

MICHIGAN STRATEGIC FUND
BOARD MEETING AGENDA
May, 24, 2016
10:00 am

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

A. Consent Agenda

Proposed Meeting Minutes – April 26, 2016
Mid Towne Village, LLC/City of Grand Rapids – MCRP Milestone Amendment – Lynda Franke
Lofts on 820, LLC/City of Grand Rapids – MCRP Amendment – Lynda Franke
Appointment to DMI Board of Directors – Mark Morante
Approval of Additional MSF Bond Counsel – Christin Armstrong

B. Administrative

Covisint Corporation – MBDP Forbearance Request – Christin Armstrong
Community Revitalization Program – Incentive Parameters – Lisa Pung & Julius Edwards

C. Image/State Branding

China Tourism Development Services – RFP Award Recommendation – Dave Lorenz
Detroit Convention and Visitors Bureau – Memorandum of Understanding – Dave Lorenz

D. Business Investment

1. Business Growth

Spartan Motors, Inc./City of Charlotte – Act 381 Work Plan – Trevor Friedeberg Cosworth,
LLC – Michigan Business Development Program – Marcia Gebarowski
Flex n Gate Detroit – Michigan Business Development Program – Marcia Gebarowski

2. Access to Capital

Detroit Renewable Power, LLC – Bond Authorizing – Chris Cook
Potluri Group, LLC/Digital Terrain, Inc. – SSBCI Collateral Support – Rachel Bakken

E. Community Vitality

Peregrine PNC, LLC/City of Kalamazoo – MCRP & Act 381 Work Plan – Emily Petz
601 Bond/City of Grand Rapids – Act 381 WP & MBT Amendments – Rob Garza
Sperry's Theatre/City of Port Huron – Act 381 WP & MBT Amendments – Rob Garza
City of Adrian – CDBG Façade Improvement – Marilyn Crowley

MICHIGAN STRATEGIC FUND

RESOLUTION 2016-

**APPROVAL OF MAY 2016 CONSENT AGENDA
FOR THE MICHIGAN STRATEGIC FUND BOARD**

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

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

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

NOW, THEREFORE, BE IT RESOLVED, the MSF approves the Consent Agenda items listed below and identified in the final Consent Agenda for this board meeting, for each of which supporting documentation is attached to this Resolution.

Consent Agenda Items:

Proposed Meeting Minutes – April 26, 2016
Mid Towne Village, LLC/City of Grand Rapids – MCRP Amendment
Lofts on 820, LLC/City of Grand Rapids – MCRP Amendment
Appointment to DMI Board of Directors
Approval of Additional MSF Bond Counsel

Ayes:

Nays:

Recused:

Lansing, Michigan
May 24, 2016

**MICHIGAN STRATEGIC FUND
PROPOSED MEETING MINUTES
April 26, 2016**

Members Present

Shelly Edgerton
Larry Koops
Andrew Lockwood (on behalf of Treasurer Khouri)
Greg Tedder (on behalf of President Arwood)
Jody DePree Vanderwel
Shaun Wilson
Wayne Wood joined meeting at 10:14 am

Members Absent

Paul Anderson
Dan Boge
Terri Jo Umlor

Mr. Tedder called the meeting to order at 10:02 am.

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

Mr. Tedder recognized State Representative Phil Phelps of House District 49, attending in support of iSource/SkyPoint project in Flint, and invited him to make comments.

Mr. Tedder recognized Senator Jim Ananich of Senate District 27, attending in support of iSource/SkyPoint project in Flint, and invited him to make comments.

Communications: Andrea Robach, MSF Administrator advised the Board that the Quarterly Report of the Chief Compliance Officer was provided to the Board in the briefing packet.

A. CONSENT AGENDA

Resolution 2016-036 Approval of Consent Agenda Items

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

Proposed Meeting Minutes – **March 22, 2016**
618 S. Main, LLC/City of Ann Arbor – MCRP Amendment – **2016-037**
Jackson National Life – MBDP Amendment – **2016-038**
Edmore Machining, Inc. – Tool & Die Recovery Zone Revocation – **2016-039**
Fori Automation, Inc. – Tool & Die Recovery Zone Revocation – **2016-040**
3DM Source, Inc. – Tool & Die Recovery Zone Revocation – **2016-041**

Andrew Lockwood seconded the motion. **The motion carried: 6 ayes; 0 nays; 0 recused.**

Wayne Wood joined the meeting at 10:14 am

B. ADMINISTRATIVE

Resolution 2016-042 Community College Skilled Trade Equipment Program – Grant Amendments

Ryan Hundt, Talent Programs, introduced Grant Manager Mary Lynn Noah, who provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-042. Andrew Lockwood seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

Resolution 2016-043 Cherry Growers, Inc. – MBDP Forbearance Request

Christin Armstrong, VP, Compliance, Contracts & Grants, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-043. Andrew Lockwood seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

C. BUSINESS INVESTMENT

C1. Entrepreneurship

Resolution 2016-044 2016 Business Incubator Grant – Award Recommendations

Fred Molnar, VP, Entrepreneurship & Innovation, introduced Program Manager Nadia Abunasser who provided the Board with information regarding this action item. Following brief discussion, Jody DePree Vanderwel motioned for the approval of Resolution 2016-044. Larry Koops seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

Resolution 2016-045 Automation Alley – 2015 Business Incubator Grant Amendment

Fred Molnar, VP, Entrepreneurship & Innovation, introduced Program Manager Nataliya Stasiw, who provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-045. Shaun Wilson seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

Resolution 2016-046 Michigan Innovation to Manufacturing – Request to Issue RFP

Fred Molnar, VP, Entrepreneurship & Innovation, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-046. Wayne Wood seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

Resolution 2016-047 MTRAC – Statewide Program Approval

Fred Molnar, VP, Entrepreneurship & Innovation, introduced Denise Graves who provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-047. Jody DePree Vanderwel seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

C2. Business Growth

Resolution 2016-048 Duo Security – MBDP Grant

Trevor Friedeberg, Development Finance Manager, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-048. Jody DePree Vanderwel seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

Resolution 2016-049 iSource WorldWide, LLC & SkyPoint Ventures, LLC – MBDP Grant/Loan

Jeremy Webb, Development Finance Manager, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-049. Shaun Wilson seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

Mr. Wilson recused from the next agenda item

Resolution 2016-050 Ford Motor Company – SESA Exemption

Stacy Bowerman, Senior Project Manager, provided the Board with information regarding this action item. Following brief discussion, Wayne Wood motioned for the approval of Resolution 2016-050. Larry Koops seconded the motion. **The motion carried: 6 ayes; 0 nays; 1 recused.**

Mr. Wilson rejoined the meeting

Resolution 2016-051 Fiat Chrysler Group – SESA Exemption

Marcia Gebarowski, Development Finance Manager, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-051. Jody DePree Vanderwel seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

