$2,000,000 for the creation of 27 Qualified New Jobs, maintenance of 14 Base jobs, and \$16,000,000 in capital investment in the City of Gwinn, Marquette County, Michigan. RNFL satisfied all required milestones and the MBDP grant was fully disbursed. In its 2015 annual progress report, RNFL reported that it had eliminated three Qualified New Jobs. The company reported that its project had experienced issues due to a United States Supreme Court ruling that required the Environmental Protection Agency to restructure rules regarding the carbon emission scrubbers the company had intended to produce. As a result, RNFL had to rely entirely on the other side of its business, which was production of carbon filters for municipal water systems and RNFL scaled back on its investments and staffing. During that period RNFL undertook recapitalization efforts in order to manage cash flow. Those efforts were unsuccessful and the company notified the MEDC in July 2016 that it lacked sufficient funds to service its debts and anticipated that its lenders would take action on the loans. RNFL laid off the remaining Qualified New Jobs and triggered repayment of the entire MBDP grant or \$2,000,000.

In October 2016, the MEDC was notified by Development Specialists, Inc. that RNFL had executed a general assignment for the benefit of creditors in favor of DSI Assignments, Inc. in accordance with the applicable provisions of Delaware law governing General Assignments for the Benefit of Creditors. The petition commencing the assignment was filed with the Chancery Court on September 12, 2016 and the petition was granted on September 26, 2016. At the time of the petition, RNFL owed its senior secured lenders over \$23 million and owed an additional \$20 million on New Market Tax Credits. The senior loans were secured by all of RNFL’s assets, including equipment, inventory, furniture, fixtures, cash and bank accounts. The MEDC filed an Affidavit of Claim on behalf of the MSF in January 2017, however, the proceeds from the sale of RNFL’s assets (\$19.1 million) was insufficient to cover the MSF’s claim for \$2,000,000. As a result, MEDC staff is seeking approval to write-off the \$2,000,000 owed to the MSF.

### **Recommendation**

MEDC staff recommends approval of the Request.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2018-117**

**RNFL ACQUISITION, LLC – WRITE-OFF REQUEST**

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

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

**WHEREAS**, on December 17, 2012, the MSF awarded a Michigan Business Development Program (“MBDP”) performance-based grant to RNFL Acquisition, LLC (“RNFL”) of up to \$2,000,000 for the creation of 27 Qualified New Jobs, maintenance of 14 Base jobs, and \$16,000,000 in capital investment in the City of Gwinn, Marquette County, Michigan (the “RNFL Grant”);

**WHEREAS**, RNFL satisfied the requirements of the RNFL Grant and the funds were fully disbursed;

**WHEREAS**, RNFL eliminated all of the Qualified New Jobs and triggered repayment of the entire amount of the RNFL Grant;

**WHEREAS**, in September 2016, RNFL executed a general assignment for the benefit of creditors under Delaware law and the assets of the company were subsequently sold to satisfy the outstanding debt owed by RNFL;

**WHEREAS**, the proceeds from the sale of RNFL assets was insufficient to satisfy all of the outstanding debt owed by the company, including the \$2,000,000 owed to the MSF, and MEDC recommends that the MSF approve a write-off of the \$2,000,000 owed under the RNFL Grant (the “Write-Off Request”); and

**WHEREAS**, the MSF Board wishes to approve the Write-Off Request.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF approves the Write-Off Request; and

**BE IT FURTHER RESOLVED**, that the MSF Fund is authorized to take all necessary action to effectuate the Write-Off Request in accordance with the terms and conditions of this resolution.

Ayes: Eric Bussis (on behalf of Treasurer Khouri, designation attached), Carl Camden,  
Roger Curtis, Larry Koops, Jeff Mason, Terrence J.L. Reeves, Shaun Wilson, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan  
August 28, 2018

## MEMORANDUM

**Date:** August 28, 2018  
**To:** Michigan Strategic Fund  
**From:** Dean Wade, Compliance Specialist, Compliance and Contract Services  
**Subject:** NRG Enterprises, Inc. Write-Off Request

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### **Request**

NRG Enterprises, Inc. (“NRG Enterprises”) is no longer a viable business and MEDC staff recommends that the MSF Board support a write-off of the MSF’s investment in NRG Enterprises for accounting purposes only (the “Request”).

### **Background**

On March 19, 2009, Limo Reid Inc., d/b/a NRG Dynamix, (“NRG”) received a 2008 21<sup>st</sup> Century Jobs Fund loan in the amount of \$3,352,704 for the development, commercialization and sale of a novel Hydraulic Hybrid Power Train system (“HHPT”) targeting the light and medium truck markets. The NRG’s HHPT is an energy management system that decouples the demand for power from the generation of power, thereby providing the vehicle designer the opportunity to optimize overall vehicle performance. In so doing, it becomes possible to deliver a truck that improves fuel economy by upwards of 60% and reduces emissions by upwards of 90% while maintaining a platform that costs approximately the same, weighs approximately the same, and has the same cargo capacity as existing trucks. On June 20, 2014, NRG Enterprises purchased all of the assets of NRG and, in connection with that asset sale, the NRG Loan was converted into 28,736 shares of Class B Common Stock of NRG Enterprises. The asset sale and debt conversion was the company’s last attempt to market its technology. The existing investors of the company, including the MSF and MEDC, declined to invest additional funds and the business ultimately failed.

The Michigan Economic Development Corporation (“MEDC”) also made a loan to NRG in the amount of \$350,000 from the MEDC Follow-on-Fund program. The MEDC award was converted to Class B Common of NRG Enterprises on June 20, 2014. A similar write-off request is being presented to the MEDC for approval.

### **Status of Company**

According to the Department of Licensing and Regulatory Affairs (“LARA”) NRG Enterprises was automatically dissolved on July 15, 2018. NRG Enterprises had limited assets, with an estimated value of less than \$40,000. The proceeds from any sale of the assets would go to paying back taxes, wages and benefits, and other trade payables before any distributions could be made to shareholders.

### **Recommendation**

MEDC staff recommends approval of the Request.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2018-118**

**NRG ENTERPRISES, INC. – INVESTMENT WRITE-OFF**

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

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

**WHEREAS**, the MSF and Limo-Reid, Inc. d/b/a NRG Dynamix (“NRG”), entered into a Loan Agreement dated March 19, 2009, whereby the MSF agreed to loan up to \$3,352,704 to NRG under the terms and conditions set forth in the Loan Agreement, Security Agreement, and the Promissory Note, all dated March 19, 2009 (the “NRG Loan”);

**WHEREAS**, on June 20, 2014, NRG Enterprises, Inc. (“NRG Enterprises”) purchased all of the assets of NRG and, in connection with that asset sale, the NRG Loan was converted into 28,736 shares of Class B Common Stock of NRG Enterprises (the “NRG Enterprises Investment”);

**WHEREAS**, NRG Enterprises has notified the MEDC that it has ceased all operations and that the corporation has dissolved;

**WHEREAS**, the MEDC has reviewed the Company’s financial information and recommends that the MSF Board approve a complete accounting write-off of the NRG Enterprises Investment (the “Write-Off Request”);

**WHEREAS**, the MSF Board wishes to approve the Write-Off Request.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF approves the Write-Off Request; and

**BE IT FURTHER RESOLVED**, that the MSF Fund is authorized to take all necessary action to effectuate the Write-Off Request in accordance with the terms and conditions of this resolution.

Ayes: Eric Bussis (on behalf of Treasurer Khouri, designation attached), Carl Camden,  
Roger Curtis, Larry Koops, Jeff Mason, Terrence J.L. Reeves, Shaun Wilson, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan  
August 28, 2018

## MEMORANDUM

**Date:** August 28, 2018  
**To:** MSF Board Members  
**From:** Doug Kuiper, Senior Vice President, Marketing & Communications  
**Subject:** Business Marketing and Advertising Services Contract Extension

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### **REQUEST**

This request is for the MSF Board to approve an extension of an existing contract with McCann Erickson for business marketing and advertising services for the MEDC for the period of October 1, 2018 to September 30, 2020. Further this request is for the MSF Board to approve FY2019 funding for year one of the contract extension in the amount of \$7,759,620.

### **BACKGROUND**

In March 2016, the MSF Board approved issuance of a business marketing and advertising services Request for Proposal (“RFP”) and authorized the MSF Fund Manager to appoint a Joint Evaluation Committee (“JEC”) to review the proposals. The MSF subsequently awarded the contract to McCann Erickson, for the period of October 1, 2016, to September 30, 2017, with the option to renew the term of the agreement and allocate more funding for additional terms, at the sole discretion of the Board. The first one-year extension, with funding allocation, was approved by the Board on August 22, 2017.

McCann has been an effective strategic partner with MEDC and has marketed Michigan to attraction targets outside the state as a business-friendly location that provides a competitive advantage, as well as the most desirable location for in-state targets to maintain and grow their business presence. Industry attraction targets again include automotive, aerospace, agribusiness/food processing, and cybersecurity. The PlanetM campaign focused on transportation mobility has evolved to support business development priorities for attraction and retention/growth, while also continuing to build Michigan's brand as a leader in this emerging business category. The Pure Michigan Business Connect program, marketed to in-state targets, encourages participation at summits held throughout the year. A direct mail campaign directed at site selectors, introduced in FY2017, has been expanded to focus on three destination regions: Detroit, Grand Rapids, and Ann Arbor. These comprehensive campaigns are supported through a combination of print, digital, video, web, sponsorships and more.

### **RECOMMENDATION**

The MEDC recommends that the MSF Board allocate up to \$7,759,620 for FY2019 and authorize the Fund Manager to enter into an extension of the contract agreement with McCann Erickson for business marketing and advertising services for the period of October 1, 2018 to September 30, 2020.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2018-119**

**MCCANN-ERICKSON USA, INC. CONTRACT FOR BUSINESS MARKETING (Amendment #2)**

**WHEREAS**, Public Act 489 of 2000, MCL 12.251 to 12.260, created the Michigan Trust Fund Act, of which the 21<sup>st</sup> Century Jobs Trust Fund (“Trust Fund”) is established;

**WHEREAS**, Public Act 270 of 1984, MCL 125.2088b(4), provided for not more than five percent of the annual appropriations as provided by law from the Trust Fund may be used for business development and business marketing costs;

**WHEREAS**, on August 23, 2016, the Michigan Strategic Fund (“MSF”) approved the use of McCann-Erickson USA, Inc. as the vendor for a business marketing and advertising campaign for a period of one year, with the option for four additional one-year extensions;

**WHEREAS**, the MSF and McCann-Erickson USA, Inc. desire to exercise the option for an additional two, one-year terms from October 1, 2018 through September 30, 2020 and to allocate up to \$7,759,620 in funding for the fiscal year 2019 to provide services for business marketing and advertising campaign;

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

**WHEREAS**, the MEDC recommends that the MSF exercise the option for an additional two, one-year terms from October 1, 2018 through September 30, 2020 and to allocate up to \$7,759,620 in funding for the fiscal year 2019 to provide services for business marketing and advertising campaign.

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF Board amends the McCann-Erickson USA, Inc. contract by exercising the option for an additional two, one-year terms from October 1, 2018 through September 30, 2020 and to allocate up to \$7,759,620 in funding for the fiscal year 2019; and

**BE IT FURTHER RESOLVED**, that the MSF Fund Manager is authorized to execute the amendment to the McCann-Erickson USA, Inc. contract consistent with the terms of this resolution.

Ayes: Eric Bussis (on behalf of Treasurer Khouri, designation attached), Carl Camden,  
Roger Curtis, Larry Koops, Jeff Mason, Terrence J.L. Reeves, Shaun Wilson, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan  
August 28, 2018



## MEMORANDUM

**Date:** August 28, 2018

**To:** MSF Board Members

**From:** David Lorenz, Vice President Travel Michigan

**Subject:** Tourism Marketing and Advertising Services Contract Extension

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### **REQUEST**

This request is for the MSF Board to approve an extension of an existing contract with McCann Erickson USA, Inc. for tourism marketing and advertising services (including digital media placements) for the period of October 1, 2018 to September 30, 2020. Further this request is for the MSF Board to approve FY2019 funding for year one of the contract extension in the amount of \$25,515,445.

### **BACKGROUND**

On March 22, 2016, the MSF Board approved a tourism marketing and advertising Request for Proposal (RFP) and authorized the MSF Fund Manager to appoint a Joint Evaluation Committee (JEC) to review the proposals. The MSF subsequently awarded the tourism marketing and advertising contract to McCann Erickson USA, Inc., for the period of October 1, 2016 to September 30, 2017, with the option to renew the term of the agreement and allocate more funding for additional terms, at the sole discretion of the Board. The first one-year extension, with funding allocation, was approved by the Board on August 22, 2017.

McCann Erickson has led the creative development and strategy that powers the nationally recognized Pure Michigan travel brand. The Pure Michigan brand has been honored with dozens of industry awards and is recognized across the travel industry as a tourism marketing leader.

The primary objectives of the campaign is to:

- Increase visibility of Michigan as the ideal four-season vacation destination in the U.S. and international markets via the Pure Michigan campaign
- Drive traffic to michigan.org
- Increase leisure spending in Travel Michigan's targeted markets

These objectives feed into the core mission of the MSF and the MEDC to grow leisure travel spending in the state and improve Michigan's image as a business location and travel destination.



**RECOMMENDATION**

The MEDC recommends that the MSF Board allocate up to \$25,515,445, for FY2019 and authorize the Fund Manager to enter into an extension contract with McCann Erickson for travel marketing and advertising services for the term of October 1, 2018 to September 30, 2020.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2018-120**

**MCCANN-ERICKSON USA, INC. CONTRACT FOR TRAVEL MARKETING (Amendment #2)**

**WHEREAS**, Public Act 489 of 2000, MCL 12.251 to 12.260, created the Michigan Trust Fund Act, of which the 21<sup>st</sup> Century Jobs Trust Fund (“Trust Fund”) is established;

**WHEREAS**, Public Act 270 of 1984, MCL 125.2088b(2)(d), provided for annual appropriations as provided by law from the Trust Fund may be used for promotion of tourism in this state;

**WHEREAS**, on August 23, 2016, the Michigan Strategic Fund (“MSF”) approved the use of McCann-Erickson USA, Inc. as the vendor for travel marketing and promotional campaign for the promotion of tourism for a period of one year, with the option for four additional one-year extensions;

**WHEREAS**, the MSF and McCann-Erickson desire to exercise the option for an additional two, one-year terms from October 1, 2018 through September 30, 2020 and to allocate up to \$25,515,445 in funding for the fiscal year 2019 to provide services for the promotion of tourism through an integrated travel marketing and promotional campaign;

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

**WHEREAS**, the MEDC recommends that the MSF exercise the option for an additional two, one-year terms from October 1, 2018 through September 30, 2020 and to allocate up to \$25,515,445 in funding for the fiscal year 2019 to and to provide services for the promotion of tourism through an integrated travel marketing and promotional campaign.

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF exercise the option for an additional two, one-year terms from October 1, 2018 through September 30, 2020 and to allocate up to \$25,515,445 in funding for the fiscal year 2019.

**BE IT FURTHER RESOLVED**, that the MSF Fund Manager is authorized to execute the amendment to the McCann-Erickson USA, Inc. contract consistent with the terms of this resolution.

Ayes: Eric Bussis (on behalf of Treasurer Khouri, designation attached), Carl Camden,  
Roger Curtis, Larry Koops, Jeff Mason, Terrence J.L. Reeves, Shaun Wilson, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan  
August 28, 2018

## MEMORANDUM

**Date:** August 28, 2018  
**To:** Michigan Strategic Fund Board Members  
**From:** David Lorenz, Vice President Travel Michigan  
**Subject:** Meredith Corporation Contract

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### **REQUEST**

The contract period was established from October 1, 2015 to September 30, 2018, with an allocation of up to \$800,000 for each fiscal year of the three-year contract term, and the option of two, additional one-year extensions. At this time, we are requesting a two-year contract extension for the period of October 1, 2018 to September 30, 2020. We are also requesting \$752,300 for each year of the two-year contract extension contingent upon annual legislative appropriations. The allocated budget will cover production and printing costs for three seasonal guides for 2019 and 2020.

### **BACKGROUND**

On August 24, 2015, the Michigan Strategic Fund entered into a contract with Meredith Corporation to publish the official State of Michigan seasonal travel guides. Meredith was selected after a competitive bid process in which seven proposals were received and reviewed in accordance to the standard Request for Proposal process. The Joint Evaluation Committee evaluated all proposals and ranked the proposal from the Meredith Corporation/Midwest Living's Custom Publishing division with the highest score.

The strengths of the Meredith proposal are noted below:

#### **Advertising strategy & current customer base**

- Proven results selling to the Michigan travel industry
- Well thought-out advertising strategy
- Experienced Michigan-based sales team
- Guarantee delivery of \$800,000 in annual ad sales to off-set the out-of-pocket costs to Travel Michigan

#### **Distribution strategy**

- Strategically-targeted distribution that is consistent with Travel Michigan advertising markets

- Ability to execute an unparalleled pro-active distribution strategy at a fraction of traditional direct-mail costs

### **Database Options and direct mail opportunities**

- *Midwest Living's* database opportunities best met the scope and scale alluded to in the Request for Proposal, along with the ability to proactively deliver up-to 650,000 copies to individual households, consistent with Travel Michigan target audience demographics.
- Additionally, with the acquisition of Time Inc., the Meredith Corporation currently owns some 175 million organic database names from across the US.