C3. Access to Capital

Resolution 2016-052 Canterbury Health Care, Inc. – Bond Inducement

Chris Cook, Director, Capital Access Programs, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-052. Andrew Lockwood seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

Resolution 2016-053 Michigan Custom Machine – SSBCI Collateral Support

Rachel Bakken, Capital Project & Portfolio Manager, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-053. Shelly Edgerton seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

D. COMMUNITY VITALITY

Resolution 2016-054 Infrastructure Capacity Enhancement Round

Chris Whitz, CDBG Manager, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-054. Wayne Wood seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

Resolution 2016-055 2016 CDBG Action Plan

Chris Whitz, CDBG Manager, provided the Board with information regarding this action item. Following brief discussion, Jody DePree Vanderwel motioned for the approval of Resolution 2016-055. Andrew Lockwood seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

Resolution 2016-056 Grand Rapids Properties 1, LLC/City of Grand Rapids – Act 381 Work Plan

Ryan Kilpatrick, Community Assistance Team, provided the Board with information regarding this action item. Following brief discussion, Wayne Wood motioned for the approval of Resolution 2016-056. Shaun Wilson seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

Resolution 2016-057 PDRM, LLC/City of Detroit – Brownfield TIF Amendment

Jennifer Schwanky, Program Specialist, provided the Board with information regarding this action item. Following brief discussion, Andrew Lockwood motioned for the approval of Resolution 2016-057. Jody DePree Vanderwel seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

Mr. Tedder adjourned the meeting at 11:38 am.

April 18, 2016

Mr. Mark Morante, Fund Manager
Michigan Strategic Fund
300 N. Washington Square
Lansing, MI 48913

Dear Mr. Morante,

I hereby designate Gregory Tedder to represent me at the Michigan Strategic Fund Board meetings that I am unable to attend.

Sincerely,



Steve Arwood
MSF Board President & Chairman



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

January 22, 2016

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

Dear Ms. Robach,

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

Sincerely,

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

N.A. Khouri
State Treasurer

Cc: Andrew Lockwood

MEMORANDUM

Date: May 24, 2016

To: Michigan Strategic Fund Board

From: Lynda Franke, Underwriting and Incentive Structuring Specialist

Subject: Mid Towne Hospitality LLC
Michigan Community Revitalization Program
Request for Approval of a MCRP Loan Participation and Servicing Agreement
Amendment

Request

Mid Towne Hospitality LLC (“Company”) is requesting approval of an amendment to the Michigan Community Revitalization Program MCRP Loan Participation and Servicing Agreement (“Agreement”) and any related ancillary agreements. The amendment request dated April 5, 2016, is for a request to extend the disbursement period for the Lender’s and MSF’s share of the financing by approximately three months from February 29, 2016 to May 31, 2016 to complete construction draws.

Background

The Michigan Strategic Fund Board approved a \$3,000,000 Other Economic Assistance “Loan Participation” on August 28, 2013 to the Company as financing for the purpose of constructing a 5 story, 148 room hotel with a two-level, 200-car parking garage under the hotel, as part of the larger Mid Towne Village redevelopment in Grand Rapids.

An amendment to the project was approved on November 25, 2014, to allow for an increase to the Mercantile Bank’s share of the loan by \$1,500,000 resulting in a total loan amount of \$20,634,043 (Lender and MSF shares), to cover an increase in actual construction costs. There was no increase in MSF’s share of the financing.

The hotel has been in operation for all of 2016 and is currently processing their final retainage payments. The company is current with reporting requirements.

Recommendation

The MEDC staff recommends approval of an amendment to the MCRP Loan Participation and Servicing Agreement and any ancillary agreements to extend the disbursement period to May 31, 2016 per the Company’s request dated April 5, 2016.

**MICHIGAN STRATEGIC FUND
RESOLUTION 2016-**

**APPROVAL OF AN AMENDMENT TO A MICHIGAN COMMUNITY REVITALIZATION
PROGRAM LOAN PARTICIPATION AWARD FOR
MID TOWNE HOSPITALITY LLC**

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

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

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

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

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

WHEREAS, by Resolution 2013-134 on August 28, 2013 the MSF Board awarded a CRP Loan Participation Award to Mid Towne LLC, (“Applicant”) in the amount of \$3,000,000 (“Award”); of a 19,134,043 total loan from Mercantile Bank, (“Lender”) toward financing construction activities and infrastructure improvements to real property (“Project”);

WHEREAS, by Resolution 2014-197 on November 25, 2014, the MSF Board approved an amendment to increase the Lender’s share of the loan by \$1,500,000, bringing the total loan amount to \$20,634,043;

WHEREAS, the MEDC is recommending that the MSF approve the amendment recommendation to extend the disbursement period for the Lender’s and MSF’s share of the loan by approximately three months from February 29, 2016 to May 31, 2016.

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

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan
May 24, 2016

MEMORANDUM

Date: May 24, 2016

To: Michigan Strategic Fund Board

From: Lynda Franke, Underwriting and Incentive Structuring Specialist

Subject: Lofts on 820, LLC
Michigan Community Revitalization Program
Request for Approval of a MCRP Loan Participation and Servicing Agreement
Amendment

Request

Lofts on 820, LLC (“Company”) and Macatawa Bank (“Lender”) are requesting approval of amendments to the Michigan Community Revitalization Program MCRP Loan Participation and Servicing Agreement (“Agreement”) and any related ancillary agreements. The amendment request dated May 9, 2016, is requesting the following:

- 1) Amending the MSF’s Agreement to extend the “Draw Expiration Date” for the loan and the interest only period on the Lender’s share from April 26, 2016 approximately four (4) months to August 26, 2016. The request is due to a slower than anticipated lease-up for both the residential and commercial pieces of the development. Over 70 percent of the space for both types are either leased or have signed LOI’s in place. Although lease-up has been slower than anticipated, leasing is proceeding at a satisfactory pace. According to leasing projections the project will be able to service full principal and interest payments by September 1, 2016 as opposed to May 1, 2016 as originally anticipated.
- 2) MSF consent to allow for an increase in the cap limit for construction advances on the Lender’s share from 75 to 80 percent of the appraised “As Completed” value of the project to allow for full funding of tenant improvements prior to stabilization. The request will not increase total funding for the project, but will allow the Lender to disburse the remaining construction funding available prior to the project reaching “Stabilization”.
- 3) Amend the MSF’s Agreement to allow the Lender to redefine “Stabilization” from a 95 percent occupancy of the building to an occupancy level necessary to generate a minimum of \$160,000 in monthly rental income. Redefining “Stabilization” would reduce the projected “Stabilized” income by approximately \$200K. Even at the proposed redefined “Stabilized” level the project would be able to generate adequate income to service both the Lender’s and MSF’s share of the loan.

Background

The Michigan Strategic Fund Board approved a \$3,100,000 Other Economic Assistance-Loan Participation on September 17, 2014 to the Company for the purpose of redeveloping an approximately 156,000 square foot office building located at 820 Monroe NW and 804 Bond Avenue in the City of Grand Rapids, Michigan. The building is being rehabilitated into 82 market rate residential units occupying approximately 66,000 square feet, and 18,160 square feet of space for a restaurant and other commercial/retail occupancy on the ground floor, and 13,300 square feet of office space on the first and second floors. The project will consist of a total of approximately 125,705 square feet. The former additions to the original structure are being demolished to create space for an outdoor restaurant, tenant common area and on-site parking in the rear of the site.

The project is substantially complete with 63 of the residential units occupied and approximately 73 percent of the commercial space either leased or under a Letter of Interest with a potential tenant. Although the restaurant will be constructed, it was removed from the MCRP project description as part of a prior amendment.

An amendment to the project was previously approved on February 13, 2015 in which the MSF Fund Manager consented to allowing the occupant of the restaurant space to enter into a ground lease and to allow for a junior mortgage to be recorded on the parcel by Chemical Bank, who would be financing the construction of the restaurant on the parcel. The ground lease obligated the tenant to purchase the real estate subject to the ground lease upon completion of the project and the MSF was aware that it would require a second amendment. The second amendment to the project was previously approved by the MSF Fund Manager on March 29, 2016 consenting to the sale of the parcel and removal of the projected rental payments from the ground lease.

Recommendation

The MEDC staff recommends approval of amendments to the MCRP Loan Participation and Servicing Agreement and any ancillary agreements as detailed above.

**MICHIGAN STRATEGIC FUND
RESOLUTION 2016-**

**APPROVAL OF AN AMENDMENT TO A MICHIGAN COMMUNITY REVITALIZATION
PROGRAM LOAN PARTICIPATION AWARD FOR
LOFTS ON 820, LLC**

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

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

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

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

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

WHEREAS, by Resolution 2014-152 on September 17, 2014 the MSF Board awarded a CRP Loan Participation Award to Lofts on 820 LLC, (“Applicant”) in the amount of \$3,100,000 (“Award”); of a \$19,100,000 total loan from Macatawa Bank, (“Lender”) toward financing construction activities and infrastructure improvements to real property (“Project”);

WHEREAS, the MEDC is recommending that the MSF approve the amendment recommendation to extend the “Draw Expiration Date” by four months, increase the Lender’s cap limit for construction advances on the Lender’s share from 75% to 80% of the appraised “As Completed” value of the project, and redefine “Stabilization” from 95% occupancy of the building to an occupancy level consistent with the project generating a minimum of \$160,000 in monthly rental income.

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

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan
May 24, 2016

MEMORANDUM

TO: Michigan Strategic Fund Board
FROM: Mark Morante, Fund Manager
DATE: May 24, 2016
RE: *Appointment to the Board of Directors of Develop Michigan, Inc.*

Summary

This request is to appoint Gregory Tedder, Chief Communications and Marketing Officer and Executive Vice President of Community Development, Michigan Economic Development Corporation (MEDC) to the Board of Directors of Develop Michigan, Inc. The appointment will run for three years from the effective date of the proposed resolution.

Background

On July 24, 2013 the Michigan Strategic Fund Board (“MSF”, “MSF Board”) appointed three individuals to represent its interests in Develop Michigan, Inc. At inception, Develop Michigan, Inc. (“DMI”) and its for-profit subsidiary private equity fund were designed as a public-private partnership. As such, the composition of the nine-member Board of Directors is as follows:

- Three members appointed from private limited partner investors
- Three members appointed by the fund management team
- Three members appointed by the Michigan Strategic Fund

The initial appointees by the MSF Board were:

- Eric B. Larson, Larson Realty Group (formerly Bedrock Real Estate, ODM);
- Robert (Bob) Joseph, Talmer Bank and Trust-Capital Markets;
- Jennifer Nelson, Michigan Economic Development Corporation; (reappointed in July 2014)

Upon Mr. Joseph’s initial term expiring, I was appointed to the vacated seat given my duties as SVP for Community Development as well as MSF Fund Manager. The rationale for this was that such an appointment would strengthen the working relationship between DMI and the MEDC on community development deals. Further, through conversations with DMI Leadership, it was realized that the terms set by DMI are all for three (3) years. Therefore, even though Mr. Larson’s term was approved by the MSF board for up to 5 years, the seat is expiring; staff recommends Greg Tedder be appointed to the seat vacancy. Greg’s role as Community Development Executive Vice President completes the MSF’s three seats, which would then consist of MEDC staff members experienced in community development, compliance, finance and fund management. MEDC Leadership views this collaboration as the most appropriate representation on behalf of the MSF’s investment, and a team which will maximize working relationships to achieve the community development goals of DMI and the State of Michigan.

Staff Recommendation

MEDC Staff recommends the MSF Board appoint Gregory Tedder for a term of three years to the Develop Michigan, Inc. Board of Directors.

**MICHIGAN STRATEGIC FUND
RESOLUTION 2016 -
APPOINTMENT OF BOARD OF DIRECTORS FOR
DEVELOPMENT MICHIGAN, INC. – CAPITAL CONDUIT PROGRAM,
REAL ESTATE INITIATIVE AWARD RECIPIENT**

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

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

WHEREAS, pursuant to MCL.125.2088d(1) the MSF shall create and operate a loan enhancement program;

WHEREAS, on May 20, 2009, the MSF created the Michigan Supplier Diversification Fund (“MSDF”) as a loan enhancement program;

WHEREAS, on December 21, 2011, the MSF approved the creation and operation of a Develop Michigan – Capital Conduit Program under the MSDF (“CCP”);

WHEREAS, on December 21, 2011, by Resolution No. 2011-189, as a subprogram of the CCP, the MSF also approved the Real Estate Initiative (“REI”) and the program guidelines for the REI (as further amended on April 25, 2012, by Resolution No. 2012-48) (“REI Guidelines”);

WHEREAS, on January 25, 2012, by Resolution No. 2012-08, the MSF approved an award to Develop Michigan, Inc. (“DMI”) to operate the REI pursuant to the REI Guidelines, and approved the delegation of authority to the MSF Fund Manager, the MSF Chairperson, or the State Treasurer Director, with only two required to act, to execute final transaction documents memorializing the DMI award under the CCP (“Delegation of Authority”);

WHEREAS, pursuant to the REI Guidelines and the terms of the DMI award, the MSF Board has the right to appoint three members to the DMI board of directors;

WHEREAS, at its July 23, 2013 meeting, the MSF Board appointed Eric Larson, Larson Realty Group (formerly Bedrock Real Estate, ODM) for a term of five (5) years to the DMI board of directors;

WHEREAS, the MEDC recommends and the MSF Board desires to remove Eric Larson, and appoint Gregory Tedder, Executive Vice President, Community Development, to a term of three (three) years, .

NOW, THEREFORE, BE IT RESOLVED, the MSF hereby approves the DMI Appointee.