### **Innovative added-value components**

- Ability to significantly extend the Pure Michigan brand via additional print, television and digital platforms as well as additional custom publishing opportunities
- Readership survey
- Premiere Sponsorship of the Annual Pure Michigan Governor's Conference on Tourism

### **Deliverables**

- Turnkey editorial and creative services
- Ability to deliver content for use across michigan.org website, as well as all of Travel Michigan's social media platforms
- Free access to the *Midwest Living's* extensive photography library for all of Travel Michigan's print, advertising and digital uses

### **Project staffing**

- Michigan-based travel writers, photographers and editors who have an intimate understanding of Michigan and the state's extensive travel product
- Bidder's core teams have extensive first-hand knowledge of the Michigan tourism product.
- Entire team of writers, photographers and graphic designers assigned to this initiative are Michigan-based

### **Agency of Record**

While headquartered in Iowa, the company's custom publishing division relocated to Troy, Michigan, in 2015. The division recently moved to Bloomfield Hills, Michigan, in 2018. Additionally, Meredith operates offices in Flint and Saginaw, Michigan. It should also be noted the Pure Michigan travel guides are printed at Quad Graphics in Midland, Michigan.

### **RECOMMENDATION**

The Michigan Economic Development Corporation recommends the Michigan Strategic Fund Board extend the contract from October 1, 2018 to September 30, 2020, along with an allocation of \$752,300 for each year of the two-year contract extension contingent upon annual legislative appropriations.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2018-121**

**OFFICIAL STATE OF MICHIGAN TRAVEL GUIDE ALLOCATION**

**WHEREAS**, Public Act 489 of 2000, MCL 12.251 to 12.260, (the “Act”) created the Michigan Trust Fund Act, of which the 21<sup>st</sup> Century Jobs Trust Fund (“Trust Fund”) is established;

**WHEREAS**, Public Act 270 of 1984, MCL 125.2088b(2)(d), provided for annual appropriations as provided by law from the Trust Fund may be used for promotion of tourism in this state;

**WHEREAS**, on August 25, 2015, the Michigan Strategic Fund (“MSF”) authorized an agreement for three years, with two, one-year extensions to Meredith Corporation as the vendor for the official State of Michigan Travel Guide;

**WHEREAS**, the MSF and Meredith Corporation desire to exercise the option for the additional two, one-year terms and to allocate up to \$752,300 in funding for the period of October 1, 2018 through September 30, 2019, and up to \$752,300 in funding for the period of October 1, 2019 through September 30, 2020 contingent upon appropriations from the State Legislature to provide services for the official State of Michigan Travel Guide;

**WHEREAS**, the MSF designated the Michigan Economic Development Corporation (“MEDC”) to provide administrative services for the MSF; and

**WHEREAS**, the MEDC recommends, and the MSF desires, to exercise the option for the additional two, one-year terms and to allocate up to \$752,300 in funding for the period of October 1, 2018 through September 30, 2019, and up to \$752,300 in funding for the period of October 1, 2019 through September 30, 2020 contingent upon appropriations from the State Legislature to provide services for the official State of Michigan Travel Guide.

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF exercises the option for the additional two, one-year terms and to allocate up to \$752,300 in funding for the period of October 1, 2018 through September 30, 2019, and up to \$752,300 in funding for the period of October 1, 2019 through September 30, 2020 contingent upon appropriations from the State Legislature.

Ayes: Eric Bussis (on behalf of Treasurer Khouri, designation attached), Carl Camden,  
Roger Curtis, Larry Koops, Jeff Mason, Terrence J.L. Reeves, Shaun Wilson, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan  
August 28, 2018

## MEMORANDUM

**Date:** August 28, 2018

**To:** MSF Board Members

**From:** Doug Kuiper, Senior Vice President Marketing & Communications

**Subject:** Public Relations Services Contract Extension Recommendation

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### **REQUEST**

This request is for the MSF Board to approve an extension of an existing contract with Weber Shandwick for public relations services for the period of October 1, 2018 to September 31, 2020. Further, this request is for the MSF Board to approve FY19 funding for year one of the contract extension in the amount of \$3,652,280. This contract includes PR services for both travel (\$1,311,600) and business (\$2,340,680).

### **BACKGROUND**

On March 22, 2016, the MSF Board approved issuance of a public relations services Request for Proposal (“RFP”) and authorized the MSF Fund Manager to appoint a Joint Evaluation Committee (“JEC”) to review the proposals. The MSF subsequently awarded the public relations contract to Weber Shandwick, for an initial term of October 1, 2016 to September 30, 2017, with the option to renew the term of the agreement and allocate more funding for additional terms, at the sole discretion of the Board. The first one-year extension, with funding allocation, was approved by the board August 22, 2017.

Weber Shandwick has achieved significant national and regional media coverage for the State of Michigan as a national tourism destination through proactive pitching efforts, coordinated familiarization tours and awareness events and media desk sides in target markets. Weber Shandwick has also helped to establish Pure Michigan as a national leader across major social media platforms, including Facebook, Twitter, Instagram and Pinterest. The Pure Michigan brand has been honored with dozens of industry awards and is recognized across the travel industry as a marketing leader. Every year, the campaign demonstrates its success through the annual increase of return on investment for travel marketing.

In addition, Weber Shandwick has been instrumental in leading the public relations efforts to support our national business marketing campaigns and to position Michigan as the ideal location for business to locate and expand. Specifically, Weber focuses on promoting earned

media opportunities in key industries such as agribusiness, aerospace, manufacturing, automotive (including the growing mobility sector), defense and IT/cybersecurity. This includes pitching national and trade media, coordinating media FAMs and onsite PR support for key events. They are the point public relations agency for the PlanetM campaign and spearhead national media attention for Michigan's leadership in mobility and autonomous vehicle development. Additionally, they develop and execute core social media strategies – both paid and organic – for the PlanetM social media channels. Weber also provides media relations support for the international investment and export trade missions led by MEDC.

### **RECOMMENDATION**

The MEDC recommends that the MSF Board allocate up to \$3,652,280 for FY19 and authorize the Fund Manager to enter into an extension of the contract agreement with Weber Shandwick for the term of October 1, 2018-September 30, 2020 for public relations and social media services.



**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2018-122**

**WEBER SHANDWICK CONTRACT FOR PUBLIC RELATIONS (Amendment #2)**

**WHEREAS**, Public Act 489 of 2000, MCL 12.251 to 12.260, created the Michigan Trust Fund Act, of which the 21<sup>st</sup> Century Jobs Trust Fund (“Trust Fund”) is established;

**WHEREAS**, Public Act 270 of 1984, MCL 125.2088b(4), provided for not more than five percent of the annual appropriations as provided by law from the Trust Fund may be used for business development and business marketing costs;

**WHEREAS**, on August 23, 2016, the Michigan Strategic Fund (“MSF”) approved the use of Weber Shandwick as the vendor for the public relations and digital marketing program for a period of one year, with the option for four additional one-year extensions;

**WHEREAS**, the MSF and Weber Shandwick desire to exercise the option for an additional two, one-year terms from October 1, 2018 through September 30, 2020 and to allocate up to \$3,652,280 in funding for the fiscal year 2019 to provide services for the public relations activities and promotional events in the targeted geographic, industry, and audience markets;

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

**WHEREAS**, the MEDC recommends that the MSF exercise an additional two, one-year terms from October 1, 2018 through September 30, 2020 and allocate up to \$3,652,280 in funding for the fiscal year 2019 to provide services for the public relation activities and promotional events in the targeted geographic, industry, and audience markets.

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF exercise an additional two, one-year terms for the period of October 1, 2018 through September 30, 2020 and allocate up to \$3,652,280 in funding for the fiscal year 2019 to provide services for the public relations activities and promotional events in the targeted geographic, industry, and audience markets.

**BE IT FURTHER RESOLVED**, that the MSF Fund Manager is authorized to execute the amendment to the Weber Shandwick contract consistent with the terms of this resolution.

Ayes: Eric Bussis (on behalf of Treasurer Khouri, designation attached), Carl Camden,  
Roger Curtis, Larry Koops, Jeff Mason, Terrence J.L. Reeves, Shaun Wilson, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan  
August 28, 2018

## MEMORANDUM

**Date:** August 28, 2018  
**To:** MSF Board Members  
**From:** Kelly Wolgamott, Director of Travel Marketing  
**Subject:** Brand USA International Travel Marketing Letter of Agreement

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### **REQUEST**

This request is for the MSF Board to enter into an agreement with Brand USA for the purpose of establishing a co-branding campaign in the amount up to \$1,776,800 for the period of October 1, 2018 to September 30, 2019.

### **BACKGROUND**

Brand USA is a public-private partnership created to market the U.S. as a tourism destination around the world. Brand USA offers buy in and other advertising opportunities to U.S. destinations, state tourism offices, city and regional convention and visitor bureaus and for-profit attractions. Our agreement with Brand USA allows us to use their national leveraged advertising buying services in Ontario, Canada, which in turn, provides Travel Michigan 20% more exposure than we would be able to negotiate on our own.

### **RECOMMENDATION**

The MEDC recommends that the MSF Board allocate up to \$1,776,800 Pure Michigan appropriations monies and approve the Letter of Agreement with Brand USA for the purpose of establishing a co-branding campaign in accordance with the federal Travel Promotion Act of 2009.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2018-123**

**AUTHORIZATION OF ALLOCATION FOR INTERNATIONAL MARKETING  
BRAND USA**

**WHEREAS**, the State of Michigan initiated a travel marketing campaign, to accelerate efforts to promote the State's tourism industry;

**WHEREAS**, under Section 109 of 2018 PA 207, the Legislature made an appropriation of \$36,000,000 to the Pure Michigan program under the 21st Century Jobs Fund;

**WHEREAS**, as a result of an extension of an existing partnership to market the states in the Great Lakes region, the Michigan Strategic Fund ("MSF") desires to allocate \$1,776,800 to Brand USA to support additional international travel marketing activities;

**WHEREAS**, because of the existing membership, there is no other vendor that can provide the unique international travel marketing campaign because it is an extension of an existing multi-state marketing campaign which qualifies for federal matching funds; and

**WHEREAS**, the MSF desires to authorize the allocation of \$1,776,800 to Brand USA for a period of October 1, 2018 through September 30, 2019 and authorize the Fund Manager to enter into an agreement for the international marketing activities in accordance with the federal Travel Promotion Act of 2009.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board authorizes the allocation of \$1,776,800 to Brand USA for a period of October 1, 2018 through September 30, 2019 and authorize the Fund Manager to enter into an agreement for the international marketing activities in accordance with the federal Travel Promotion Act of 2009;

Ayes: Eric Bussis (on behalf of Treasurer Khouri, designation attached), Carl Camden, Roger Curtis, Larry Koops, Jeff Mason, Terrence J.L. Reeves, Shaun Wilson, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan  
August 28, 2018

## MEMORANDUM

**Date:** August 28, 2018

**To:** Michigan Strategic Fund Board

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

**Subject:** Queen Lillian II, LLC or a Related Entity - Request for Re-Approval of a Michigan Community Revitalization Program Other Economic Assistance Award – The Woodward @ Midtown

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### REQUEST

Queen Lillian II, LLC or a Related Entity (“Company”) is requesting re-approval of a \$4,300,000 Michigan Community Revitalization Program (MCRP) Other Economic Assistance Performance Based Equity Investment award in order to allow time to execute the final MSF agreement.

### PROJECT BACKGROUND

The Michigan Strategic Fund (MSF) Board approved a \$3,500,000 Other Economic Assistance – Equity Award to the Company for the purpose of constructing a five-story mixed-use building that would contain approximately 14,657 square feet of first floor commercial space and approximately 74,660 square feet of residential space on floors two through five. The residential space consisted of approximately 104 one and two-bedroom apartments that included a mixture of affordable and market rate. A three-story parking deck was to also be constructed to serve the residents of The Mondrian. The project will be located in Midtown on Woodward Avenue and on the light rail public transit system route (QLINE). The project is located three blocks north of the new Detroit Red Wing's sports arena and just south of the main core of the Wayne State University campus.

At its October 24, 2017 meeting the MSF Board approved an amendment to the MCRP award, increasing the award by \$800,000 to \$4,300,000, and the MSF's preferred return was increased from 3% to 4%. The amendment was necessitated by the extended timeline for finalizing HUD financing, which caused the project to experience an approximately \$5,100,000 increase in its development budget from \$30.9 million to just over \$36.0 million. The increase in the development budget was to be filled with additional HUD loan proceeds and additional investor proceeds. The remaining balance would be filled by the \$800,000 increase in the MCRP Equity Award.

Since the most recent amended approval the development team has identified a new investment partner that MEDC staff believes is a better fit due the expertise and financial support they bring to the project. The development team is in the final steps of finalizing a joint venture arrangement with the Platform group out of Detroit. The Platform was established in 2016 by principals Peter Cummings and Dietrich Knoer, who have over 60 collective years of development experience. Current projects in their pipeline include the iconic Fisher Building in the New Center area of Detroit.

The parties have executed a Memorandum of Understanding and plan to execute the final agreement at closing. As part of this relationship the development team has decided to pursue traditional debt financing to finance the project, with all other funding sources remaining in place. The development team anticipates being in a position to close on financing for the project and begin construction by the end of October. MEDC staff is comfortable with the proposed timeline for beginning construction.

Below is a comparison of the originally anticipated financing structure and the one being currently being proposed:

**Original Financing Structure**

|                       |                     |                |
|-----------------------|---------------------|----------------|
| NorthPoint Capital    | \$22,900,000        | 63.59%         |
| Land Acquisition Note | \$1,309,000         | 3.63%          |
| HOME                  | \$1,400,000         | 3.89%          |
| Investor Loan         | \$2,246,914         | 6.24%          |
| Owner Equity          | \$3,857,643         | 10.71%         |
| MSF Equity Investment | \$4,300,000         | 11.94%         |
| <b>TOTAL</b>          | <b>\$36,013,557</b> | <b>100.00%</b> |

**Proposed Financing Structure**

|                       |                     |                |
|-----------------------|---------------------|----------------|
| CIBC Bank             | \$27,205,434        | 70.64%         |
| Land Acquisition Note | \$1,244,000         | 3.05%          |
| HOME                  | \$1,400,000         | 3.43%          |
| Owner Equity          | \$6,688,138         | 16.38%         |
| MSF Equity Investment | \$4,300,000         | 10.53%         |
| <b>TOTAL</b>          | <b>\$40,837,572</b> | <b>100.00%</b> |

**MCRP EQUITY INVESTMENT**

- Applicant(s):** Queen Lillian II, LLC or a Related Entity (“Company” or “Applicant”)
- Investor Investment Amount:** Owner equity investment of not less than \$6,680,000 (“Investor Equity”)
- MSF Investment Amount:** Up to the lesser of 20% of “Eligible Investment” or \$4,300,000. (“MSF Equity”)
- Interest Purchased:** MSF will acquire an equity interest in Queen Lillian II, LLC or related entity to be determined. The MSF will provide no guarantees on the debt or accept any recourse obligation.
- “Put” Right:** The MSF will receive a “Put” right for among other things failure to adhere to MSF statutory requirements. If exercised,

Queen Lillian II, LLC or another entity or individual to be determined shall repay in full the entire contribution provided to the partnership and any earned but unpaid profits available at the time if the Put on terms and conditions acceptable to the MSF. The owners of the project will be required to guarantee the "Put" right obligation.

**"Exit" Right:**

The MSF will have the option to exit the project after 240 months following disbursement of its proceeds. At time of exit the MSF will be due any remaining unpaid returns and the remaining balance of its principal equity investment.

**Investor "Call" Options:**

Following construction completion the Investor will have the option to call the MSF's ownership interest for a value equal to the greater of any accrued and unpaid returns plus the MSF's original principal investment or an amount necessary to assure a 6% IRR to the MSF.

**Net Cash Flows:**

To be determined at a later date that will include the following considerations:

1. Senior debt service requirements;
2. Annual escrowed replacement reserves;
3. Capital expenditures above and beyond what has been escrowed for replacement reserves;
4. Other restrictions placed on the property by the Senior Lender.

**Split of Net Cash Flows:**

1. MSF to receive 100% of available distributable cash flow until a 4% annual cash-on-cash return has been received on its original investment. This return will be cumulative but non-compounding.
2. Investors to receive 100% of remaining available cash flow until a 10% annual cash-on-cash return has been received on its original investment.
3. Thereafter, a 30/70 split of remaining available cash flow with 30% going to the MSF and 70% going to the Investors. Proceeds to be applied towards payment of the MSF and Investors equity investments.

**Split of Proceeds from Sale or Refinance:**

1. 100% of remaining proceeds to the MSF until any accumulated unpaid returns have been paid.
2. 100% of remaining proceeds to the Investors until any accumulated unpaid returns have been paid.
3. Pro Rata split of proceeds until the remaining original principal equity investments have been repaid to the MSF and the Investors.
4. Thereafter, a 30/70 split of remaining available cash flow with 30% going to the MSF and 70% going to the Investors.

**Membership Change:**

The MSF will have certain rights to block or consent to any material change in the membership of the project owner entity, except with respect to changes made for estate planning purposes.

**Sale/Liquidation:**

The MSF will have certain rights to block or consent to any material liquidation or sale event (e.g. sale to a non-qualified third party).

**Timing of Funding:**

The MSF investment would be made after (a) all of the Investors equity has been contributed to and to fund approved and budgeted for project expenses and (b) the Senior Lender has waived all conditions precedent to funding (but for any conditions or obligations required of the Fund to make the Investment). For the avoidance of doubt, the MSF investment will be funded prior to the Senior Lender advancing any amounts under its loan.

**Other Conditions:**

Approval will be contingent upon receipt of the following:

- Evidence of site plan approval from the City of Detroit (if applicable).
- A copy of an executed Guaranteed Maximum Price (GMP) construction contract between the Applicant and its contractor.
- Copies of final construction documents.
- Copies of all executed loan agreements, notes and mortgages, evidencing that the Applicant has financing in place in the minimum amount of \$27,200,000 in Senior Debt, or evidence of other sources available to make up the difference.

- Final agreements related to the City of Detroit's \$1,400,000 HUD/HOME investment.
- Evidence of a minimum owner equity investment of \$6,680,000.
- Final organizational and flow of funds chart.
- Final executed Agreement between the Platform and the development team.
- Final development budget.
- Other documents may be required for review.

**RECOMMENDATION**

The MEDC staff recommends re-approval of a \$4,300,000 Michigan Community Revitalization Program (MCRP) Other Economic Assistance Performance Based Equity Investment award. Terms of the original approval will remain materially intact per proposed MSF award structure described above.



## AMENDED APPROVAL



### MEMORANDUM

**Date:** October 24, 2017

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

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

**Subject:** Queen Lillian II, LLC  
Michigan Community Revitalization Program  
Request for Approval of an Other Economic Assistance – Equity Award Amendment

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#### Request

Queen Lillian II, LLC (“Company”) is requesting approval of an amendment to the Michigan Community Revitalization Program (“MCRP”) Other Economic Assistance Equity Award. The Company’s request is to increase the MCRP Equity Award from \$3,500,000 to \$4,300,000 and restructure the distribution waterfall (the “MCRP Amendment Request”).

#### Background

The Michigan Strategic Fund Board approved a \$3,500,000 Other Economic Assistance – Equity Award to the Company for the purpose of constructing a five-story mixed-use building that will contain approximately 14,657 square feet of first floor commercial space and approximately 74,660 square feet of residential space on floors two through five. The residential space will be composed of approximately 104 one and two-bedroom apartments that include a mixture of affordable and market rate. A three-story parking deck will also be constructed to serve the residents of The Mondrian. The project will be located in Midtown on Woodward Avenue and on the light rail public transit system route (QLINE). The project is located three blocks north of the new Detroit Red Wing's sports arena and just south of the main core of the Wayne State University campus.

The Company has yet to close on the MCRP Equity Award and has yet to begin construction. The development team is in the process of finalizing HUD financing from NorthPoint Capital for the project. Due to the extended timeline to finalizing HUD financing the project has experienced an approximately \$5,100,000 increase in its development budget from \$30.9 million to just over \$36.0 million. The increase in the development budget is being filled with additional HUD loan proceeds and additional

investor proceeds. The remaining balance would be filled by proposed \$800,000 in the MCRP Equity Award.

In addition to the increase in the development budget a portion (\$2,246,914) of the originally anticipated investor equity will be contributed to the project in the form of mezzanine debt to the project, of which the payments on will take priority over any distributions to the MSF. In consideration for allowing for the proposed changes the MSF's preferred return will be increased from 3% to 4%. Despite the changes to the distribution waterfall the MEDC projects the MSF will receive a higher return over a 20 year period (5.5% compared to 4.3% under the original structure).

Below is a summary of the new financing structure for the project. Additionally, the changes to the original distribution waterfall are detail below with strikethrough and **BOLD/CAPITALIZED** font.

**SUMMARY OF DEVELOPMENT SOURCES:**

|                       |                     |                |
|-----------------------|---------------------|----------------|
| NorthPoint Capital    | \$22,900,000        | 63.59%         |
| Land Acquisition Note | \$1,309,000         | 3.63%          |
| HOME                  | \$1,400,000         | 3.89%          |
| Investor Loan         | \$2,246,914         | 6.24%          |
| Owner Equity          | \$3,857,643         | 10.71%         |
| MSF Equity Investment | \$4,300,000         | 11.94%         |
| <b>TOTAL</b>          | <b>\$36,013,557</b> | <b>100.00%</b> |

**MCRP EQUITY INVESTMENT**

- Applicant(s):** Queen Lillian II, LLC (“Company” or “Applicant”)
- Investor Investment Amount:** Owner equity investment of not less than ~~\$4,700,000~~ **\$3,850,000** (“Investor Equity”)
- MSF Investment Amount:** Up to the lessor of 20% of “Eligible Investment” or ~~\$3,500,000~~ **\$4,300,000**. The structure of the MSF Investment will be subject to the HUD insured loan structure. (“MSF Equity”)
- Interest Purchased:** MSF will acquire an equity interest in Queen Lillian II, LLC or related entity to be determined. The MSF will provide no guarantees on the debt or accept any recourse obligation.
- “Put” Right:** The MSF will receive a “Put” right for among other things failure to adhere to MSF statutory requirements. If exercised, Queen Lillian II, LLC or another entity or individual to be determined shall repay in full the entire contribution provided to the partnership and any earned but unpaid profits available at the time if the Put on terms and conditions acceptable to the MSF. The owners of the project will be required to guarantee the “Put” right obligation.

- “Exit” Right:** The MSF will have the option to exit the project after 480 months following disbursement of its proceeds. At time of exit the MSF will be due any remaining unpaid returns and the remaining balance of its principal equity investment.
- Investor “Call” Options:** Following construction completion the Investor will have the option to call the MSF’s ownership interest for a value equal to the greater of any accrued and unpaid returns plus the MSF’s original principal investment or an amount necessary to assure a 6% IRR to the MSF.
- Net Cash Flows:** To be determined at a later date that will include the following considerations:
1. Senior debt service requirements;
  2. **ALLOWANCE OF RESERVES RELEASED TO BE APPLIED FIRST TOWARDS REPAYMENT OF THE INVESTOR LOAN;**
  3. Annual escrowed replacement reserves;
  4. Capital expenditures above and beyond what has been escrowed for replacement reserves;
  5. Other restrictions placed on the property by the Senior Lender.
- Split of Net Cash Flows:**
1. MSF to receive 100% of available distributable cash flow until a ~~3%~~ 4% annual cash-on cash return has been received on its original investment. This return will be cumulative but non-compounding.
  2. Investors to receive 100% of remaining available cash flow until a 10% annual cash-on-cash return has been received on its original investment.
  3. Thereafter, a 30/70 split of remaining available cash flow with 30% going to the MSF and 70% going to the Investors. Proceeds to be applied towards payment of the MSF and Investors equity investments.
- Split of Proceeds from Sale or Refinance:**

1. 100% of remaining proceeds to the MSF until any accumulated unpaid returns have been paid.
2. 100% of remaining proceeds to the Investors until any accumulated unpaid returns have been paid.
3. Pro Rata split of proceeds until the remaining original principal equity investments have been repaid to the MSF and the Investors.
4. Thereafter, a 30/70 split of remaining available cash flow with 30% going to the MSF and 70% going to the Investors.

**Membership Change:**

The MSF will have certain rights to block or consent to any material change in the membership of the project owner entity, except with respect to changes made for estate planning purposes.

**Sale/Liquidation:**

The MSF will have certain rights to block or consent to any material liquidation or sale event (e.g. sale to a non-qualified third party).

**Timing of Funding:**

The MSF investment would be made after (a) all of the Investors equity has been contributed to and to fund approved and budgeted for project expenses and (b) the Senior Lender has waived all conditions precedent to funding (but for any conditions or obligations required of the Fund to make the Investment). For the avoidance of doubt, the MSF investment will be funded prior to the Senior Lender advancing any amounts under its loan.

**Other Conditions:**

Approval will be contingent upon receipt of the following:

- Evidence of site plan approval from the City of Detroit (if applicable).
- A copy of an executed Guaranteed Maximum Price (GMP) construction contract between the Applicant and its contractor.
- Copies of final construction documents.
- Copies of all executed loan agreements, notes and mortgages, evidencing that the Applicant has financing in place in the minimum amount of \$21,300,000 in Senior Debt, or evidence of other sources available to make up the difference. The Senior Debt must have a term of not less than 48 months.

- Final agreements related to the City of Detroit's \$1,400,000 HUD/HOME investment.
- Evidence of a minimum owner equity investment of ~~\$4,700,000~~ **\$3,850,000**.
- Final organizational and flow of funds chart.
- Final executed Development Agreement.
- Other documents may be required for review.

**Recommendation**

The MEDC staff recommends approval of the MCRP Amendment Request.

## ORIGINAL APPROVAL



### MEMORANDUM

**Date:** December 20, 2016

**To:** Michigan Strategic Fund Board

**From:** Brittney Hoszkiw, Community Assistance Team Specialist  
Jim Davis, Underwriting and Incentive Structuring Specialist  
Rob Garza, Brownfield, MCRP, and SmartZone Program Specialist

**Subject:** City of Detroit Brownfield Redevelopment Authority  
Request for Approval of an Act 381 Work Plan  
Queen Lillian II, LLC - Request for Approval Michigan Community Revitalization  
Program Other Economic Assistance - Equity Investment

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#### Request

The Mondrian at Midtown will be a newly constructed five-story mixed-use building containing first floor commercial space and residential space on floors two through five. A three-story parking deck will also be erected to serve the residents of the building. The proposed project will be undertaken by Queen Lillian II, LLC and will redevelop 1.85 acres of property located at 3439-3455 Woodward Avenue in the City of Detroit. The project is located in a traditional commercial district and qualifies for a Michigan Community Revitalization Program (MCRP) award and Act 381 work plan because the property is a facility.

In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the City of Detroit Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of \$4,040,104.

Queen Lillian II, LLC (Applicant) is requesting approval of a MCRP incentive in the amount of \$3,500,000 in MCRP Other Economic Assistance in the form of an equity investment.

The project sponsors are planning to invest approximately 15% (\$4.7 million) of the overall project costs. It is anticipated that NorthPoint Capital, LLC will be providing a HUD 221(d)(4) loan of \$21.3 million which is 69% of the overall project. The developers have also been able to secure a \$1.4 million in

HOME funds from the City of Detroit for the project. To fill the remaining \$3.5 million gap the development team is requesting an MCRP equity investment and reimbursement of up to \$4,040,104 eligible activities to help offset the costs associated with the brownfield conditions that exist on the site and erection of the parking deck. The development is maximizing the available senior debt on the project and additional equity would not garner sufficient returns given the significant costs present on the site related to the Brownfield conditions. The eligible activities will alleviate Brownfield conditions across the site and make it suitable for redevelopment, and protect human health and the environment. Without Brownfield tax increment reimbursement, the cost burden related to Brownfield conditions would make the project financially unfeasible. CRP detailed structure is provided in **Appendix A**.

The Applicant anticipates that the project will result in total capital investment in the amount of \$30,900,000, along with the creation of approximately 53 permanent full-time equivalent jobs with an average hourly wage of \$12.34.

### **Background**

The Mondrian at Midtown will consist of construction of a five-story mixed-use building that will contain approximately 14,657 square feet of first floor commercial space and approximately 74,660 square feet of residential space on floors two through five. The residential space will be composed of approximately 104 one and two-bedroom apartments that include a mixture of affordable and market rate. A three-story parking deck will also be constructed to serve the residents of The Mondrian. The project is located in Midtown on Woodward Avenue and is on the light rail public transit system route (QLINE) being constructed. The project is located three blocks north of the new Detroit Red Wing's sports arena and just south of the main core of the Wayne State University campus.

Demolition activities will be necessary to remove abandoned utilities and concrete. Site preparation activities include clearing and grubbing, excavation of unstable materials and fill of clean material, foundation work to address special soil concerns, dewatering, temporary site controls, and relocation of existing utilities. Infrastructure improvements including public utility improvements, road improvements in the public right-of-way, and a multi-level parking deck that serves retail and residential parking needs that are necessary to support the new development.

Queen Lillian II, LLC has not received any Michigan Strategic Fund (MSF) incentives in the past. The project is being sponsored by James B. Jenkins and Christopher T. Jackson who both have extensive development experience.

**Appendix B** addresses the programmatic requirements and **Appendix C** 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 \$4,040,104. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$1,531,199.
- b) An MCRP Other Economic Assistance-Equity Investment in the amount of up to the lesser of 20% of "Eligible Investment" or \$3,500,000 for Queen Lillian II, LLC or Related Entities.

## APPENDIX A

### FINANCING OPPORTUNITY – MCRP EQUITY INVESTMENT

The proposed project provides new construction infill in a dense commercial area in lower Midtown, adding density that is currently lacking. MEDC is recommending the MCRP incentive for the project be structured as an equity investment in the project to allow financial flexibility for the development team and to maximize the potential financial returns on the MSF's investment.

It is anticipated that the project will be utilizing HUD insured 1<sup>st</sup> mortgage, and construction financing from NorthPoint Capital, LLC in the amount of \$21,300,000, City of Detroit HOME funds in the amount of \$1,400,000 and Owner Equity at \$4,700,000. The remaining gap will be filled by a \$3,500,000 MCRP equity investment.

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

|                       |                     |                |
|-----------------------|---------------------|----------------|
| NorthPoint Capital    | \$21,300,000        | 68.93%         |
| HOME                  | \$1,400,000         | 4.53%          |
| Owner Equity          | \$4,700,000         | 15.21%         |
| MSF Equity Investment | \$3,500,000         | 11.33%         |
| <b>TOTAL</b>          | <b>\$30,900,000</b> | <b>100.00%</b> |

#### MCRP EQUITY INVESTMENT

|                                    |   |
|------------------------------------|---|
| <b>Applicant(s):</b>               | Queen Lillian II, LLC (“Company” or “Applicant”)  |
| <b>Investor Investment Amount:</b> | Owner equity investment of not less than \$4,700,000 (“Investor Equity”)  |
| <b>MSF Investment Amount:</b>      | Up to the lesser of 20% of “Eligible Investment” or \$3,500,000. The structure of the MSF Investment will be subject to the HUD insured loan structure. (“MSF Equity”)  |
| <b>Interest Purchased:</b>         | MSF will acquire an equity interest in Queen Lillian II, LLC or related entity to be determined. The MSF will provide no guarantees on the debt or accept any recourse obligation.  |
| <b>“Put” Right:</b>                | The MSF will receive a “Put” right for among other things failure to adhere to MSF statutory requirements. If exercised, Queen Lillian II, LLC or another entity or individual to be determined shall repay in full the entire contribution provided to the partnership and any earned but unpaid profits available at the time if the Put on terms and conditions acceptable to the MSF. |



The owners of the project will be required to guarantee the “Put” right obligation.

**“Exit” Right:**

The MSF will have the option to exit the project after 480 months following disbursement of its proceeds. At time of exit the MSF will be due any remaining unpaid returns and the remaining balance of its principal equity investment.

**Investor “Call” Options:**

Following construction completion the Investor will have the option to call the MSF’s ownership interest for a value equal to the greater of any accrued and unpaid returns plus the MSF’s original principal investment or an amount necessary to assure a 6% IRR to the MSF.

**Net Cash Flows:**

To be determined at a later date that will include the following considerations:

1. Senior debt service requirements;
2. Annual escrowed replacement reserves;
3. Capital expenditures above and beyond what has been escrowed for replacement reserves;
4. Other restrictions placed on the property by the Senior Lender.

**Split of Net Cash Flows:**

1. MSF to receive 100% of available distributable cash flow until a 3% annual cash-on-cash return has been received on its original investment. This return will be cumulative but non-compounding.
2. Investors to receive 100% of remaining available cash flow until a 10% annual cash-on-cash return has been received on its original investment.
3. Thereafter, a 30/70 split of remaining available cash flow with 30% going to the MSF and 70% going to the Investors. Proceeds to be applied towards payment of the MSF and Investors equity investments.

**Split of Proceeds from Sale or Refinance:**

1. 100% of remaining proceeds to the MSF until any accumulated unpaid returns have been paid.
2. 100% of remaining proceeds to the Investors until any accumulated unpaid returns have been paid.

3. Pro Rata split of proceeds until the remaining original principal equity investments have been repaid to the MSF and the Investors.
4. Thereafter, a 30/70 split of remaining available cash flow with 30% going to the MSF and 70% going to the Investors.

**Membership Change:**

The MSF will have certain rights to block or consent to any material change in the membership of the project owner entity, except with respect to changes made for estate planning purposes.

**Sale/Liquidation:**

The MSF will have certain rights to block or consent to any material liquidation or sale event (e.g. sale to a non-qualified third party).

**Timing of Funding:**

The MSF investment would be made after (a) all of the Investors equity has been contributed to and to fund approved and budgeted for project expenses and (b) the Senior Lender has waived all conditions precedent to funding (but for any conditions or obligations required of the Fund to make the Investment). For the avoidance of doubt, the MSF investment will be funded prior to the Senior Lender advancing any amounts under its loan.

**Other Conditions:**

Approval will be contingent upon receipt of the following:

- Evidence of site plan approval from the City of Detroit (if applicable).
- A copy of an executed Guaranteed Maximum Price (GMP) construction contract between the Applicant and its contractor.
- Copies of final construction documents.
- Copies of all executed loan agreements, notes and mortgages, evidencing that the Applicant has financing in place in the minimum amount of \$21,300,000 in Senior Debt, or evidence of other sources available to make up the difference. The Senior Debt must have a term of not less than 48 months.
- Final agreements related to the City of Detroit's \$1,400,000 HUD/HOME investment.
- Evidence of a minimum owner equity investment of \$4,700,000.

- Final organizational and flow of funds chart.
- Final executed Development Agreement.
- Other documents may be required for review.

## **EXHIBIT A**

### **“Term Sheet”**

#### **MCRP EQUITY INVESTMENT**

|                                    |   |
|------------------------------------|---|
| <b>Applicant(s):</b>               | Queen Lillian II, LLC or a Related Entity (“Company” or “Applicant”)  |
| <b>Investor Investment Amount:</b> | Owner equity investment of not less than \$6,680,000 (“Investor Equity”)  |
| <b>MSF Investment Amount:</b>      | Up to the lesser of 20% of “Eligible Investment” or \$4,300,000 (“MSF Equity”)  |
| <b>Interest Purchased:</b>         | MSF will acquire an equity interest in Queen Lillian II, LLC or related entity to be determined. The MSF will provide no guarantees on the debt or accept any recourse obligation.  |
| <b>“Put” Right:</b>                | The MSF will receive a “Put” right for among other things failure to adhere to MSF statutory requirements. If exercised, Queen Lillian II, LLC or another entity or individual to be determined shall repay in full the entire contribution provided to the partnership and any earned but unpaid profits available at the time if the Put on terms and conditions acceptable to the MSF. The owners of the project will be required to guarantee the “Put” right obligation. |
| <b>“Exit” Right:</b>               | The MSF will have the option to exit the project after 240 months following disbursement of its proceeds. At time of exit the MSF will be due any remaining unpaid returns and the remaining balance of its principal equity investment.  |
| <b>Investor “Call” Options:</b>    | Following construction completion the Investor will have the option to call the MSF’s ownership interest for a value equal to the greater of any accrued and unpaid returns plus the MSF’s original principal investment or an amount necessary to assure a 6% IRR to the MSF.  |
| <b>Net Cash Flows:</b>             | To be determined at a later date that will include the following considerations: <ol style="list-style-type: none"><li>1. Senior debt service requirements;</li><li>2. Annual escrowed replacement reserves;</li><li>3. Capital expenditures above and beyond what has been escrowed for replacement reserves;</li><li>4. Other restrictions placed on the property by the Senior Lender.</li></ol>   |

**Split of Net Cash Flows:**

1. MSF to receive 100% of available distributable cash flow until a 4% annual cash-on-cash return has been received on its original investment. This return will be cumulative but non-compounding.
2. Investors to receive 100% of remaining available cash flow until a 10% annual cash-on-cash return has been received on its original investment.
3. Thereafter, a 30/70 split of remaining available cash flow with 30% going to the MSF and 70% going to the Investors. Proceeds to be applied towards payment of the MSF and Investors equity investments.