Ayes:

Nays:

Recused:

Lansing, MI
May 24, 2016

**MICHIGAN STRATEGIC FUND
RESOLUTION 2016 –**

**APPROVAL OF HAWKINS DELAFIELD & WOOD LLP
TO LIST OF APPROVED
MSF BOND COUNSEL**

WHEREAS, on August 28, 2013, the MSF Board approved its Resolution 2013-125, adopting criteria (“Criteria”) for the evaluation and approval of law firms authorized to act as bond counsel to the MSF and revised its list of approved bond counsel to the MSF;

WHEREAS, it is important to the MSF that it receive the highest quality legal services from experienced bond counsel firms with a presence in Michigan and having demonstrated not only market acceptance of their opinions but also broad substantive knowledge in subject matters critical to the issuance of bonds and their bond counsel opinions; and

WHEREAS, Hawkins Delafield & Wood LLP (Hawkins), having an office in Ann Arbor, Michigan, has submitted materials on file with the MSF and applied for approval to be included on MSF’s list of approved MSF Bond Counsel.

NOW THEREFORE BE IT RESOLVED by the MSF Board that Hawkins has demonstrated compliance with the MSF Board’s Criteria for approval as MSF Bond Counsel.

BE IT FURTHER RESOLVED, that the MSF Board approves and affirms the following bond counsel firms to serve as MSF Bond Counsel:

Barnes & Thornburg LLP
Bodman LLP
Clark Hill PLC
Dickinson Wright PLLC
Dykema Gossett PLLC
Foley & Lardner LLP
Foster, Swift, Collins & Smith, P.C.
Hawkins Delafield & Wood LLP
Jaffe, Raitt, Heuer & Weiss
Lewis & Munday, A Professional Corporation
Miller, Canfield, Paddock and Stone, P.L.C.
Varnum LLP
Warner Norcross & Judd LLP

BE IT FURTHER RESOLVED, that the MSF Board confirms that in the event that the borrower has not requested a law firm in Paragraph 2 above to serve as bond counsel to the MSF, then the MSF Board, the Authorized Bond Officer or the Fund Manager may either select any bond counsel firm listed in paragraph 2, or solicit proposals from some or all of the firms above-listed.

BE IT FURTHER RESOLVED, that any bond counsel firm that has been

approved by the MSF Board to serve as bond counsel to the MSF may be reviewed by the Board for continuing designation as bond counsel to the MSF and may be removed as bond counsel to the MSF at the direction of the MSF Board. Further, if at the time the transaction is presented to the MSF Board, the specific lead bond attorney is not listed in the Michigan section of the Red Book under the approved firm, he or she may not act as lead bond counsel on the transaction.

BE IT FURTHER RESOLVED, that any resolution or portions of it that conflict with this Resolution are rescinded.

Ayes:

Nays:

Recusals:

May 24, 2016
Lansing, Michigan

MEMORANDUM

Date: May 24, 2016

To: MSF Board

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

Subject: Covisint Corporation – Michigan Business Development Grant – Forbearance Request

Request

Covisint Corporation (the “Company”) requests that the Michigan Strategic Fund (“MSF”) Board forbear on exercising its rights to terminate the Company’s Michigan Business Development Program (“BDP”) Grant until April 30, 2017 (the “Forbearance Request”). In consideration for the Forbearance Request, the Company will pay a forbearance fee of \$15,000.

Background

On November 24, 2014 the Company was awarded a \$1,500,000 Performance-based BDP Grant. This project involves the creation of 50 Qualified New Jobs (“QNJ”) and a capital investment of up to \$5,500,000 in the City of Southfield, Oakland County. The Company is required to maintain 235 Base Jobs. The table below shows the Company’s milestone schedule and associated disbursement amounts. No disbursements have been made under the BDP Grant to date.

Milestone	QNJ	Total Michigan Headcount Requirement	Milestone Deadline	Disbursement Amount
M1	10	245	12/31/2015	300,000
M2	20	260	6/30/2017	450,000
M3	35	270	12/31/2017	300,000
M4	50	285	12/31/2018	450,000

The Company applied for Milestone One on time, however, it was determined upon audit and verification of the Milestone that some employees were not eligible to be counted toward the Base Job requirement or the QNJ requirement for Milestone One. As a result, the Company fell below its Base Job requirement and was unable to meet the QNJ requirement of Milestone One, thereby triggering an Event of Default under the BDP Grant. As a result of the Event of Default, the MSF is entitled to terminate the BDP Grant.

The Company is confident that it can resolve the Events of Default noted above by April 30, 2017. To that end, MEDC Staff has proposed a forbearance agreement under which the MSF would forbear on exercising its right to terminate until the sooner of April 30, 2017 or the Company’s cure of the Event of Default. In consideration for this forbearance, the Company would be required to pay a forbearance fee of \$15,000 (1% of the total grant amount). This fee could be paid in full upon execution of the forbearance agreement or with a portion paid up front and the balance spread over the forbearance term.



Recommendation

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

MICHIGAN STRATEGIC FUND

**RESOLUTION
2016-**

**COVISINT CORPORATION
MICHIGAN BUSINESS DEVELOPMENT GRANT FORBEARANCE REQUEST**

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

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

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

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

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

WHEREAS, on November 25, 2014, the MSF Board authorized a performance-based MBDP other economic assistance incentive of up to \$1,500,000 to Covisint Corporation (the “Company”);

WHEREAS, on January 29, 2015, the Company and the MSF entered into an MBDP Grant Agreement under which the Company agreed to create 50 Qualified New Jobs and maintain a Base Employment Level of 235 jobs in the State of Michigan (the “Grant Agreement”);

WHEREAS, the Company is in default under Section 5.2(b) of the Grant Agreement for failure to maintain the Base Employment Level and under Section 5.2(c) of the Grant Agreement for failure to timely meet one of the Key Milestones by the applicable date for such Key Milestone (the “Event of Default”);

WHEREAS, pursuant to Section 5.4 of the Grant Agreement, the MSF may terminate the Grant Agreement upon the occurrence of an Event of Default;

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

- (a) Forbearance by the MSF from exercising its rights to terminate the Grant Agreement under the Event of Default until the earlier to occur of 1) cure of the Event of Default by the Company or 2) April 30, 2017 (the “Forbearance Period”); and
- (b) Payment by the Company of a forbearance fee in the amount of \$15,000.

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

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

WHEREAS, the MSF wishes to approve the Forbearance Request.

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

BE IT FURTHER RESOLVED, that the MSF Fund Manager or the MSF Chairperson, in coordination with MEDC Staff, is authorized to negotiate all final terms and conditions and execute all documents necessary to effectuate the Forbearance Request.

Ayes:

Nays:

Recused:

Lansing, Michigan
May 24, 2016

MEMORANDUM

Date: May 24, 2016

To: Michigan Strategic Fund Board

From: Julius Edwards, Manager, Underwriting and Incentive Structuring
Lisa Pung, Manager, Brownfield, MCRP and SmartZone Programs

Subject: Michigan Community Revitalization Program Guidelines addendum

Request

MEDC staff requests approval to restate the Michigan Community Revitalization Program (“MCRP”) Guidelines to incorporate an addendum of MCRP Incentive Parameters.