**Split of Proceeds from Sale or Refinance:**

1. 100% of remaining proceeds to the MSF until any accumulated unpaid returns have been paid.
2. 100% of remaining proceeds to the Investors until any accumulated unpaid returns have been paid.
3. Pro Rata split of proceeds until the remaining original principal equity investments have been repaid to the MSF and the Investors.
4. Thereafter, a 30/70 split of remaining available cash flow with 30% going to the MSF and 70% going to the Investors.

**Membership Change:**

The MSF will have certain rights to block or consent to any material change in the membership of the project owner entity, except with respect to changes made for estate planning purposes.

**Sale/Liquidation:**

The MSF will have certain rights to block or consent to any material liquidation or sale event (e.g. sale to a non-qualified third party).

**Timing of Funding:**

The MSF investment would be made after (a) all of the Investors equity has been contributed to and to fund approved and budgeted for project expenses and (b) the Senior Lender has waived all conditions precedent to funding (but for any conditions or obligations required of the Fund to make the Investment). For the avoidance of doubt, the MSF investment will be funded prior to the Senior Lender advancing any amounts under its loan.

**Other Conditions:**

Approval will be contingent upon receipt of the following:

- Evidence of site plan approval from the City of Detroit (if applicable).
- A copy of an executed Guaranteed Maximum Price (GMP) construction contract between the Applicant and its contractor.
- Copies of final construction documents.
- Copies of all executed loan agreements, notes and mortgages, evidencing that the Applicant has financing in place in the minimum amount of \$27,200,000 in Senior Debt, or evidence of other sources available to make up the difference.
- Final agreements related to the City of Detroit's \$1,400,000 HUD/HOME investment.
- Evidence of a minimum owner equity investment of \$6,680,000.
- Final organizational and flow of funds chart.
- Final executed Agreement between the Platform and the development team.
- Final development budget.
- Other documents may be required for review.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2018-124**

**RE-APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM  
OTHER ECONOMIC ASSISTANCE EQUITY INVESTMENT AWARD TO  
QUEEN LILLIAN II, LLC OR A RELATED ENTITY  
(THE WOODWARD @MIDTOWN PROJECT)**

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

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

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

**WHEREAS**, pursuant to SFCR 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 2016-265 on December 20, 2016 the MSF approved an Other Economic Assistance Performance-Based Equity Investment Award from the MSF under the MCRP for the project in an amount not to exceed up to \$3,500,000 for Queen Lillian II, LLC or such entities formed or to be formed in the furtherance of the Mondrian at Midtown Project (“Applicant” or “Co-Applicants”);

**WHEREAS**, by the terms of Resolution 2017-189, on October 24, 2017, the MSF Fund Manager approved an Amendment of the Award increasing the award to \$4,300,000 and amending several terms from the original approval;

**WHEREAS**, the Applicant was unable to execute the Transaction Documents by the Original Expiration Date and is requesting re-approval of the Award along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

**WHEREAS**, the MEDC is recommending that the MSF re-approve the Award;

**WHEREAS**, the MEDC is recommending the MSF re-approve the Applicant’s Award Request subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents within 90 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 (the foregoing, collectively, the “MCRP Award Recommendation”); and

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

**ADOPTED**

Ayes: Eric Bussis (on behalf of Treasurer Khouri, designation attached), Carl Camden, Roger Curtis, Larry Koops, Jeff Mason, Terrence J.L. Reeves, Shaun Wilson, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan  
August 28, 2018



## MEMORANDUM

**Date:** August 28, 2018

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

**From:** David Kurtycz, Business Development Project Manager

**Subject:** Williams International Co., L.L.C. (“Company”)  
Amendment to Approved Michigan Business Development Program Grant Agreement

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### Request

The Company is requesting an amendment to its existing Michigan Business Development Program (“MBDP”) performance-based grant Agreement to amend the definition of Qualified New Jobs (“QNJ”) to require the jobs to be created in Oakland County; add an additional requirement in Milestone 3 to require relocation of all QNJs created in previous milestone to the City of Pontiac; and require that all QNJs required in Milestones 3-7 be created at the Project Location.

### Background

On June 27, 2017, the Michigan Strategic Fund approved a \$4,000,000 award for Williams International Co., L.L.C. under the MBDP. The Company proposed to create 400 Qualified New Jobs and make a capital investment of up to \$344,500,000 in the City of Pontiac, Oakland County. The Company has continued to expand and has created new jobs in anticipation of consolidating into the expanded Pontiac facility, however the move has been delayed due to the necessity of relocating the neighboring parole office, which has taken longer to resolve than anticipated. This amendment is being requested to allow new job creation to count in Oakland County for the first two milestones as the project ramps up and require that all of the jobs be located in the City of Pontiac for the remaining milestones.

Founded in 1955, Williams International is the world leader in the development, manufacture, and support of small gas turbine engines. The Company evaluated sites in Alabama as well as Utah to site their growing operations. The site in the city of Pontiac is the former Motown Motion Picture Studio.

### Recommendation

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

- a) Amend the June 27, 2017 approval to change the definition of Qualified New Jobs (“QNJ”) to require the jobs to be created in Oakland County; and
- b) add an additional requirement in Milestone 3 to require relocation of all QNJs created in previous milestone to the City of Pontiac; and
- c) require that all QNJs required in Milestones 3-7 be created at the Project Location
- d) All other aspects of the approval remain unchanged.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2018-125**

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT  
AMENDMENT TO  
WILLIAMS INTERNATIONAL CO. L.L.C.**

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

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

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

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

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

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

**WHEREAS**, the MSF Board approved a \$4,000,000 MBDP performance based grant on June 27, 2017 for the expansion located in the city of Pontiac to make significant investments in land, plant upgrades, and add new machinery and equipment to consolidate and grow its aerospace engineering and future manufacturing operations (the “Project”);

**WHEREAS**, the Company requests that the MSF Board approve an amendment to the MBDP performance-based grant to: (i) change the definition of Qualified New Jobs (“QNJs”) to require the jobs to be created in Oakland County; (ii) add an additional requirement in Key Milestone 3 to require relocation of all QNJs created in previous milestone to the City of Pontiac; and (iii) require that all QNJs required in Key Milestones 3-7 be created at the Project Location (the “Grant Amendment Request”);

**WHEREAS**, the MEDC recommends approval of the Grant Amendment Request; and

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

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

**BE IT FURTHER RESOLVED**, the MSF authorizes the MSF Fund Manager to negotiate the final terms and conditions of the final documents necessary to effectuate the Grant Amendment Request.

Ayes: Eric Bussis (on behalf of Treasurer Khouri, designation attached), Carl Camden, Roger Curtis, Larry Koops, Jeff Mason, Terrence J.L. Reeves, Shaun Wilson, Wayne Wood

Nays: 0

Recused: 0

## MEMORANDUM

**Date:** August 28, 2018

**To:** Michigan Strategic Fund

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

**Subject:** Request for Extension and Refunding for the Michigan Translational Research and Commercialization (MTRAC) Statewide Program, Ag Bio Innovation Hub

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### Action

The MEDC requests that the MSF Board approve the two year extension and \$1,100,000 from the MTRAC Statewide Program FY18 budget for the Michigan State University MTRAC Ag Bio Innovation Hub.

### Background

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

At its June 28, 2016 meeting, the MSF approved Michigan State University as the MTRAC Statewide Program Ag Bio Innovation Hub. The Ag Bio Innovation Hub focuses on commercializing technologies including the development of research related to bio-derived/bio-based materials, natural resources and animal health.

Within the last two years, the MTRAC for Ag Bio Innovation Hub Oversight Committee, made up of industry and venture capital professionals, has reviewed 51 proposals and supported 31 projects from Michigan State University, University of Michigan and Michigan Technological University. The program deployed over \$1 million in funding including a 1:1 match from all recipients. The projects are well underway in executing on milestones toward the path of commercialization. Within this brief period of time for this early stage work, the innovation hub has reported 2 startups, 2 jobs, 6 licenses and 4 options, 24 patents applied and 19 issued patents and over \$10 M in follow on funding.

### Recommendation

MEDC Staff requests that the MSF Board approve the extension and refunding of \$1,100,000 from the FY18 MTRAC Program budget for 2 years to Michigan State University MTRAC Statewide Ag Bio Innovation Hub. The MEDC also requests that the MSF Board delegate authority to the MSF Fund Manager, with assistance of MEDC staff, to execute the final terms and conditions for the grant amendment.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2018-126**

**AMENDMENT TO MICHIGAN TRANSLATIONAL RESEARCH  
AND COMMERCIALIZATION INNOVATION HUB GRANT TO  
MICHIGAN STATE UNIVERSITY**

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

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

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

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

**WHEREAS**, on June 28, 2016, the MSF Board designated Michigan State University (“MSU”) as an Innovation Hub for Agriculture-Biology activities and approved a grant award of up to \$1,000,000 for an initial term September 1, 2016 to August 31, 2018 (the “MTRAC Grant Award”);

**WHEREAS**, under the MTRAC Program Guidelines, MSU may apply for additional funding every two years;

**WHEREAS**, MSU has requested an extension of two additional years and allocation of \$1,100,000 in additional funding for the MTRAC Grant Award (the “Amendment Request”);

**WHEREAS**, the MEDC recommends approval of the Amendment Request; and

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

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board approves the Amendment Request and authorizes the MSF Fund Manager to take all action necessary to effectuate the Amendment Request.

Ayes: Eric Bussis (on behalf of Treasurer Khouri, designation attached), Carl Camden,  
Roger Curtis, Larry Koops, Jeff Mason, Terrence J.L. Reeves, Shaun Wilson, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan  
August 28, 2018

## MEMORANDUM

**Date:** August 28, 2018

**To:** Michigan Strategic Fund

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

**Subject:** Request for Extension and Refunding for the University Early Stage Proof of Concept Fund – ADVANCE Program

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### Action

The MEDC requests that the MSF Board approve the two year extension and \$500,000 from the Entrepreneurship & Innovation FY18 budget for the University Early Stage Proof of Concept Fund ADVANCE Program.

### Background

At its November 22, 2016 meeting, the MSF approved the Joint Evaluation Committee award decision, as a result of the RFP process, in support of Michigan State University for the creation and execution of the University Early State Proof of Concept Fund for \$1,000,000 for 2 years.

The University Early Stage Proof of Concept Fund - ADVANCE program supports the current gap in the pipeline of moving university projects, with the commercial potential of a discovery, into the commercial market. Such technology is at a very early stage of development and requires additional studies or a working prototype before it can be shown to have commercial potential. The program provides resources and specialized services, by way of the university technology transfer offices at all institutions of higher education, the ability to assist university projects for the transition from scientific research to applied research to translational research into the commercial market.

Within the last two years as reported in their most recent progress report, the program using a review committee of industry and venture capital professionals, has reviewed 20 proposals and funded 12 projects at 6 universities – Western Michigan University, Ferris State University, Michigan State University, University of Michigan, Wayne State University and Grand Valley State University. These projects are continuing to execute on their milestones, working with mentors, industry partners and their institutions to move their technologies towards the commercial market.

### Recommendation

MEDC Staff requests that the MSF Board approve the extension and refunding of \$500,000 for 2 years to Michigan State University for the continued execution of the University Early Stage Proof of Concept Fund. The MEDC also requests that the MSF Board delegate authority to the MSF Fund Manager, with assistance of MEDC staff, to execute the final terms and conditions for the grant amendment.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION**

**2018-127**

**UNIVERSITY EARLY STAGE PROOF OF CONCEPT FUND  
MICHIGAN STATE UNIVERSITY GRANT AMENDMENT**

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

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

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

**WHEREAS**, on September 27, 2016, the MSF Board issued a Request for Proposals to award grants to one or more Michigan non-profit organizations or Michigan institutions of higher education to provide resources and specialized services that will enhance and support the transition of institution of higher education projects from scientific research to applied research to translational research to the commercial market (the “Proof of Concept RFP”) and adopted scoring and evaluation criteria to be used by the joint evaluation committee (“JEC”) in evaluating proposals received in response to the Proof of Concept RFP (the “Proof of Concept Scoring Criteria”);

**WHEREAS**, on November 22, 2016, the MSF awarded a grant to Michigan State University in the amount of \$1,000,000 for an initial two year term, with the option to extend the term for an additional three years and allocate additional funding, at the sole discretion of the MSF (the “Proof of Concept Grant Award”);

**WHEREAS**, the MEDC recommends that the MSF exercise its option to extend the term of the Proof of Concept Grant Award for an additional two years and allocate \$500,000 in additional funding (the “Amendment Recommendation”); and

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

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF approves the Amendment Recommendation; and

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

Ayes: Eric Bussis (on behalf of Treasurer Khouri, designation attached), Carl Camden, Roger Curtis, Larry Koops, Jeff Mason, Terrence J.L. Reeves, Shaun Wilson, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan  
August 28, 2018

## MEMORANDUM

**Date:** August 28, 2018

**To:** Michigan Strategic Fund

**From:** Fred Molnar, VP, Entrepreneurship and Innovation

**Subject:** Invest Detroit 2014 Entrepreneurial Specialized Support Services Grant – Hacker Fellowship - Amendment Four

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### ACTION

The MEDC requests that the MSF Board approve the amendment of Invest Detroit Hacker Fellowship grant to extend the term for one year (currently scheduled to conclude September 30, 2018) and to allocate additional funding in the amount of \$345,783.

### BACKGROUND

Invest Detroit was awarded a 2014 Entrepreneurial Specialized Support Services Hacker Fellowship grant in the amount of \$1,205,300 for a term of October 1, 2014 through September 30, 2018. The program supports MEDC Talent programs by growing the availability and quality of entrepreneurial talent in Michigan in the competitive-edge technology sectors. This one-year fellowship program creates a soft-landing for recent computer science college graduates to work as developers for high-growth startups in Michigan. Fellows receive technical training, career development, connections, and about \$15,000 compensation boost.

Hacker Fellows exists to address two key challenges in the start-up ecosystem – 1) Attract and retain top tech talent graduating from college to Michigan, 2) Encourage recent graduates to work at start-ups rather than established companies.

### RESULTS

Since the beginning of the program, Invest Detroit Hacker Fellows Team has delivered on the following metrics (as of their last Progress Report, dated April 15, 2018):

- Companies served – 67
- Funds leveraged by companies - \$6,500,391
- Jobs created – 45

### RECOMMENDATION

MEDC Staff recommends the MSF Board approve this amendment request to:

- Extend the term of Hacker Fellowship grant for additional one year (through September 30, 2019).
- Add funding in the amount of \$345,783.



**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2018-128**

**ENTREPRENEURIAL SUPPORT SPECIALIZED SERVICES  
INVEST DETROIT GRANT AMENDMENT**

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

**WHEREAS**, MCL 125.2088k created the Strategic Economic Investment and Commercialization Board (“SEIC Board”) for the purposes of 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;

**WHEREAS**, pursuant to Executive Order 2010-8, the Governor ordered the SEIC Board abolished and all powers, duties, and functions of the SEIC Board transferred to the Michigan Strategic Fund (“MSF”), including those powers, duties, and functions provided under MCL 125.2088k;

**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**, at its March 25, 2014 meeting, the MSF Board authorized the issuance of the Entrepreneurial Support Specialized Services Request for Proposals (the “ESSS RFP”), appointed a Joint Evaluation Committee (“JEC”) to review applications submitted in response to the RFP, and approved the scoring and evaluation criteria to be used by the JEC in its review of the applications;

**WHEREAS**, on June 24, 2014, the MSF Board awarded a grant of \$605,300 to Invest Detroit, with an initial term of October 1, 2014 to September 30, 2016 and the option to extend the term for up to an additional three years and allocate additional funding, at the sole discretion of the MSF (the “Invest Detroit Grant”);

**WHEREAS**, the Invest Detroit Grant was amended on September 28, 2016 to extend the term to September 30, 2017 and increase the grant to \$905,300 (“Invest Detroit Grant Amendment One”);

**WHEREAS**, the Invest Detroit Grant was amended on August 23, 2017 to extend the term to December 31, 2017 (“Invest Detroit Grant Amendment Two”);

**WHEREAS**, the Invest Detroit Grant was amended on November 28, 2017 to extend the term to September 30, 2018 and increase the grant to \$1,205,300 (“MVCA Grant Amendment Three”);

**WHEREAS**, MEDC staff recommends that the MSF Board exercise its options to extend the term of the Invest Detroit Grant to September 30, 2019 and to allocate \$345,783 in additional funding (the “Amendment Four Request”); and

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

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

**BE IT FURTHER RESOLVED**, the MSF Board authorizes the MSF Fund Manager to negotiate and execute all final documents necessary to effectuate the Amendment Four Request.

Ayes: Eric Bussis (on behalf of Treasurer Khouri, designation attached), Carl Camden, Roger Curtis, Larry Koops, Jeff Mason, Terrence J.L. Reeves, Shaun Wilson, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan  
August 28, 2018

## MEMORANDUM

**Date:** August 28, 2018  
**To:** Michigan Strategic Fund  
**From:** Natalie Chmiko, Director, International Trade  
**Subject:** International Trade Program – Request for Contract Extension to International Trade Small Business Service Contracts in FY19

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### **Request**

The Michigan Economic Development Corporation (“MEDC”) requests that the Michigan Strategic Fund (“MSF”) extend the terms of the current Small Business Services contracts to Foster Swift Collins & Smith, P.C. (“Foster Swift”), IBT Online, Michigan State University – International Business Center (“MSU-IBC”) and Small Business Development Center (“SBDC”) for one year and allocate additional funding to each contract in the amounts listed in the attached Resolution (collectively, the “Request”). The total of the four contracts is not to exceed \$270,000 for services to be delivered in FY2019.

### **Background**

On September 26, 2017 the MSF awarded Small Business Services Awards via Resolution 2017-161 of \$270,000 to Foster Swift, IBT Online, MSU-IBC and SBDC following a formal request for proposals. All the service providers have executed their contractual obligations in past fiscal years and continue to do so in this current fiscal year.

The contracts under this request would include the following contractors and services:

#### **Foster Swift**

1. Legal training workshops for exporters covering topics such as intellectual property protection, foreign agent/distributor contract terms checklist and export control overview
2. One-on-one consultations with companies covering training topics

#### **IBT Online**

1. Website localization of company websites to grow exports, sales and business in the two target international markets

#### **MSU-IBC**

1. Michigan Export Growth Program providing country and industry market research reports
2. Export Capacity-Building Seminars

#### **SBDC**

1. International Search Engines Optimization to define strengths and weaknesses of company’s website and social media presence to advance international sales

2. Early Stage Export Assistance to assess export readiness and provide export planning, financial assessment and marketing recommendations

These services have proven to be in high demand by Michigan small businesses. International Trade expects the FY2018 funds (\$270,000) obligated to the current contracts to be exhausted by September 30, 2018 and wishes to extend the services with another \$270,000 additional funds for services under the same contract with an amendment until September 30, 2019 and in the amounts listed in the attached Resolution.

**Recommendation**

MEDC recommends the MSF Board approve the Request.

**Exhibit A**

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

**MICHIGAN STRATEGIC FUND**

**RESOLUTION**

**2018-129**

**EXTENSION OF CONTRACT AWARD  
INTERNATIONAL TRADE PROGRAM SMALL BUSINESS SERVICES**

**WHEREAS**, the Michigan Strategic Fund (“MSF”) desires to assist eligible Michigan based small businesses, increase the number of small businesses that are exporting, increase the value of exports for those small businesses that are currently exporting, and to expand their customer base through a variety of international trade services that lead to international market expansion (the “International Trade Program”);

**WHEREAS**, under the Michigan Strategic Fund Act, MCL 125.2001 et seq. (“Act”), and in particular Section 88b of the Act, the MSF has the power to make grants, loans and investments, which includes business development and business marketing, creating or retaining jobs, and increasing capital investment activity;

**WHEREAS**, Section 88b(6) of the Act provides that the MSF Board may select all vendors for all expenditures and for program awards by issuing a request for proposal or an alternative competitive process as determined by the MSF Board;

**WHEREAS**, pursuant to Resolution 2013-165, the MSF approved the creation and operation of the Pure Michigan Export Program, subsequently renamed the International Trade Program, to increase the number of Michigan small businesses that are exporting, increase the value of exports for those small businesses that are currently exporting, and to expand their customer base by marketing to persons or entities outside of the State of Michigan;

**WHEREAS**, subject to the control and direction of the MSF Board pursuant to the Amended and Restated Memorandum of Understanding adopted via MSF Resolution 2015-185, the Michigan Economic Development Corporation (“MEDC”) provides certain administrative services to the MSF for the International Trade Program;

**WHEREAS**, at its July 25, 2017 meeting via MSF Resolution 2017-110, the MSF Board authorized the issuance of a request for proposals for the International Trade Program to establish a competitive process to award funds for contracting with entities to provide various services to small and medium sized companies to enable greater exporting capabilities (the “Small Business Services RFP”);

**WHEREAS**, at its September 26, 2017 meeting via MSF Resolution 2017-161, the MSF Board awarded the contracts associated with the Small Business Services RFP to Foster Swift Collins & Smith PC, Michigan – Small Business Development Center, Michigan State University – International Business Center, and IBT Online (the “Small Business Services Awards”);

**WHEREAS**, via Resolution 2017-161, the MSF Board authorized the extension of the Small Business Services Awards for up to an additional four (4) years, at its discretion;

**WHEREAS**, the International Trade Program desires to extend the Small Business Service Awards for an additional year for fiscal year 2019;

**WHEREAS**, MEDC Staff recommends the MSF Board approve a one year extension of the term of the contracts associated with the Small Business Service Awards through fiscal year 2019 and additional funds, as outlined in Exhibit A attached (the “Extension and Additional Funds”);

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF Board approves the Extension and Additional Funds;

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

Ayes: Eric Bussis (on behalf of Treasurer Khouri, designation attached), Carl Camden, Roger Curtis, Larry Koops, Jeff Mason, Terrence J.L. Reeves, Shaun Wilson, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan  
August 28, 2018

## MEMORANDUM

**Date:** August 28, 2018

**To:** Michigan Strategic Fund Board

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

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

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### Request

This is a request to reauthorize the Memorandum of Understanding (“MOU”) between the Michigan Strategic Fund (“MSF”) and Michigan Economic Development Corporation (“MEDC”) and allocate the 4% Annual Appropriation from the 21<sup>st</sup> Century Jobs Trust Fund to the MEDC to provide administrative services to the MSF for FY2019.

### Background

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

Every year, the MSF Board is asked to accept and allocate funds appropriated by the Legislature to programs and activities of the MSF pursuant to the MSF Act and any boilerplate language contained within the Appropriations Act for the fiscal year. For FY2019, the gross allocation is \$192 million, which is made up of tobacco settlement funds from 21<sup>st</sup> Century Jobs Trust Fund, funds from the general fund, federal Community Development Block Grant Funds and other federal funds. These funds are to be used for business attraction and community development programs and activities, the entrepreneurship ecosystem, and the Pure Michigan campaign as well as business marketing and administration.

### Recommendation

MEDC staff recommends that the MOU be amended to extend the effective date of the MOU through September 30, 2019.

MEDC Staff also recommends the MSF Board adopt the Resolution, along with its attachment showing the allocation by category, approving the FY2019 Funding Allocations and requests the State Treasurer to transfer \$156,779,900 from the 21<sup>st</sup> Century Jobs Trust Fund to the MSF, provided that no more than 60 percent of the funds used for business attraction and community revitalization are transferred prior to April 1, 2019. MEDC staff further recommends that the MSF authorize the



expenditure of 4% of the annual appropriation from the 21<sup>st</sup> Century Jobs Trust Fund for administrative expenses for FY2019, and further authorizes an allocation of funds from the 21<sup>st</sup> Century Jobs Trust Fund to the MSF for the purposes of the Michigan Business Development Program and the Michigan Community Revitalization Program.

## Michigan Strategic Fund FY19 Spending Allocations

| Allocations for Approval   | 21st Century Jobs     |                       | Total Allocations    |
|--|-----------------------|-----------------------|----------------------|
|  | Trust Fund Allocation | Other Funding Sources |                      |
| Administration Allocation - 4% of Appropriated Funds                     | \$6,271,196           |                       | \$6,271,196          |
| Business Development and Marketing Allocation - 5% of Appropriated Funds | \$7,838,995           |                       | \$7,838,995          |
| Business and Community Development Programs and Activities               | \$75,895,709          |                       | \$75,895,709         |
| Community Revitalization Program   | \$20,000,000          |                       | \$20,000,000         |
| Entrepreneurial Programs and Grants                                      | \$14,924,000          |                       | \$14,924,000         |
| Pure Michigan  | \$31,850,000          |                       | \$31,850,000         |
| Federal-Community Development Block Grants (1)                           |                       | \$33,908,855          | \$33,908,855         |
| Federal- Export Services grant (2)                                       |                       | \$900,000             | \$900,000            |
| <b>TOTAL ALLOCATIONS BY FUNDING SOURCE</b>                               | <b>\$156,779,900</b>  | <b>\$34,808,855</b>   | <b>\$191,588,755</b> |

\* Allocations do not include any prior year funding.

(1) July 1, 2018 CDBG Grant Award Amount

**MICHIGAN STRATEGIC FUND BOARD**

**RESOLUTION  
2018-130**

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

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

**WHEREAS**, at its January 25, 2006 meeting, the Michigan Strategic Fund (the “MSF”) Board approved the Memorandum of Understanding (subsequently amended at its July 13, 2006, September 26, 2007, September 24, 2008, September 30, 2009, September 22, 2010, September 21, 2011, September 27, 2012, October 23, 2013, September 17, 2014, September 22, 2015, September 27, 2016 and September 26, 2017 meetings) between the MSF and the Michigan Economic Development Corporation (the “MEDC”) describing the administrative services associated with the 21st Century Jobs Trust Fund programs to be provided by the MEDC to the MSF (the “MOU”);

**WHEREAS**, consistent with the terms of the MOU, the MEDC and MSF desire to extend the effective date of the MOU through September 30, 2019; and

**WHEREAS**, to appropriately and fully fund such administrative expenses, the MSF Board believes it is reasonable to exercise its discretion pursuant to MCL 125.2088b(3), and as otherwise may be provided under the MSF Act, MCL 125.2001 et. seq., as may be amended from time to time (the “MSF Act”) to authorize an expenditure of four percent (4%) of the annual appropriation from the 21st Century Jobs Trust Fund for administrative expenses for fiscal year 2018-2019.

**NOW, THEREFORE, BE IT RESOLVED**, subject to the control and direction of the MSF Board, the MEDC shall provide administrative services through September 30, 2019 for all 21st Century Jobs Trust Fund programs, other programs and activities administered by the MSF, and programs and activities additionally included and described in the Michigan Strategic Fund Act;

**BE IT FURTHER RESOLVED**, that the MSF Fund Manager is authorized to sign an amendment to the MOU extending the effectiveness of the MOU from October 1, 2018 through September 30, 2019; and

**BE IT FURTHER RESOLVED**, that the MSF Board, acting pursuant to the MSF Act, authorizes four percent (4%) of the annual appropriation from the 21st Century Jobs Trust Fund to be incurred for administrative costs related to the administration of programs and activities authorized under the MSF Act for fiscal year 2018-2019.

Ayes: Eric Bussis (on behalf of Treasurer Khouri, designation attached), Carl Camden,  
Roger Curtis, Larry Koops, Jeff Mason, Terrence J.L. Reeves, Shaun Wilson, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan  
August 28, 2018

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2018-131**

**ALLOCATION OF FUNDING FOR FISCAL YEAR 2019**

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

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

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

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

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

**WHEREAS**, the MSF received \$33,908,855 from the U.S Department of Housing and Urban Development (“HUD”) for the federal Community Development Block Grant (“CDBG”) Program for fiscal year 2019;

**WHEREAS**, the MSF received \$900,000 from the U.S. Small Business Administration (“SBA”) for the State Trade Expansion Program (“STEP”) for fiscal year 2019;

**WHEREAS**, the MEDC recommends that the MSF allocate funding from the 21<sup>st</sup> Century Jobs Trust Fund, the CDBG Program and STEP to the programs and activities for fiscal year 2019 as described in Exhibit A to this resolution (the “FY2019 Funding Allocations”); and

**WHEREAS**, after consideration of that recommendation, the MSF Board desires to approve the FY2019 Funding Allocations.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board approves the FY2019 Funding Allocations and requests the State Treasurer to transfer \$156,779,900 from the 21<sup>st</sup> Century Jobs Trust Fund to the MSF, provided that no more than 60 percent of the funds used for business attraction and community revitalization are transferred before April 1, 2019; and

**BE IT FURTHER RESOLVED**, the MSF Board approves the FY2019 Funding Allocations.

Ayes: Eric Bussis (on behalf of Treasurer Khouri, designation attached), Carl Camden, Roger Curtis, Larry Koops, Jeff Mason, Terrence J.L. Reeves, Shaun Wilson, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan  
August 28, 2018

**MEMORANDUM**

**Date:** August 28, 2018  
**To:** Michigan Strategic Fund (“MSF”) Board Members  
**From:** Matt Chasnis, Business Development Project Manager  
**Subject:** Subaru Research and Development Inc. (“Company” or “Applicant”)  
Michigan Business Development Program (“MBDP”) Grant Request

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**Request**

This is a request from the Applicant for a \$1,500,000 MBDP Grant, as outlined in the attached Term Sheet (“MBDP Request”). This project involves the creation of 101 Qualified New Jobs, and a capital investment of up to \$48,175,900 in Van Buren Township, Wayne County.

**Background**

The Applicant, established in 1986, is a US subsidiary of North America Subaru, Inc., whose ultimate parent is Subaru Corporation. The Company, headquartered in Ann Arbor, Michigan, is a research and development entity for the Japanese-based automotive manufacturer and has 33 employees located in Michigan, while the ultimate parent employs 14,708 worldwide. The Company primarily provides safety, environmental, and design research and technology advancements for next generation vehicles being manufactured by Subaru Corporation. Additionally, the company is tasked with compiling technical information about the North American automobile market.

In an attempt to stay on the cutting edge of next generation vehicle technology, the Company plans to take its next step towards expanding its presence in the United States when it invests in a state-of-the art technical innovation center. By 2022, the planned 150,000-200,000 square foot technical center on 76 acres of vacant land in Van Buren Township will incorporate the latest in advanced automotive technology and research equipment, and provide the tools necessary to develop highly advanced future vehicle platforms. The Applicant’s efforts to lead the future in smart and safe design will result in an initial \$48 million dollar investment and the creation of 101 jobs.

The Company is also considering sites in Ohio and Indiana for this project. The Company’s parent currently owns and operates their only North American manufacturing facility in a 2.3 million square foot assembly plant in Indiana where it employs 5,600. Additionally, Ohio Governor John Kasich continues to court the company and has proposed a robust incentive package. The Michigan site that is being considered for the new facility requires road improvements, wetland mitigation, and environmental remediation that will be addressed with the proposed incentives. The incentive assistance will help offset the site improvement costs and make Michigan the best choice for the company’s new investment.

In addition to MSF support, Van Buren Township anticipates approval of real property tax abatement in support of the project.

**Recommendation**

MEDC Staff recommends approval of the MBDP Request, as outlined in the attached resolution.

MICHIGAN ECONOMIC  
DEVELOPMENT CORPORATION

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

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

**Date:** August 14, 2018

**Company Name:** Subaru Research and Development, Inc. and/or its affiliates and subsidiaries.

**Project Location:** Van Buren Township, Wayne County

**MBDP Incentive Type:** Performance Based Grant

**Maximum Amount of MBDP Incentive:** Up to \$1,500,000

**Base Employment Level:** At least 33

**Qualified New Jobs:** At least 101 in Michigan

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

**Start Date for Measurement of Creation of Qualified New Jobs:** August 7, 2018 (Date of Application Submittal)

**Term of the Agreement:** November 30, 2023

**Milestone Based Incentive:** Disbursements will be made over a 4 year period and will be performance based on job creation as follows:  
Milestone 1: \$371,250 for the creation of 25 jobs.  
Milestone 2: \$371,250 for the creation of 25 jobs.  
Milestone 3: \$371,250 for the creation of 25 jobs.  
Milestone 4: \$386,250 for the creation of 26 jobs.

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

**Acknowledged as received by:**

Subaru Research and Development, Inc.

By:



Printed Name:

Tetsuro Takahashi

Its:

General Manager

Michigan Economic Development Corporation

By:



Printed Name:

Trevor Friedberg

Its:

Director, Business Dev. Projects

August 14, 2018 – Subaru Research and Development, Inc.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2018-132**

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO  
SUBARU RESEARCH AND DEVELOPMENT, INC.**

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

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

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

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

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

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

**WHEREAS**, Subaru Research and Development, Inc. (“Company”) has requested a performance based MBDP grant of up to \$1,500,000 (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”); and

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

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

Ayes: Eric Bussis (on behalf of Treasurer Khouri, designation attached), Carl Camden,  
Roger Curtis, Larry Koops, Jeff Mason, Terrence J.L. Reeves, Shaun Wilson, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan  
August 28, 2018

**MEMORANDUM**

**Date:** August 28, 2018  
**To:** Michigan Strategic Fund (“MSF”) Board Members  
**From:** Julia Veale, Business Development Project Manager  
**Subject:** KPIT Infosystems, Inc. (“Company” or “Applicant”)  
Michigan Business Development Program (“MBDP”) Grant Request

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**Request**

This is a request from the Applicant for a \$1,100,000 MBDP Grant, as outlined in the attached Term Sheet (“MBDP Request”). This project involves the creation of 171 Qualified New Jobs, and a capital investment of up to \$2,800,000 in the city of Novi, Oakland County.

**Background**

The Applicant is a global product engineering & solutions organization focused on the automotive industry. With more than 60 patents and a global workforce of 6000+ engineers in its automotive business unit, the Company has been investing in building systems and software solutions in the areas of Powertrain, Alternate Fuel Technologies & Electrification, Infotainment, Connectivity & Telematics, Autonomous Driving & Vehicle systems. The Company was incorporated in 1990 and has been publicly traded in India since 2001 with an annual revenue of over \$500 million and has global delivery centers located in India, USA, Germany & China.

The Company is looking to increase its Michigan presence from 280 employees to 451 high skilled, high-paying research and design employees. Should the Company choose to move forward in Michigan, the first phase of the project would happen at its current facility until capacity is reached. After capacity is met, the Company is looking to lease a larger facility in close proximity. The company is mainly interested in existing facilities. The project will result in the creation of 171 high-pay, high-tech jobs and \$2.8 million in investment in the Novi area.