Background

The MCRP was created to promote community revitalization that will accelerate private investment in areas of historical disinvestment, contribute to Michigan’s reinvention as a vital, job-generating state, foster redevelopment of functionally obsolete properties, reduce blight, support the rehabilitation of historic resources, and protect the natural resources of the State. Under the Michigan Strategic Fund Act, MCL 125.2001 (the “Act”), Chapter 8C, Section 90B, the MSF must approve any program guidelines to implement the program. The current MCRP Guidelines (“Guidelines”) were approved by the MSF Board at their meeting on December 21, 2011 (Resolution 2011-185), and later amended, and then restated on September 22, 2016 (Resolution 2015-140).

In order to better define a financial need and determine whether a project is financially and economically sound, staff have determined the need to implement an addendum to the MCRP Guidelines to incorporate MCRP Incentive Parameters. The MCRP Incentive Parameters will be utilized in establishing preferred principles that will assist in determining financial need, including but not limited to, equity contributions, reasonableness of returns, MCRP incentive structure, level of MCRP support, and expectations for the financial performance of a project.

Recommendation

MEDC Staff recommends the attached MCRP Program Guidelines with the addendum of the MCRP Incentive Parameters with immediate effect.

MICHIGAN STRATEGIC FUND

RESOLUTION 2016-

APPROVAL OF AMENDMENT TO AND RESTATEMENT OF MICHIGAN COMMUNITY REVITALIZATION PROGRAM GUIDELINES

WHEREAS, the Michigan legislature amended the Michigan Strategic Fund Act, MCL 125.2011 et. seq. (“Act”), to add Chapter 8C (being MCL 125.2090a – MCL 125.2090d, as further amended) 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 (“Guidelines”), as later amended. Item 2 of the original Guidelines incorporated the statutory definition of eligible investment found at MCL 125.2090a(d); which statutory definition prohibited including any reimbursed hard costs as part of the eligible investment (and also allowed the MSF to determine those soft costs which shall not qualify as eligible investment under the MCRP);

WHEREAS, on July 25, 2012, by Resolution 2012-76, the MSF determined those soft costs that do not qualify as eligible investment under the MCRP, and amended Item 2 of the Guidelines;

WHEREAS, PA 395 2012 amended the definition of eligible investment under the MCRP to allow the inclusion of reimbursed hard costs as part of an eligible investment to the extent the hard costs have not been completely reimbursed;

WHEREAS, on February 27, 2013 by Resolution 2013-031, the MSF approved an amendment to the definition of eligible investment under the MCRP and amended item 2 of the Guidelines to allow the inclusion of reimbursed hard costs as part of an eligible investment to the extent the hard costs have not been completely reimbursed;

WHEREAS, on July 22, 2014, by Resolution 2014-099, the MSF approved an amendment to amend the language to item 3 of the MCRP Guidelines to establish the date that property eligibility is established and adopt the restated MCRP Guidelines as attached to this resolution;

WHEREAS, on September 22, 2015, by Resolution 2015-140, the MSF approved amended and restated Guidelines to better serve the customer, further define the program selection criteria, eligible investment and property eligibility;

WHEREAS, the MEDC recommends that the MSF adopt the attached amended and restated Guidelines; and

WHEREAS, based on the recommendation of the MEDC, the MSF Board desires to amend and restate the Guidelines to establish preferred incentive parameters for projects approved under the MCRP.

NOW, THEREFORE, BE IT RESOLVED, that the MSF hereby approves the attached amended and restated MCRP Guidelines.

Ayes:

Nays:

Recused:

Lansing, Michigan
May 24, 2016

MICHIGAN COMMUNITY REVITALIZATION PROGRAM GUIDELINES

PROGRAM GOALS

The Michigan Strategic Fund (MSF) Act, MCL 125.2011 et. seq. was amended to add Chapter 8C to create and operate the Michigan Community Revitalization Program (MCRP), administered by the Michigan Economic Development Corporation (MEDC) on behalf of the MSF. Community Revitalization will accelerate private investment in areas of historical disinvestment, contribute to Michigan's reinvention as a vital, job-generating state, foster redevelopment of functionally obsolete properties, reduce blight, support the rehabilitation of historic resources, and protect the natural resources of this state. The focus of the MCRP is to encourage and promote capital investment and redevelopment on brownfield and historic preservation sites located in traditional downtowns and high-impact corridors.

ELIGIBLE APPLICANTS

Any person or multiple persons may apply to the MSF for approval of a MCRP incentive associated with a project.

PROJECT CONSIDERATIONS

Projects must meet the Community Development Guidance standards as established by the MEDC, which can be reviewed at: http://www.michiganbusiness.org/cm/Files/Community_Development/2015-Community-Incentive-Guidance.pdf. If the project meets the Community Development Guidance standards, a review of all statutory criteria will be conducted. The following legislative criteria will be evaluated by the MSF for all projects regardless of their applicability to any individual project:

- I. The amount of local community and financial support for the project. For example:
 - Community has committed financial support in the form of tax increment revenue or tax abatements.
 - Community has deemed this project a priority and the project type falls within their identified local plans.
- II. The applicant's financial need for a community revitalization incentive. For example:
 - A gap in financing is demonstrated via the submitted pro-forma and application.
- III. Whether the project is financially and economically sound. For example:
 - Ability to secure all sources of financing for the project.
 - Financial gap no longer exists after MCRP incentive is applied.
 - Reasonable assumptions are used for rental rates and owner occupied space.
- IV. Whether the project involves the rehabilitation of a historic resource. For example:
 - Property qualifies as a historic resource as defined in the Eligible Property section of this document.
 - Significant historic restoration and rehabilitation on the resource is to be performed.

- Applicant consultation with the State Historic Preservation Office (SHPO).
 - Utilization of federal historic tax credits.
- V. The level and extent of environmental contamination. For example:
- Department of Environmental Quality (DEQ) has determined the site a Facility.
 - DEQ committed funding for cleanup of the site via a loan or grant.
 - Applicant consultation with the DEQ.
- VI Competition with existing Michigan businesses. For example:
- Extent of comparable existing businesses in the region.
- VII Any other requirements required by the MSF Board

The MSF will evaluate any other legislative criteria as applicable to the specific project including, but not limited to:

- The extent of reuse of vacant buildings and redevelopment of blighted property
- Whether the project promotes mixed-use development and walkable communities
- If the project will act as a catalyst for additional revitalization of the community in which it is located.
- Creation of jobs.
- The level of private sector and other contributions, including, but not limited to, federal funds and federal tax credits.
- Whether the project increases the density of the area.
- Whether the project converts abandoned public buildings to private use.
- Whether the project promotes sustainable development.
- Whether the project addresses area wide redevelopment.
- Whether the project addresses underserved markets of commerce.