The Company is considering locating the expansion in Indiana or Iowa, where it has close proximity to its largest customers. The Company has an existing facility in Columbus, Indiana and has been offered an incentive package to move the work there. The Company identified talent and infrastructure as its major challenges in Michigan. New employees that have no programming experience undergo a one year training program and experienced programmers undergo a 4-8 week training program. In addition, finding a ready-build facility that meets the Company's technology infrastructure needs is challenging and there are high costs associated with installing technology. Incentive assistance is necessary to support the Company's growth and keep these well-paying, high-tech jobs in Michigan.

In addition to MSF support, The City of Novi has offered the use of its videography team to develop a promotional video that the Company can use for its recruiting efforts.

**Recommendation**

MEDC Staff recommends approval of the MBDP Request, as outlined in the attached resolution.



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

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

**Date: August 14, 2018**

**Company Name:** KPIT Infosystems, Inc. and/or its affiliates and subsidiaries.

**Project Location :** 28001 Cabot Drive  
Novi, Michigan 48377  
AND a location TBD in the Novi area

**MBDP Incentive Type:** Performance Based Grant

**Maximum Amount of MBDP Incentive:** Up to \$1,100,000

**Base Employment Level:** At least 254

**Qualified New Jobs:** At least 171

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

**Start Date for Measurement of Creation of Qualified New Jobs:** July 16, 2018

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

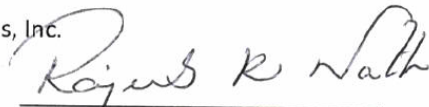
**Milestone Based Incentive:** Disbursements will be made over a 3 year period and will be performance based on job creation as follows:  
Milestone 1: \$350,000 for the creation of 50 jobs.  
Milestone 2: \$350,000 for the creation of 60 jobs.  
Milestone 3: \$400,000 for the creation of 61 jobs.

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

**Acknowledged as received by:**

KPIT Infosystems, Inc.

By:



Printed Name:

RAJEEB K. NATH

Its:

SENIOR VICE PRESIDENT Its:

Michigan Economic Development Corporation

By:



Printed Name:

Julia Veale

BDPM

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2018-133**

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO  
KPIT INFOSYSTEMS, INC.**

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

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

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

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

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

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

**WHEREAS**, KPIT Infosystems, Inc. (“Company”) has requested a performance based MBDP grant of up to \$1,100,000 (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”); and

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

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

Ayes: Eric Bussis (on behalf of Treasurer Khouri, designation attached), Carl Camden,  
Roger Curtis, Larry Koops, Jeff Mason, Terrence J.L. Reeves, Shaun Wilson, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan  
August 28, 2018

## MEMORANDUM

**Date:** August 28, 2018  
**To:** Michigan Strategic Fund  
**From:** Christopher Cook, Director of Capital Access  
**Subject:** *Private Activity Bond – Inducement*  
*United States Steel Corporation*  
*Solid Waste - \$55,000,000 – New*

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### **Request:**

United States Steel Corporation (U. S. Steel) is requesting private activity bond financing for solid waste disposal improvements at its Ecorse and River Rouge facilities located in Wayne County.

### **Background:**

U. S. Steel was established in 1901 and is a Delaware Corporation. U. S. Steel is a public company that trades on the New York Stock Exchange.

U. S. Steel is an integrated steel producer of flat-rolled and tubular products with major production operations in the United States and Europe. U. S. Steel indicates it has annual raw steel production capability of 22.0 million net tons (17.0 million tons in the United States and 5.0 million tons in Europe). U. S. Steel also indicates in 2016 it was the third largest steel producer in the United States and the twenty-fourth largest steel producer in the world.

### **Description of Project:**

The project will be located at two facilities: Great Lake Works, Ecorse, Wayne County, and the Zug Island Facilities, River Rouge, Wayne County.

The project includes the installation of approximately \$55 million in solid waste disposal improvements at both of the above facilities, including without limitation dust catchers, skimming operations, and pellet screening and desulphurization equipment.

Estimated costs for each component are:

- (1) B2 Blast Furnace Precon Scrubber Placement - \$20M
- (2) Blast Furnace Recycling System – filter press - \$3.5M
- (3) Electrostatic precipitator – \$ 24M
- (4) Ductwork replacement - \$1M

- (5) Addition skimmer / desulphurization on west end of Charge Aisle - \$11M
- (6) D4 Baghouse Replacement – \$3M
- (7) 2018 Blast Furnace Dust Catcher Improvements and related components - \$5M

The current facilities of U. S. Steel Corporation employ approximately 2031 at its four locations in Michigan. It is anticipated that there will be temporary hires related to construction at the project sites.

**Plans of Finance:**

Morgan Stanley has indicated an interest in underwriting the proposed bonds.

If the project size remains at \$55,000,000 the MSF issuance fee will be \$81,250.00.

**Recommendation:**

After reviewing the Private Activity Bond application for the Borrower, staff recommends the adoption of an Inducement Resolution in the amount of \$55,000,000.

## **MICHIGAN STRATEGIC FUND**

### **INDUCEMENT RESOLUTION 2018-134**

#### **United States Steel Corporation**

**WHEREAS**, United States Steel Corporation (the “Borrower”) is a Delaware limited liability company;

**WHEREAS**, the Borrower desires to finance the costs of the installation of solid waste disposal improvements at the Borrower’s Ecorse and River Rouge facilities located in Wayne County, including without limitation, dust catchers, skimming operations, and pellet screening and desulfurization equipment (the “Project”);

**WHEREAS**, the Michigan Strategic Fund (the “MSF”) is authorized by 1984 PA 270, as amended (the “Act”), to issue bonds for the purpose of making loans to pay the costs of a project (as defined in the Act) and to obtain the moneys for such loans by the issuance of bonds pursuant to the Act;

**WHEREAS**, the Borrower has applied to the MSF for a loan to finance the Project (the "Loan") as defined in the Act;

**WHEREAS**, the Borrower has advised the MSF that the cost of the Project will not exceed Fifty Five Million Dollars (\$55,000,000); and

**WHEREAS**, this Resolution has the purpose of providing the necessary official intent of the MSF to meet the requirements of Sections 141 and 142(a)(6) 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 Borrower subject to the conditions of this Resolution.
2. The Loan shall be designated for the Project in accordance with the Borrower's Tax-Exempt Application Form dated June 28, 2018.
3. The maximum principal amount of the bonds expected to be issued to provide the Loan to finance the Project (the "Bonds") shall not exceed Fifty Five Million Dollars (\$55,000,000). The Borrower 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 Borrower 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 Borrower 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 (the "State") or a general obligation of the MSF, nor will the State 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 Borrower.

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 Borrower.

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.

Ayes: Eric Bussis (on behalf of Treasurer Khouri, designation attached), Carl Camden, Roger Curtis, Larry Koops, Jeff Mason, Terrence J.L. Reeves, Shaun Wilson, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan  
August 28, 2018

**MEMORANDUM**

**Date:** August 28, 2018

**To:** Michigan Strategic Fund Board

**From:** Lindsay Viviano, Community Assistance Specialist  
Lisa Edmonds, MCRP and Brownfield Program Specialist

**Subject:** Request for Approval of an Act 381 Work Plan  
449 Bridge Street Development

**REQUEST**

The City of Grand Rapids Brownfield Redevelopment Authority is requesting approval of a Brownfield Act 381 Work Plan including local and school tax capture for MSF eligible activities in the amount of \$1,494,133 to support a community development project on four parcels. The proposed project includes demolition of an existing vacant building and construction of a new five story mixed-use building that will include retail space and 44 new residential apartments.

Local support for the project includes local brownfield tax capture of \$732,573. The Applicant anticipates that the project will result in total capital investment in the amount of \$10,382,335 along with the creation of approximately 40 permanent full-time equivalent jobs with an average hourly wage of \$22.50.

**TAX CAPTURE SUMMARY**

In order to alleviate brownfield conditions and prepare the site for redevelopment, the City of Grand Rapids, a certified Redevelopment Ready Community and Qualified Local Governmental Unit, has duly approved a brownfield plan for this property on April 10, 2018. The property has been determined to be a facility as verified by the Michigan Department of Environmental Quality (DEQ) on June 22, 2018.

There are 47.9890 non-homestead mills available for capture, with school millage equaling 24 mills (50.01%) and local millage equaling 23.9890 mills (49.98%). Tax increment capture will begin in 2019 and is estimated to continue for 24 years. Due to the expiration of the City Parks and Kent ISD Local millage during the capture period, a Blended ratio for the requested tax capture for MSF eligible activities breaks down as follows:

|                    |          |           |                  |
|--------------------|----------|-----------|------------------|
| School tax capture | (50.97%) | \$        | 761,560          |
| Local tax capture  | (49.03%) | \$        | <u>732,573</u>   |
| <b>TOTAL</b>       |          | <b>\$</b> | <b>1,494,133</b> |

**Cost of MSF Eligible Activities**

|                                     |           |                         |
|-------------------------------------|-----------|-------------------------|
| Demolition                          | \$        | 60,000                  |
| Lead, Asbestos, or Mold Abatement   |           | 23,200                  |
| Infrastructure Improvements         |           | 112,500                 |
| Site Preparation                    | +         | <u>1,095,920</u>        |
| Sub-Total                           | \$        | 1,291,620               |
| Contingency (15%)                   | +         | <u>193,263</u>          |
| Sub-Total                           | \$        | 1,484,883               |
| Brownfield/Work Plan Preparation    | +         | 5,000                   |
| Brownfield/Work Plan Implementation | +         | <u>4,250</u>            |
| <b>TOTAL</b>                        | <b>\$</b> | <b><u>1,494,133</u></b> |

In addition, the project is requesting from the MDEQ \$206,028 in TIF and a \$330,000 DEQ grant to assist with environmental eligible activities.

**PROJECT BACKGROUND**

This project includes a complete redevelopment of the subject property, which includes the demolition of the existing structure, the “Red Lion” and the construction of a new five story mixed-use building. The new building will be approximately 40,000 square feet. The first floor of the structure will house a restaurant, “North”, which will occupy 8,000 square feet and a bar/lounge, “Mash”, which will occupy approximately 2,000 square feet. The remaining four floors will include 44 studio and one bedroom residential units, ranging between 370-630 square feet. Through a partnership with Michigan Community Capital (MCC), 55% of the residential units will be attainable housing (as outlined by HUD for 80% area median income (AMI) residents). MCC will contribute \$3 million toward this project from a \$13.5 million loan facility from the MSF for investment in attainable housing that was approved by the MSF Board in February of 2017 and amended in November of 2017.

Brownfield eligible activities will alleviate Brownfield conditions across the site making it suitable for redevelopment, while protecting human health and the environment. Without Brownfield tax increment reimbursement, the cost burden related to Brownfield conditions would make the project financially unfeasible. The following list includes some of the brownfield eligible activities included in the project.

- Asbestos abatement will be necessary prior to demolition activities in order to protect human health.
- Demolition activities will be necessary to remove the existing structure and all site features, removal of the parking lots, entrances, curb and gutter and sidewalks.
- Site preparation activities include: geotechnical surveying, engineering and special foundation design, clearing and grubbing, excavation of impacted urban debris/historic fill, installation of temporary earth retention systems, backfill and compaction of fill sand and gravel, geotextile stabilization, relocation and replacement of active utilities (relocation of storm, sanitary, and water), retaining walls, special foundations to address impacted urban debris/unstable soils.
- Infrastructure improvements including entrance improvements, new curb and gutter, landscaping, lighting, road realignment, replacement, crosswalk installation and stripping, sidewalks and pavers within the public right-of-way, surveying and staking.



### **APPLICANT HISTORY**

449 Bridge Street Development LLC, is operated under 3Mission Redevelopment Corporation which is comprised of four managing members: Jon Carlson, Liz Marek, Rob Eisman, and Greg Lobdell. The group has over 22 years of experience doing historic redevelopments including properties in Traverse City, Royal Oak, Detroit, Dexter, Ann Arbor and Chicago. Some of their business endeavors include Jolly Pumpkin Brewery, Northpeak Brewery, Blue Tractor BBQ, and Bastone Brewery. The development team has previously received MSF funding for The Original and Only Thompson Block project located in Ypsilanti. The MEDC has completed civil and criminal background checks in accordance with the MSF Background Review Policy. No issues were identified.

### **RECOMMENDATION**

MEDC staff recommends approval of the following (the "Recommendation"):

- A) Local and school tax capture for the Act 381 eligible activities totaling \$1,494,133. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$761,560.

**APPENDIX A – Project Map and Renderings**





**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2018-135**

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN  
CITY OF GRAND RAPIDS BROWNFIELD REDEVELOPMENT AUTHORITY  
449 BRIDGE STREET DEVELOPMENT**

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

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

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

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

**WHEREAS**, the City of Grand Rapids Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 449 Bridge Street NW, 457 Bridge Street NW, 453 Bridge Street NW, and 499 Bridge Street NW within the City of Grand Rapids, known as 449 Bridge Street Development (the “Project”);

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

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

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

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as 50.97% to 49.03% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, lead, asbestos, or mold abatement and infrastructure improvements as presented in the Work Plan dated July 13, 2018. Any change in millage that increases the capture percentage of school taxes in the ratio above by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization

for the capture of taxes levied for school operating purposes is based on costs of MSF eligible activities with a maximum of \$1,484,883 for the principal activity costs of non-environmental activities and a contingency, a maximum of \$5,000 for Brownfield/Work Plan preparation, and a maximum of \$4,250 for Brownfield/Work Plan implementation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$761,560.

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

**BE IT FURTHER RESOLVED**, that no taxes levied for school operating purposes shall be used to reimburse interest costs related to the eligible activities for the Project.

Ayes: Eric Bussis (on behalf of Treasurer Khouri, designation attached), Carl Camden,  
Roger Curtis, Larry Koops, Jeff Mason, Terrence J.L. Reeves, Shaun Wilson, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan  
August 28, 2018



**MEMORANDUM**

**Date:** August 28, 2018

**To:** Michigan Strategic Fund Board

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

**Subject:** Request for Approval Michigan Community Revitalization Program (MCRP)  
Other Economic Assistance Award and a Request for Approval of an Act 381  
Work Plan – Downtown Flint Hotel

**REQUEST**

Uptown Reinvestment Corporation (“URC”), 352 SS, LLC and other related entities (“Applicants”) are requesting a MCRP Other Economic Assistance Performance-Based Equity Investment in the amount of \$7,949,000 and the City of Flint Brownfield Redevelopment Authority is requesting approval of a Brownfield Act 381 Work Plan including local and school tax capture for MSF eligible activities in the amount of \$2,281,166 to support a community development project that will historically renovate the functionally obsolete former Genesee Bank building, into the new Hilton Buckham Square hotel in downtown Flint.

**FINANCING OPPORTUNITY – MCRP EQUITY INVESTMENT**

The development team is in the process of finalizing financing totaling approximately \$13.7 million. Due to the uncertain revenues associated with hospitality projects and the market, as well as the level of regularly amortizing debt on the project, MEDC staff is recommending the MCRP award be structured as an equity investment to allow financial flexibility.

**MCRP EQUITY INVESTMENT:**

|                                  |  |
|----------------------------------|--|
| <b>Applicant(s):</b>             | 352 SS, LLC or Other Related Entity (“Company” or “Applicant”)           |
| <b>Total Capital Investment:</b> | \$37,920,910   |
| <b>MCRP Eligible Investment:</b> | \$31,799,817   |
| <b>Investor Contribution:</b>    | Owner equity investment of not less than \$9,125,000 (“Investor Equity”) |

|                                 |   |
|---------------------------------|---|
| <b>MSF Investment Amount:</b>   | Up to the lesser of 25% of “Eligible Investment” or \$7,949,000. The structure of the MSF Investment will be subject to the requirements of the Historic Tax Credit structure. (“MSF Equity”)   |
| <b>Interest Purchased:</b>      | MSF will acquire an equity interest in 352 SS, LLC or related entity to be determined. The MSF will provide no guarantees on the debt or accept any recourse obligation.  |
| <b>“Put” Right:</b>             | The MSF will receive a “Put” right for among other things failure to adhere to MSF statutory requirements. If exercised, 352 SS, LLC or another entity or individual to be determined shall repay in full the entire contribution provided to the partnership and any earned but unpaid profits available at the time of the “Put” on terms and conditions acceptable to the MSF. The owners of the project will be required to guarantee the “Put” right obligation. |
| <b>“Exit” Right:</b>            | The MSF will have the option to exit the project after 240 months following disbursement of its proceeds. At time of exit the MSF will be due any remaining unpaid returns and the remaining balance of its principal equity investment.  |
| <b>Net Cash Flows:</b>          | Determination at appropriate time will include the following considerations: <ol style="list-style-type: none"> <li>1. Senior debt service requirements;</li> <li>2. Annual escrowed replacement reserves;</li> <li>3. Capital expenditures above and beyond what has been escrowed for replacement reserves;</li> <li>4. Other restrictions placed on the property by the Senior Lender.</li> </ol>  |
| <b>Split of Developer Fees:</b> | Fees of \$500,000 to be split 30/70 with 30% going to the MSF and 70% going to the Investors.   |
| <b>Split of Net Cash Flows:</b> | A 30/70 split of available cash flow with 30% going to the MSF and 70% going to the Investors.  |

|  |   |
|--|---|
| <b>Split of Sale/Refinance Proceeds:</b> | A 30/70 split of remaining available cash flow with 30% going to the MSF and 70% going to the Investors.  |
| <b>Membership Change:</b>                | The MSF will have certain rights to block or consent to any material change in the membership of the project owner entity, except with respect to changes made for estate planning purposes.  |
| <b>Sale/Liquidation:</b>                 | The MSF will have certain rights to block or consent to any material liquidation or sale event (e.g. sale to a non-qualified third party).  |
| <b>Timing of Funding:</b>                | The MSF investment would be made after (a) all of the Investors' Equity has been contributed to and used to fund approved and budgeted for project expenses and (b) all Lenders have waived all conditions precedent to funding (but for any conditions or obligations required of the Fund to make the Investment).  |
| <b>Anticipated Reserves/Escrows:</b>     | Reserves and Escrows of approximately \$1.6 million, with another \$850,000 set aside as working capital for the start of operations.   |
| <b>Deferred Developer Fees:</b>          | 100% of developer fees will be deferred until such time that the project is producing cash flow in excess of that required for priority debt and other operating obligations.   |
| <b>Other Conditions:</b>                 | Approval will be contingent upon receipt of the following: <ul style="list-style-type: none"> <li>• Evidence of site plan approval from the City of Flint.</li> <li>• A copy of an executed Guaranteed Maximum Price (GMP) construction contract between the Applicant and its contractor.</li> <li>• Copies of final construction documents.</li> <li>• Copies of all executed loan agreements, notes and mortgages, evidencing that the Applicant has financing in place in the minimum amount of \$13,760,000 in debt, or evidence of other sources available to make up the difference.</li> <li>• Amended operating agreement with final historic tax credit investor pay-in schedule evidencing a minimum investment</li> </ul> |



of \$5,082,479 or evidence of other financing to fill the difference.