LEVEL OF SUPPORT

MSF support for a single project shall not exceed 25% of the eligible investment, and in no event shall the MSF support exceed a total of \$10,000,000 for any project (including any combination of loan, grant or other economic assistance). However, legislation allows that annually the MSF may consider support up to three single projects that shall not exceed 50% of the eligible investment up to \$10,000,000 for the specific purpose of historic preservation. Further, no part of the MSF support that is in the form of a grant shall exceed \$1,500,000 for any project.

ELIGIBLE PROPERTY

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

- I. Facility: As defined in Public Act 451 of 1994, MCL 324.20101, means any area, place, or property where a hazardous substance in excess of concentrations that satisfy the cleanup criteria for unrestricted residential use has been released, deposited, disposed of, or otherwise comes to be located. A Phase I and Phase II Baseline Environmental Assessment is used to determine whether the property is a facility. The MEDC will confirm with the MDEQ who will certify the property as a facility after adequate documentation is received from the developer.
- II. Historic Resource: Means a publically or privately owned historic building or structure,

individually listed, or located within a historic district designated by the National Register of Historic Places, the State Register of Historic Sites, or a local unit acting under the Local Historic Districts Act, 1970 PA 169. Documentation is required to verify any of the above designations. These projects must meet the federal Secretary of the Interior's Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings, (Standards) (36 CFR 67);

- III. **Functionally Obsolete:** Means that the property is unable to be used to adequately perform the function for which it was intended due to a substantial loss in value resulting from factors such as overcapacity, changes in technology, deficiencies or super adequacies in design, or other similar factors that affect the property itself, or the property's relationship with other surrounding property as determined by a Michigan Advanced Assessing Officer or a Michigan Master Assessing Officer.
- IV. **Blighted:** Means any property that meets any of the following criteria as determined by the respective unit of government, building official, or assessor when applicable:
 - Has been declared a public nuisance in accordance with a local housing, building, plumbing, fire, or other related code or ordinance;
 - Is an attractive nuisance to children because of physical condition, use, or occupancy;
 - Is a fire hazard, or is otherwise dangerous to the safety of persons or property;
 - Has had the utilities, plumbing, heating, or sewerage permanently disconnected, destroyed, removed, or rendered ineffective so that the property is unfit for its intended use;
 - Is tax reverted property owned by a qualified local governmental unit, by a county, or by this state;
 - Is property owned, by or under the control of, a land bank fast track authority under the Land Bank Fast Track Act, 2003 PA 258; and
 - Has substantial subsurface demolition debris buried on site so that the property is unfit for its intended use.
- V. **Adjacent or Contiguous:** Other parcels that are adjacent or contiguous to property described in (I) through (IV), as long as the property is improved and the taxable value is increased for the adjacent and contiguous property in conjunction with the project property.
- VI. **Any Other Property:** "Any Other property" means property that previously met the conditions described in (I), (III) and (IV) within the last 15 years for which assistance will further the program goals of the MCRP

ELIGIBLE INVESTMENT

An eligible investment, as adopted in Resolution 2013-031, Approval of the Definition of Eligible Investment for the MCRP Program, means at least one, or any combination of, the following expenditures which may have occurred prior to the MSF approval of the application and has not been completely reimbursed to, or paid for on behalf of, the applicant. Collectively these expenditures are eligible investments and are referred to as "Hard Costs":

- Any fees or costs for alteration, construction, improvement, demolition, or rehabilitation of buildings of an approved project, including utility tap fees, and fees and costs paid to a governmental entity for permits, zoning, and inspections;

- Any fees or costs for site improvements to an approved project, including, a surface parking lot, parking garage, parking ramp, utilities and public infrastructure, such as roads, curbs, gutters, sidewalks, landscaping, lighting, grading and land balancing;
- Any fees or costs for the addition of machinery, equipment or fixtures to an approved project; or
- Professional fees or costs for an approved project for architectural services, engineering services, Phase I environmental site assessment, Phase II environmental site assessment, or Baseline Environmental Assessment, or surveying services.

The MSF or MSF Fund Manager, on its behalf, may impose additional terms and conditions involving any Hard Costs that meet eligibility for reimbursement under any tax increment financing, including requiring those costs to be repaid to the MSF, or excluding any such costs from Hard Costs.

In no event shall any of the following, which are collectively referred to as “Soft Costs”, be deemed any part of the Hard Costs:

- acquisition fees or costs for real property,
- developer fees or costs,
- closing fees or costs,
- legal fees or costs,
- professional fees or costs (other than those included above as part of the Hard Costs),
- title commitment fees or costs,
- title insurance fees, premiums or costs,
- management fees or costs (including Project management and construction management),
- appraisal fees or costs,
- bank or other lender financing, interest, or inspection fees or costs,
- leasing or sales commission fees or costs,
- shared savings, or fees or costs arising from penalties or other reductions in payment from any contract for improvements to the Project,
- performance bond and other risk contingency fees and costs,
- marketing fees or costs,
- LEED certification costs,
- zoning fees or costs (other than those zoning fees or costs paid to a governmental entity included above as part of the Hard Costs),
- taxes, or
- hazard, liability or any other insurance fees and costs.

PROJECT EVALUATION, PROCESS AND MSF SUPPORT

Request for MSF support of projects, includes the following:

- Intake form, pro-forma, financial and supporting documentation and MEDC leadership consideration;
- Letter of Interest, when appropriate;
- A completed application package;
- Financial structure and terms sheet;
- Payment of any required fees;
- Michigan Strategic Fund consideration;
- Development Agreement and milestone completion; and
- Project completion, required reporting following project completion, and closeout.

All MSF support shall be memorialized by final written grant, loan or other economic assistance agreements, with terms and conditions in accordance with state law, these guidelines and otherwise satisfactory to the MSF, including, without limitation, requiring performance-based milestones which shall govern disbursements; and requiring periodic reporting of data, financial information, and any other information required to facilitate reporting to the MSF and the Michigan legislature, including periodic reporting after completion of a project. The program may require applicants to pay reasonable application fees, and any other expenses incurred in administering the program, to the MEDC.

MICHIGAN COMMUNITY REVITALIZATION PROGRAM INCENTIVE PARAMETERS

INCENTIVE

All projects requesting a Michigan Community Revitalization Program (MCRP) award shall provide a guaranteed maximum price construction contract, maximize all available senior financing with preference through a federally insured and regulated senior lender. Additionally, developer and other related-party fees will be limited to 4% of the total development cost of the project (excluding the aforementioned fees) and any existing incentives will be taken into consideration during the evaluation process. The Michigan Strategic Fund (MSF) may provide support for a project in the form of one or more of the following incentives that shall be performance based:

I. Grant:

A grant may include flexible terms and conditions. Grants shall also include provisions requiring grant funds to be paid back to the MSF when certain requirements are not met.