- Evidence Historic Part 2 Approval from the National Parks Service.
- Evidence of a minimum owner equity investment of \$9,125,000.
- Evidence of State approval of an OPRA tax abatement.
- Final executed Franchise Agreement.
- Final organizational and flow of funds chart.
- Final development budget/projections.
- Other documents may be required for review.

**SUMMARY OF DEVELOPMENT SOURCES:**

|                    |           |                   |               |
|--------------------|-----------|-------------------|---------------|
| Huntington Bank    | \$        | 8,000,000         | 21.1%         |
| LISC Loan          | \$        | 4,070,000         | 10.7%         |
| TIF Loan           | \$        | 1,691,923         | 4.4%          |
| HTC Equity         |           | 5,082,479         | 13.4%         |
| Deferred Dev. Fees | \$        | 2,000,000         | 5.3%          |
| Developer Equity   | \$        | 9,912,654         | 24.2%         |
| MCRP Equity        | \$        | 7,949,000         | 20.9%         |
| <b>TOTAL</b>       | <b>\$</b> | <b>37,920,910</b> | <b>100.0%</b> |

**SUMMARY OF DEVELOPMENT USES: Loans and Grants**

|                         |           |                   |
|-------------------------|-----------|-------------------|
| Acquisition             | \$        | 675,284           |
| Hard Construction Costs | \$        | 27,844,817        |
| Soft Costs              | \$        | 7,400,809         |
| Developer Fees          | \$        | 2,000,000         |
| <b>TOTAL</b>            | <b>\$</b> | <b>37,920,910</b> |

**MCRP PROGRAM AND GUIDELINES**

On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program (MCRP) and on September 22, 2015, the MSF Board approved its restated program guidelines. The primary intended objective of the MCRP is to provide incentives to persons that make eligible investments on eligible property in Michigan. It is the role of the MEDC staff to review for eligibility, completeness, and adherence to the program, the information provided by the applicant and to manage the MSF's investment. As required under the MCRP, all statutory criteria for the project have been considered when making the recommendations in this memo.

The project complies with all of the Board-approved MCRP parameters with the exception of the following. The project deviates from the MCRP Incentive Parameters, which traditionally limits

developer fees to 4% of the total development cost. The development currently has a developer fees of 5.3% of total development costs. Staff is comfortable with this deviation to the ability of the development team to leverage additional historic tax credit equity related to the developer fees. Additionally, the MSF anticipates splitting \$500,000 of developer fee (approx. amount above 4%). The project also deviates from MCRP Incentive Parameters because we are offering up to 25% of eligible investment. The preferred structure, as outlined in the parameters would limit the incentive to 20% of eligible investment if the property does not qualify as both historic and brownfield. The properties have been determined to be eligible for listing on the National Register of Historic Places but have not yet been formally approved by the National Park Service. Lastly, the proposed structure of the MCRP Equity Investment Award does not conform with preferred structure as detailed in the parameters. Staff is recommending deviating in order to structure a more equitable distribution of proceeds.

Local support for the project from the City of Flint includes an Obsolete Property Rehabilitation Act (OPRA) tax abatement for eight years valued at \$2.4 million; Brownfield TIF estimated at \$968,127, and free parking for three years with an estimated value of \$95,812. The City of Flint is engaged with the MEDC's Redevelopment Ready Communities (RRC) program. The project qualifies because it is functionally obsolete. The Applicant anticipates that the project will result in total capital investment of \$37,920,910 along with the creation of approximately 75 permanent full-time equivalent jobs with an average hourly wage of \$12.13.

**TAX CAPTURE SUMMARY**

In order to alleviate brownfield conditions and prepare the site for redevelopment, the City of Flint, a Qualified Local Governmental Unit, has duly approved a brownfield plan for this property on July 9, 2018. Two of the properties have been determined to be functionally obsolete as verified by a Michigan Master Assessing Officer (MMAO) assessor on August 24, 2017 and March 1, 2018 and two parcels are adjacent or contiguous to the qualifying parcels.

There are 65.2444 non-homestead mills available for capture, with school millage equaling 24 mills and local millage equaling 41.2444 mills. There is an OPRA tax abatement on the property for the first eight years, which makes the blended ratio 57.56% to 42.44%, school to local, respectively. Tax increment capture will begin in 2019 and is estimated to continue for 14 years. The requested tax capture for MSF eligible activities breaks down as follows:

|                    |          |    |                  |
|--------------------|----------|----|------------------|
| School tax capture | (57.56%) | \$ | 1,313,039        |
| Local tax capture  | (42.44%) | \$ | 968,127          |
| <b>TOTAL</b>       |          | \$ | <b>2,281,166</b> |

**COST OF MSF ELIGIBLE ACTIVITIES**

|                    |    |                  |
|--------------------|----|------------------|
| Demolition         | \$ | 1,207,312        |
| Asbestos Abatement |    | 185,000          |
| Site Preparation   | +  | 62,708           |
| Sub-Total          | \$ | <u>1,455,020</u> |

|                                  |           |                         |
|----------------------------------|-----------|-------------------------|
| Contingency (15%)                | +         | <u>218,253</u>          |
| Sub-Total                        | \$        | 1,673,273               |
| Interest (5%)                    | +         | <u>601,443</u>          |
| Sub-Total                        | \$        | 2,274,716               |
| Brownfield/Work Plan Preparation | +         | <u>6,450</u>            |
| <b>TOTAL</b>                     | <b>\$</b> | <b><u>2,281,166</u></b> |

In addition, the project is requesting from the MDEQ \$15,695 in TIF to assist with environmental eligible activities.

**PROJECT BACKGROUND**

The \$37.9 million project historically renovates the 11-story former Genesee Bank Building and the 6-story annex building into a 111,315 square foot full-service hotel. The new Hilton Buckham Square Hotel in downtown Flint hotel will feature 101 guestrooms (floors 3-11), as well as a 4,775 square foot full service restaurant (1st floor) and a banquet center that will be roughly 5,860 square feet (2nd floor). A 1,005 square foot rooftop deck will overlook Buckham Square (a large green space to be created as part of the project) and historic Buckham Alley, which will also receive improvements via the project. This project also includes removal of 37,155 square feet of blighted and obsolete buildings (two buildings located at 126 and 116 Kearsley) to make room for Buckham Square. Buckham Square will be approximately 14,810 square feet and open to the public. It will feature an area specially designed for food trucks to bring an added amenity to downtown Flint.

The property located at 352 S Saginaw has been fully vacant since 2010. It has suffered from vandalism and the interior will require significant demolition and environmental remediation. The project requires unconventional financing because the market will not allow the project to generate enough revenue to attract conventional financing at a level required to finance the high cost of the rehabilitation of this blighted historic building in downtown Flint. These historic and environmental issues, as well as the high level of quality required by Hilton, has resulted in high rehabilitation costs.

The transformation of this vacant historic building located on downtown’s main thoroughfare into a boutique hotel, restaurant, and banquet center will bring more people to the city center, provide visitors with upscale accommodations in a downtown setting, and help to expand the customer base of local eateries, pubs and other businesses, arts and cultural institutions, and community events.

The development team is in the process of securing senior financing from Huntington Bank of approximately \$8 million and a loan from Local Initiatives Support Corporation (LISC) of approximately \$4.1 million, and private financing to bridge the Tax Increment Financing reimbursements totaling approximately \$1.7 million. Additionally, the development team has secured approximately \$9.1 million in private equity. They are proposing to defer 100% of developer fees and anticipate historic tax credit equity of \$5.1 million. To fill the remaining financing gap the development team is requesting a MCRP award of approximately \$7.9 million. It is anticipated that the MSF investment will allow the development team to achieve a return of just over 7.0% based on operations. The MCRP investment is expected to generate approximately a 3% return.

Upon reaching stabilized operations, it is anticipated that the project will generate adequate cash flow to service its debt (DSCR greater than 1.40 to 1.00). Additionally, the project will be supported by Uptown Reinvestment Corporation.

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

#### **APPLICANT HISTORY**

352 SS, LLC is a single purpose entity created for this project by URC. URC was the developer of the Flint Health and Wellness District project that involved the relocation of the Flint Farmers Market, the opening of the Michigan State University - College of Medicine Flint campus, the Genesys PACE facility and the demolition of the Genesee tower to make room for an urban park. In total, the project spanned four city blocks and totaled over the \$30 million in investment. The MSF participated as an equity partner with URC for over \$5.5 million in MCRP funds. URC also renovated the Capitol Theatre, which opened in the fall of 2017 and received \$5.5 million in MCRP equity investment from the MSF. URC's most recent project is the relocation of the Mott Community College Culinary Institute to downtown Flint, which received \$1.5 million in MCRP performance based grant from the MSF. URC has also participated as the non-profit co-developer with Uptown developments on nearly a dozen other redevelopment projects within downtown Flint. The MEDC has completed civil and criminal background checks in accordance with the MSF Background Review Policy. No issues were identified.

#### **RECOMMENDATION**

MEDC staff recommends approval of the following (the "Recommendation"):

- A MCRP Other Economic Assistance Performance-Based Equity Investment in the amount of up to \$7,949,000 for Uptown Reinvestment Corporation, 352 SS, LLC and other related entities.
- Waiver of the MCRP Incentive Parameter requirement that traditionally limits developer fees to 4% of total development costs, the parameter that a project must qualify as a historic resource in order to receive an incentive amount over 20% of eligible investment, and waiver of the preferred structure for MCRP Equity Investment Awards.
- Local and school tax capture for the Act 381 eligible activities totaling \$2,281,166. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$1,313,039.

## EXHIBIT A

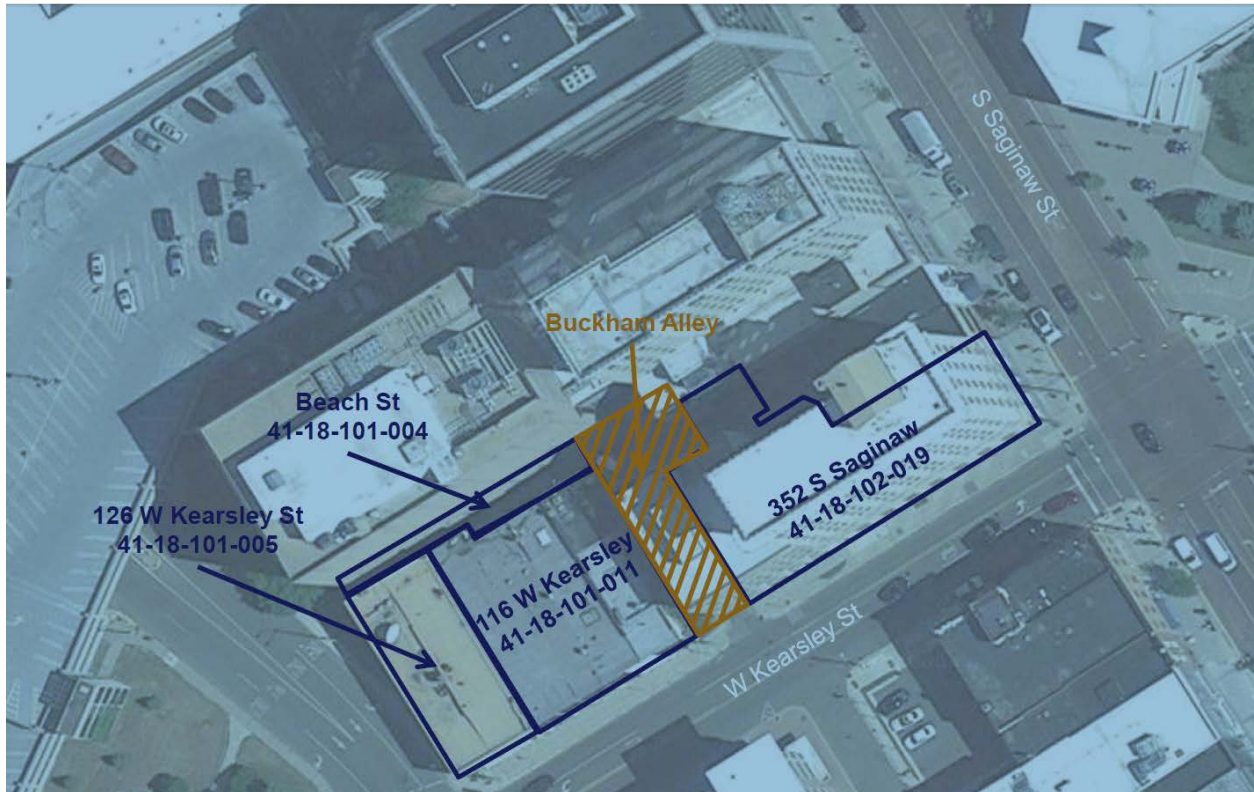
### “TERM SHEET”

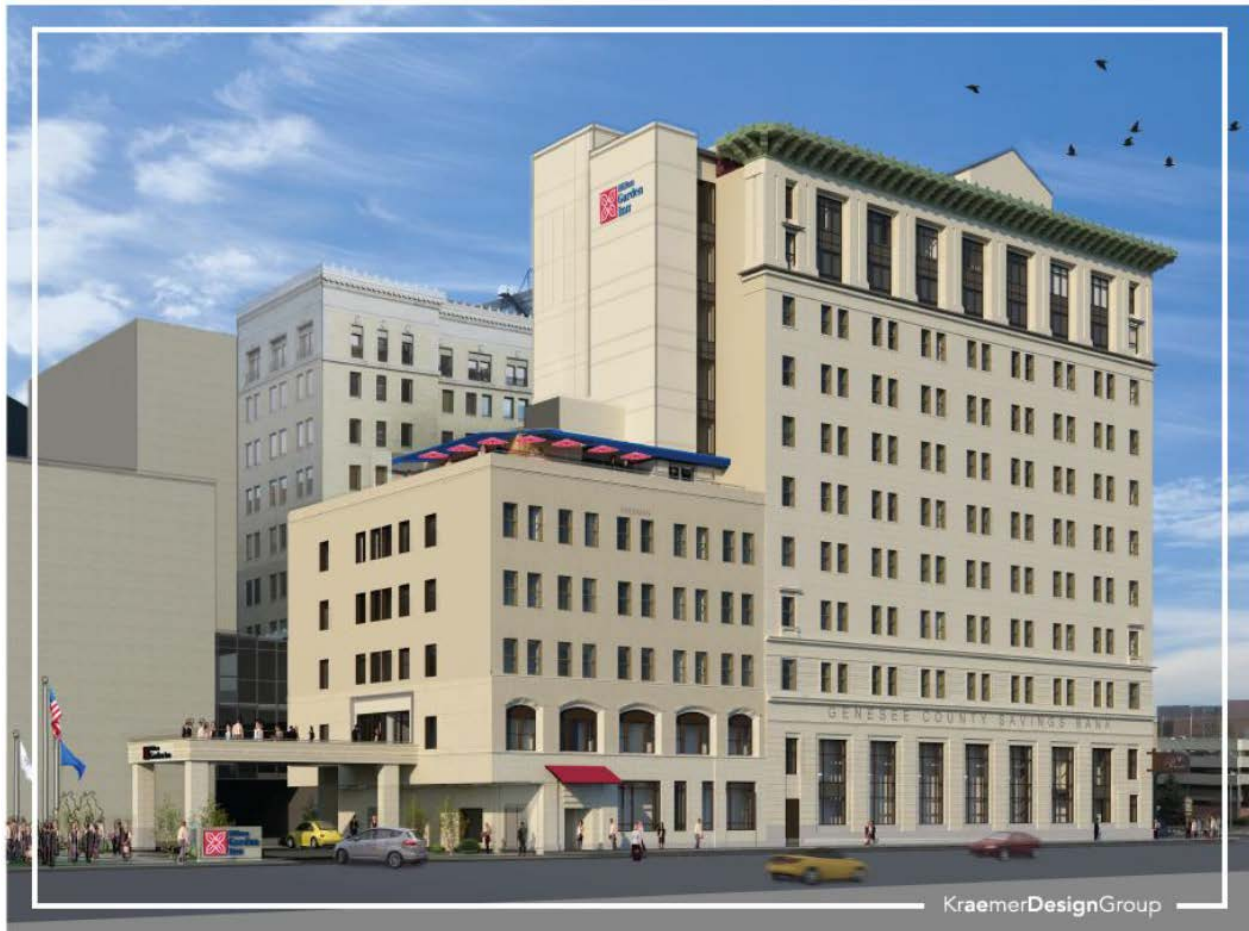
#### MCRP EQUITY INVESTMENT:

|  |   |
|--|---|
| <b>Applicant(s):</b>                     | 352 SS, LLC or Other Related Entity (“Company” or “Applicant”)  |
| <b>Total Capital Investment:</b>         | \$37,920,910  |
| <b>MCRP Eligible Investment:</b>         | \$31,799,817  |
| <b>Investor Contribution:</b>            | Owner equity investment of not less than \$9,125,000 (“Investor Equity”)  |
| <b>MSF Investment Amount:</b>            | Up to the lesser of 25% of “Eligible Investment” or \$7,949,000. The structure of the MSF Investment will be subject to the requirements of the Historic Tax Credit structure. (“MSF Equity”)   |
| <b>Interest Purchased:</b>               | MSF will acquire an equity interest in 352 SS, LLC or related entity to be determined. The MSF will provide no guarantees on the debt or accept any recourse obligation.  |
| <b>“Put” Right:</b>                      | The MSF will receive a “Put” right for among other things failure to adhere to MSF statutory requirements. If exercised, 352 SS, LLC or another entity or individual to be determined shall repay in full the entire contribution provided to the partnership and any earned but unpaid profits available at the time of the “Put” on terms and conditions acceptable to the MSF. The owners of the project will be required to guarantee the “Put” right obligation. |
| <b>“Exit” Right:</b>                     | The MSF will have the option to exit the project after 240 months following disbursement of its proceeds. At time of exit the MSF will be due any remaining unpaid returns and the remaining balance of its principal equity investment.  |
| <b>Net Cash Flows:</b>                   | Determination at appropriate time will include the following considerations: <ol style="list-style-type: none"><li>1. Senior debt service requirements;</li><li>2. Annual escrowed replacement reserves;</li><li>3. Capital expenditures above and beyond what has been escrowed for replacement reserves;</li><li>4. Other restrictions placed on the property by the Senior Lender.</li></ol>   |
| <b>Split of Developer Fees:</b>          | Fees of \$500,000 to be split 30/70 with 30% going to the MSF and 70% going to the Investors.   |
| <b>Split of Net Cash Flows:</b>          | A 30/70 split of available cash flow with 30% going to the MSF and 70% going to the Investors.  |
| <b>Split of Sale/Refinance Proceeds:</b> | A 30/70 split of remaining available cash flow with 30% going to the MSF and 70% going to the Investors.  |
| <b>Membership Change:</b>                | The MSF will have certain rights to block or consent to any material change in the membership of the project owner entity, except with respect to changes made for estate planning purposes.  |

|                                      |   |
|--------------------------------------|---|
| <b>Sale/Liquidation:</b>             | The MSF will have certain rights to block or consent to any material liquidation or sale event (e.g. sale to a non-qualified third party).  |
| <b>Timing of Funding:</b>            | The MSF investment would be made after (a) all of the Investors' Equity has been contributed to and used to fund approved and budgeted for project expenses and (b) all Lenders have waived all conditions precedent to funding (but for any conditions or obligations required of the Fund to make the Investment).  |
| <b>Anticipated Reserves/Escrows:</b> | Reserves and Escrows of approximately \$1.6 million, with another \$850,000 set aside as working capital for the start of operations.   |
| <b>Deferred Developer Fees:</b>      | 100% of developer fees will be deferred until such time that the project is producing cash flow in excess of that required for priority debt and other operating obligations.   |
| <b>Other Conditions:</b>             | <p>Approval will be contingent upon receipt of the following:</p> <ul style="list-style-type: none"> <li>• Evidence of site plan approval from the City of Flint.</li> <li>• A copy of an executed Guaranteed Maximum Price (GMP) construction contract between the Applicant and its contractor.</li> <li>• Copies of final construction documents.</li> <li>• Copies of all executed loan agreements, notes and mortgages, evidencing that the Applicant has financing in place in the minimum amount of \$13,760,000 in debt, or evidence of other sources available to make up the difference.</li> <li>• Amended operating agreement with final historic tax credit investor pay-in schedule evidencing a minimum investment of \$5,082,479 or evidence of other financing to fill the difference.</li> <li>• Evidence Historic Part 2 Approval from the National Parks Service.</li> <li>• Evidence of a minimum owner equity investment of \$9,125,000.</li> <li>• Evidence of State approval of an OPRA tax abatement.</li> <li>• Final executed Franchise Agreement.</li> <li>• Final organizational and flow of funds chart.</li> <li>• Final development budget/projections.</li> <li>• Other documents may be required for review.</li> </ul> |

**APPENDIX A – Project Map and Renderings**







**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2018-136**

**MICHIGAN COMMUNITY REVITALIZATION PROGRAM OTHER ECONOMIC ASSISTANCE  
PERFORMANCE-BASED EQUITY INVESTMENT AWARD TO  
UPTOWN REINVESTMENT CORPORATION,  
352 SS, LLC OR A RELATED ENTITY  
(DOWNTOWN FLINT HOTEL PROJECT)**

**WHEREAS**, the Michigan legislature amended the Michigan Strategic Fund Act, MCL 125.2011 et. seq., to add Chapter 8C (being MCL 125.2090a—MCL 125.2090d, as later amended) to enable the 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**, Uptown Reinvestment Corporation, 352 SS, LLC or such entities formed or to be formed in the furtherance of the Downtown Flint Hotel Project (“Applicant” or “Co-Applicants”) have requested an Other Economic Assistance Performance-Based Equity Investment Award from the MSF under the MCRP for the project in an amount not to exceed \$7,949,000 (“Award Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

**WHEREAS**, the MEDC recommends that the MSF approve the MCRP Award Request in accordance with the Term Sheet, subject to: (i) available Funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of transaction documents within 240 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 120 days (the foregoing, collectively, the “MCRP Award Recommendation”);

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

Ayes: Eric Bussis (on behalf of Treasurer Khouri, designation attached), Carl Camden,  
Roger Curtis, Larry Koops, Jeff Mason, Terrence J.L. Reeves, Shaun Wilson, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan  
August 28, 2018

## MEMORANDUM

**Date:** August 28, 2018

**To:** Michigan Strategic Fund Board

**From:** Stacy Esbrook, Regional Director - Community Assistance Team  
Lori Mullins, Director – Community Development Incentives

**Subject:** *Request for approval of three Façade Restoration Initiative (FRI) awards and request to amend Façade Restoration Initiative Guidelines*

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### **Request**

Michigan Economic Development Corporation (“MEDC”) staff have identified three (3) eligible authority or district applicants to participate in the pilot round of the Façade Restoration Initiative (“FRI”). The selected applicants requested a total of \$1,038,350 in FRI funds for re-granting to eligible private property owners to support local façade improvement projects: Marquette Downtown Development Authority (“DDA”) (\$496,350), Wayland Main Street/DDA (\$192,000) and Ypsilanti DDA (\$350,000). Staff is recommending a total award of \$800,000 for the three applicants as summarized below.

Staff is also requesting amendments to the FRI Guidelines that were approved by the Michigan Strategic Fund (“MSF”) Board on April 24, 2018 to expand the definition of eligible entities and to allow FRI applicants to submit application materials, instead of using a Requests for Information process.

### **Background**

On April 24, 2018, the MSF approved the FRI guidelines and a set aside \$1.5 million for FRI grants. Eligible districts or authority FRI awardees will re-grant MSF funds to private property owners for up to 50% of eligible façade improvement costs in addition to providing local matching funds. Eligible entities included Main Street Districts, DDAs, Corridor Improvement Authorities, and other similar entities.

Following the April MSF board meeting, the MEDC issued a Request for Information inviting eligible entities to submit for FRI funds. The MEDC received sixty (60) RFI responses, requesting at total of \$16,404,350.

### **Request for Information Responses/Evaluation**

FRI applications were evaluated using the FRI Guidelines, approved in April 2018. Eligible applicants that responded to a Request for Information and those that provided complete responses were evaluated against the guidelines; including community experience, review of program guidelines, review of program application, proposed changes to the local façade program, potential pipeline of projects, identification of funding sources and appropriateness of requested FRI funds.

Marquette DDA, Wayland Main Street/DDA and Ypsilanti DDA are being recommended for FRI funds for the following reasons:

1. All are eligible applicants with an existing local façade programs;
2. The existing façade programs have a successful track record of funding private façade improvement projects;

3. The existing façade programs offer local design assistance in some fashion that assists local private building owners meet/follow local design guidelines or priorities;
4. The existing façade program guidelines are robust - provide clear guidance to applicants regarding eligibility, expectations, fund availability, local process and timing;
5. Applicants identified a local match funding source and clear level of funding to be committed to each façade project;
6. They each had a strong pipeline of buildings ready for restoration.

| Applicant               | Requested Funds | Recommendation |
|-------------------------|-----------------|----------------|
| Marquette DDA           | \$496,350       | \$300,000      |
| Wayland Main Street/DDA | \$192,000       | \$200,000      |
| Ypsilanti DDA           | \$350,000       | \$300,000      |

Staff is recommending a reduced amount of FRI funds for Marquette DDA and Ypsilanti DDA based on their response to the request for proposal and their submitted potential pipeline of projects which each contained some projects that staff view as more appropriately supported with other incentive programs.

### **FRI Guidelines**

Per the FRI Guidelines approved by the MSF, eligible applicants include Main Street Districts, Principal Shopping Districts, DDAs, and other similar entities. However, there are currently not-for-profit or other tax-exempt economic and community development organizations in Michigan that have or support existing local façade programs and could be strong FRI recipients. Amending the FRI guidelines to include not-for-profit and other tax-exempt community economic development entities would allow entities such as the Detroit Economic Growth Corporation or Lansing Economic Area Partnership to apply for FRI funds that would further their existing façade programs, providing the same economic impact benefits as similar façade matching programs.

Existing FRI guidelines call for applicants to respond to a funding proposal. While the initial funding round provided staff the ability to identify strong candidates for initial funding under an otherwise untested initiative, the Community Assistance Team (CATEam) is properly suited to work directly with applicants for consideration on an ongoing basis. The CATEam currently works directly with entities/applicants to bring in funding requests year-round for the Brownfield Tax Increment Financing (“TIF”) program, Community Revitalization Program (“CRP”), the MEDC Public Space, Community Place program, and the Community Development Block Grant (“CDBG”) program. By changing the FRI guidelines to allow for ongoing FRI consideration, applicants can work directly with the CATEam, and as appropriate the Michigan Main Street and Redevelopment Ready Communities (“RRC”) teams to improve their local program/process to identify and educate local property owners. An ongoing consideration process will allow timely feedback loops and applicants the ability to revise or amend information as needed.

### **Recommendation**

MEDC Staff recommends the MSF amend the FRI Guidelines as set forth in the proposed resolution; and recommends the MSF authorize a total of \$800,000 of façade restoration funds for:

1. Marquette DDA - \$300,000
2. Wayland Main Street/DDA - \$200,000
3. Ypsilanti DDA - \$300,000

## MICHIGAN STRATEGIC FUND

### RESOLUTION 2018-138

#### APPROVAL OF FACADE RESTORATION INITIATIVE AWARDS

**WHEREAS**, the Michigan legislature enacted the Michigan Strategic Fund Act, MCL 125.2001 et. seq., (“MSF Act”) to enable the Michigan Strategic Fund (“MSF”) to provide incentives in the form of grants, loans and other economic assistance for the development and improvement of Michigan’s economy;

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

**WHEREAS**, the Michigan legislature appropriated certain funds for use by the MSF for business attraction and community revitalization;

**WHEREAS**, the MSF allocated certain legislative appropriations for business attraction and community revitalization to the Michigan Community Revitalization Program (“MCRP”);

**WHEREAS**, pursuant to the MSF Act, specifically MCL 125.2088(b)(2)(c), funds appropriated to the MSF under the MCRP are authorized to be expended for programs or activities authorized under the MSF Act, so long as the programs or activities provide for repayment for breach of the written agreement or the failure to meet measurable milestones;

**WHEREAS**, pursuant to the MSF Act, specifically MCL 125.2007(c), the MSF has the power to make grants;

**WHEREAS**, on April 24, 2018, the MSF Board approved the creation, operation, funding and guidelines of the Façade Restoration Initiative to award grants to eligible applicants to strengthen and expand the positive impact of façade improvements in downtowns and commercial corridors around Michigan (“FRI”); and

**WHEREAS**, pursuant to the FRI guidelines, the MEDC reviewed and evaluated proposals submitted by eligible applicants and recommends the MSF Board approve an FRI grant award to each of the following (collectively, the “FRI Awards”):

- (i) the Marquette Downtown Development Authority in the amount of up to \$300,000;
- (ii) the Wayland Main Street/Downtown Development Authority in the amount of up to \$200,000;  
and
- (iii) the Ypsilanti Downtown Development Authority in the amount of up to \$300,000.

**NOW THEREFORE, BE IT RESOLVED**, the MSF Board approves the FRI Awards.

Ayes: Eric Bussis (on behalf of Treasurer Khouri, designation attached), Carl Camden,  
Roger Curtis, Larry Koops, Jeff Mason, Terrence J.L. Reeves, Shaun Wilson, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan  
August 28, 2018

## **EXHIBIT A**

### **FACADE RESTORATION INITIATIVE GUIDELINES**

#### **IN GENERAL**

- The Façade Restoration Initiative (FRI) is a community development grant intended to strengthen and expand the positive impact of local façade improvement programs in downtowns and commercial corridors around the state.
- MSF funds will be granted to eligible applicants and will be re-granted by the eligible applicants to individual façade project grantees. MSF will provide no more than 50% of façade funding for each individual project with the other 50% being some combination of private and local match funding; donation-based crowdfunding is an acceptable match.
- Awardees will administer façade grants under an award approved by the MSF and will be responsible for submitting grant disbursement requests based upon satisfaction of performance based milestones, conducting all aspects of their local program, verifying rehabilitation activities and keeping all necessary records as required by their grant agreement.
- Awards to eligible applicants can range from \$50,000 to \$500,000 depending on the local program capacity and need.

#### **ELIGIBILITY REQUIREMENTS AND REVIEW CRITERIA**

- Eligible applicants include traditional downtown local authorities/districts (MMS, DDA, CIA, PSD, BID, or TIFA), not-for-profit, and other tax exempt, economic and community development organizations, each of which must have or be a participant in the administration of an existing, locally administered, façade improvement program for privately owned buildings.
- Eligible applicants will submit an application for an award, along with other supporting information, which shall include, but is not limited to, the following:
  - The applicant's experience administering a local façade improvement program and capacity to administer the program as proposed.
  - Details of the façade restoration program that they wish to administer, including design guidelines.
  - Examples of private buildings in their community that would be ideal candidates for their program.
- Submissions by eligible applicants will be evaluated by MEDC staff based on community experience/capacity, innovation or strength of local program and strength of pipeline of potential projects.

#### **SUB-AWARDEE ELIGIBILITY REQUIREMENTS**

- Sub-awardees must meet the requirements of the local program and other terms and conditions required by the MSF grant agreement with the eligible authority/district.
- Sub-awardees must meet any applicable historic preservation guidelines or standards.
- Sub-awardees may not use grant funds to improve public buildings (i.e, federal, state, county or other locally owned).

#### **ADDITIONAL INITIATIVE DETAILS**

- All recommendations for MSF grant support to eligible applicants shall be subject to the approval of the MSF Board.
- The MSF grant support will be memorialized in written agreements with eligible communities, with terms and conditions required by these guidelines, including without limitation, performance based milestones, sub-awardee grant requirements, and other grant disbursement criteria, periodic reporting, events of default, repayment provisions, and other terms and conditions deemed necessary by the MSF Fund Manager or the MSF President.
- The MSF Fund Manager or MSF President may approve changes to the terms and conditions of the MSF grant agreements as either may deem necessary or appropriate from time to time to adapt to the FRI, so long as such terms and conditions comply with these guidelines, and continue to include performance based milestones and repayment provisions.
- The MSF Fund Manager or the MSF President shall sign all final documents to effectuate the MSF grant support as either deem necessary or appropriate from time to time.

Effective August 28, 2018

**MICHIGAN STRATEGIC FUND**

**RESOLUTIO  
2018-139**

**APPROVAL OF AMENDED  
FACADE RESTORATION INITIATIVE GUIDELINES**

**WHEREAS**, the Michigan legislature enacted the Michigan Strategic Fund Act, MCL 125.2001 et. seq., (“MSF Act”) to enable the Michigan Strategic Fund (“MSF”) to provide incentives in the form of grants, loans and other economic assistance for the development and improvement of Michigan’s economy;

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

**WHEREAS**, the Michigan legislature appropriated certain funds for use by the MSF for business attraction and community revitalization;

**WHEREAS**, the MSF allocated certain legislative appropriations for business attraction and community revitalization to the Michigan Community Revitalization Program (“MCRP”);

**WHEREAS**, pursuant to the MSF Act, specifically MCL 125.2088(b)(2)(c), funds appropriated to the MSF under the MCRP are authorized to be expended for programs or activities authorized under the MSF Act, so long as the programs or activities provide for repayment for breach of the written agreement or the failure to meet measurable milestones;

**WHEREAS**, pursuant to the MSF Act, specifically MCL 125.2007(c), the MSF has the power to make grants;

**WHEREAS**, on April 24, 2018, the MSF Board approved the creation, operation, funding and guidelines of the Façade Restoration Initiative to award grants to eligible communities to strengthen and expand the positive impact of façade improvements in downtowns and commercial corridors around Michigan (“FRI”); and

**WHEREAS**, the MEDC recommends the MSF approve amendments to the FRI guidelines to expand the scope of eligible entities and permit eligible applicants to apply for a FRI award as set forth in the attached Exhibit A (“Amended FRI Guidelines”).

**NOW THEREFORE, BE IT RESOLVED**, the MSF Board approves the Amended FRI Guidelines;  
and

**BE IT FURTHER RESOLVED**, the MSF Board authorizes the MSF Fund Manager to finalize and implement the Amended FRI Guidelines in accordance with the terms and conditions of this Resolution.

Ayes: Eric Bussis (on behalf of Treasurer Khouri, designation attached), Carl Camden,  
Roger Curtis, Larry Koops, Jeff Mason, Terrence J.L. Reeves, Shaun Wilson, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan  
August 28, 2018