The following will be the preferred structure of the MSF for a Performance Based Grant:

- Federally insured or regulated Senior Lender in place.
- Maximum CRP Investment: Up to 20% of "Eligible Investment" if the property does not qualify as both historic and brownfield, typically not to exceed \$750,000.
- Minimum Owner Equity Investment: 10% of Total Development Costs (net of developer and other related-party fees). Deferred fees will not be counted in the calculation. If "Investor Return" is above a 12% IRR (calculated assuming a 20 year investment horizon, not including value created through sale/refinance of property) staff will require additional investor equity up to 20%. Equity raised through Historic Tax Credit syndication will be considered as part of the requirement (other owner equity must be at least 7% of total development cost).
- Minimum Debt Service Coverage Ratio: 1.20:1.00, calculated based on all scheduled debt service requirements including MCRP award.
- Funding: Following construction completion and issuance of a "Certificate of Occupancy" (in certain cases a temporary "Certificate of Occupancy" will be considered acceptable), and completion of other performance based criteria.

II. Loan Participation:

A "Loan Participation" arrangement requires the presence of a Senior Lender willing to lead the lending relationship and operate within the parameters listed below. It is anticipated the MSF's investment may have different terms from the Senior Lender's portion, but operate under the same security and loan agreements. This is typically accomplished through the issuance of a separate promissory note from the Senior Lender that is purchased by the MSF, and execution of a Participation Agreement between the Lending Institution and the MSF drafted by MSF counsel which defines the rights and obligations under the arrangement.

The following is the preferred structure of the MSF for a Loan Participation:

- Federally insured or regulated Senior Lender in place.
- Minimum CRP Investment: \$750,000.
- Maximum CRP Investment: Up to 20% of "Eligible Investment" if the property does not qualify as both historic and brownfield.
- Minimum Owner Equity Investment: 10% of Total Development Costs (net of developer and other related-party fees). Deferred fees will not be counted in the calculation. If

“Investor Return” is above a 12% IRR (calculated assuming a 20 year investment horizon, not including value created through sale/refinance of property) staff will require additional investor equity up to 20%. Equity raised through Historic Tax Credit syndication will be considered as part of the requirement (other owner equity must be at least 7% of total development cost).

- Interest Rate: between 1% and a market rate as determined by the project’s viability.
- Term: To match that of the senior lender and not to exceed 15 years.
- Amortization: To match that of the senior lender (subordinated to the collateral position to the senior lender).
- Interest Only Period: Up to 36 months (NMTC structures will be accommodated).
- Repayment: Pari Passu with all other lenders. Monthly payments of principal and interest following the interest only period.
- Guarantors: To match that of Senior Lender, with MSF’s interest subordinated to the Senior Lender.
- Collateral: To match that of Senior Lender, with MSF’s interest subordinated to the Senior Lender.
- Minimum Debt Service Coverage Ratio: 1.20:1.00, calculated based on all scheduled debt requirements including MCRP award.
- Funding: Following loan closing with Senior Lender and completion of other performance based criteria.

III. Equity Investment:

Typically, equity investments will be limited to projects located in geographic markets considered transitional or tertiary by MEDC staff or projects with HUD/FHA financing as the primary source of financing.

The following is the preferred structure of the MSF for an Equity Investment:

- Federally insured or regulated Senior Lender in place.
- Minimum CRP Investment: \$750,000.
- Maximum CRP Investment: Up to 20% of “Eligible Investment” if the property does not qualify as both historic and brownfield.
- Minimum Owner Equity Investment: 10% of Total Development Costs (net of developer and other related-party fees). Deferred fees will not be counted in the calculation. If “Investor Return” is above a 12% IRR (calculated assuming a 20 year investment horizon, not including value created through sale/refinance of property) staff will require additional investor equity up to 20%. Equity raised through Historic Tax Credit syndication will be considered as part of the requirement (other owner equity must be at least 7% of total development cost).
- Maximum Investment Term: 20 years with exemptions for HUD financed projects.
- Legal Fees: Developer to cover all MSF out of pocket expenses, \$15,000 deposit required prior to MSF Board. If the anticipated award is approved by the MSF, the outside counsel legal fee shall become non-refundable. If the anticipated award is not approved by the MSF, then the remaining balance of the outside counsel legal fee, if any, shall be returned to the applicant. All third party costs in excess of the \$15,000 shall be the responsibility of the applicant and due at time of invoice by outside counsel.
- Funding: Following satisfaction of all senior lender closing conditions and other performance based criteria.
- MSF Role: Limited Liability and Non Managing Member/Partner.
- MSF Rights: The following are some of the rights the MSF would anticipate under an equity arrangement:
 - Ownership changes.
 - Management changes.
 - Material increases in debt financing.
 - Decisions on sale of project.
 - Put right for violation of MSF requirements (personally guaranteed by owners).

Parameters for Cash Flow Splits:

1. MSF Preferred Return: Annual preferred return between 2-6% cumulative cash-on-cash return.

2. Investor Group Return: Annual cumulative cash-on-cash return not to exceed 10%.
 - a. The lesser of a Pro Rata or 70/30 (Investor to MSF) split of cash flow thereafter based on the MSF's and Investor Group's initial equity investments.

Parameters for Split of Proceeds from Sale or Refinance

1. Pro Rata Split of proceeds until the MSF's and Private original principal investments have been repaid.
2. 100% of proceeds to the MSF until a 2-6% cumulative return has been achieved by the MSF.
3. 100% of proceeds to the Investor Group until a 10% cumulative return is achieved by the Investor Group.
4. The lesser of a Pro Rata or 70/30 (Investor to MSF) split, thereafter.
Example: If the MSF's investment is 15% of the equity invested then the split would be 85/15 (Investor to MSF).

IV. Direct Loan:

Typically direct loans are not used for this program and will only be used under special circumstances. They may include flexible terms and conditions, all of which must be acceptable to the MSF, including without limitation, below market interest rates, extended grace and repayment provisions, forgivable terms and no security, or some security (which also may be subordinated).

The following is the preferred structure of the MSF for a Direct Loan:

- Federally insured or regulated Senior Lender in place.
- Minimum CRP Investment: \$750,000.
- Maximum CRP Investment: Up to 20% of "Eligible Investment" if the property does not qualify as both historic and brownfield.
- Minimum Owner Equity Investment: 10% of Total Development Costs (net of developer and other related-party fees). Deferred fees will not be counted in the calculation. If "Investor Return" is above a 12% IRR (calculated assuming a 20 year investment horizon, not including value created through sale/refinance of property) staff will require additional investor equity up to 20%. Equity raised through Historic Tax Credit syndication will be considered as part of the requirement (other owner equity must be at least 7% of total development cost).
- Interest Rate: between 1% and a market rate as determined by the project's viability.
- Legal Fees: Developer to cover all MSF out of pocket expenses, \$15,000 deposit required prior to MSF Board. If the anticipated award is approved by the MSF, the outside counsel legal fee shall become non-refundable. If the anticipated award is not approved by the MSF, then the remaining balance of the outside counsel legal fee, if any, shall be returned to the applicant. All third party costs in excess of the \$15,000 shall be the responsibility of the applicant and due at time of invoice by outside counsel.
- Term: Not to exceed 7 years.
- Amortization: Not to exceed 300 months.
- Interest Only Period: Up to 36 months (NMTC structures will be accommodated).
- Repayment: Pari Passu with all other lenders. Monthly payments of principal and interest following the interest only period.
- Guarantors: Personal guarantees of the owners.
- Collateral: Security interest in the underlying project.
- Minimum Debt Service Coverage Ratio: 1.20:1.00, calculated based on all scheduled debt requirements including MCRP award.
- Funding: Following construction completion and issuance of a "Certificate of Occupancy" (in certain cases a temporary "Certificate of Occupancy" will be considered acceptable), and completion of other performance based criteria.



MEMORANDUM

Date: May 24, 2016
To: MSF Board
From: David Lorenz, Vice President, Travel Michigan
Michigan Economic Development Corporation
Subject: China Representation Recommendation

REQUEST

That the Michigan Strategic Fund (“MSF”) award and enter into a contract for leisure travel marketing representation in China.

BACKGROUND

In an effort to promote tourism in China, the MSF issued a Request for Proposal (RFP) on March 22, 2016 (Resolution 2016-032), for a firm with a business presence in China and experience representing U.S. destinations in China to represent Travel Michigan in the Chinese market. The scope of work included, creating a strategy to attract more Chinese visitors, particularly leisure visitors, to Michigan; creating Chinese-language brochures, e-newsletters, social media and website; working with tour operators to get more Michigan product in Chinese tour operator catalogs; identifying Chinese travel journalists to invite to Michigan for Fam Tours; identifying and representing Michigan at key Chinese travel and tourism trade shows; securing appointments with top Chinese tour operators and media; and devising and executing consumer promotions to build consumer awareness of Michigan as a destination.

The RFP was posted on the MEDC website and a press release was issued. Three responses were received. The proposals were reviewed and scored by the Joint Evaluation Committee against the selection criteria of the RFP. The JEC rated Aviareps the highest because they were judged to be the most qualified.

RECOMMENDATION

The MSF/MEDC staff enter into a one-year contract with Aviareps for leisure travel marketing services in China, for the period of June 1, 2016 to May 31, 2017, for up to \$300,000 a year, with four, one-year optional extensions, exercisable at the sole discretion of the MSF Fund Manager.

MICHIGAN STRATEGIC FUND

RESOLUTION

2016-

SELECTION OF VENDOR FOR CHINA TOURISM REPRESENTATION

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 21st Century Jobs Fund initiative;

WHEREAS, under Section 88b(6) of the Act, the MSF may select all vendors for expenditures by issuing a request for proposals;

WHEREAS, at its March 22, 2016 meeting, the MSF Board authorized a Request for Proposals to invite proposals from vendors to develop and implement a campaign for Michigan tourism promotion in China (the “Michigan Promotion RFP”);

WHEREAS, Joint Evaluation Committee (“JEC”) appointed by the MSF Fund Manager evaluated all proposals and determined that the proposal from Aviareps was the most qualified applicant based on the requirements of the Michigan Promotion RFP;

WHEREAS, the MEDC recommends that the MSF Board adopt the recommendation of the JEC and select Aviareps as the vendor to develop and implement a campaign for Michigan tourism promotion in China; and

WHEREAS, the MSF Board desires to select Aviareps as the vendor to develop and implement a campaign for Michigan tourism promotion in China.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the selection of Aviareps as the vendor to develop and implement a campaign for Michigan tourism promotion in China for up to \$300,000 for an initial term of June 1, 2016 to May 31, 2017, with the option to renew the term of the agreement and allocate more funding for four additional one year terms, at the sole discretion of the MSF Board; and

BE IT FURTHER RESOLVED, the MSF Board authorizes the MSF Fund Manager to negotiate the final terms and conditions and to execute an agreement with Aviareps so long as the final terms and conditions are not materially adverse to the interests of the MSF.

Ayes:

Nays:

Recused:

Lansing, Michigan
May 24, 2016

MEMORANDUM

Date: May 24, 2016
To: MSF Board
From: David Lorenz, Vice President, Travel Michigan
Subject: Detroit Metro Convention and Visitors Bureau MOU

BACKGROUND

Pure Michigan has partnered with the Detroit Metro Convention and Visitors Bureau (DMCVB) since 2013 with a focus on attracting national and multi-state events, conventions and conferences – and the out-of-state travelers they bring in – to Michigan. In order to attract many Large Special Events (LSEs), a commitment of monetary support is required by event organizers to demonstrate the financial capability and commitment to host the LSE, often years in advance of the event. Substantial levels of new travel spending and tax revenue to the State have been realized since the inception of the program.

These are some of the primary goals and principals of the program:

1. Alleviate the disadvantage Michigan Convention and Visitor Bureaus face when competing with cities from other states to attract LSEs.
2. Fund a portion of local services committed to LSEs using specific event eligibility criteria for allowable expenditures.
3. To provide a formalized program for CVBs to attract LSEs
4. To assist in attracting additional spending into Michigan
5. To assist in creating incremental state and local tax revenues.
6. Bring into equity the local cost flow and the increased revenue to the state of Michigan.
7. Develop eligible event criteria to assure that only large events, which significantly draw non-residents, with clear financial benefits to the state of Michigan are eligible.
8. Display state of Michigan attractions to out-of-state visitors.

A review committee of five CVBs – Detroit Metro, Lansing, Traverse City, Ann Arbor and Grand Rapids meet quarterly to review and award the funds.

Through May 2016, investments in this program have proven to be highly successful. The LSE has resulted in 11 national and multi-state events that total 83 event-days and will generate total estimated state tax revenues of \$23,355,369.00. The investment cost for these events was \$2,497,000.00.

RECOMMENDATION

The MEDC recommends the MSF approve the Memorandum of Understanding for large special events and authorize up to \$1,000,000 of the annual appropriation from the Michigan Jobs Trust Fund.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2016-**

**DETROIT CONVENTION AND VISITORS BUREAU
MEMORANDUM OF UNDERSTANDING**

WHEREAS, Public Act 489 of 2000, MCL 12.251 to 12.260, created the Michigan Trust Fund Act, of which the 21st 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 may be used for promotion of tourism in this state;

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

WHEREAS, the Michigan Strategic Fund (the “MSF”) Board desires to enter into an agreement with the Detroit Metro Convention and Visitors Bureau to assist in the attraction of large special events to the State of Michigan to increase tourism in this state (the “MOU”); and

WHEREAS, to appropriately fund expenses associated with the MOU, the MSF Board desires to authorize an expenditure of \$1,000,000 of the annual appropriation from the 21st Century Jobs Trust Fund for expenses associated with the MOU.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board authorizes entering into the MOU with the Detroit Metro Convention and Visitors Bureau for a period of June 1, 2016 to May 31, 2017;

BE IT FURTHER RESOLVED, that the MSF Board, acting pursuant to the MSF Act, authorizes \$1,000,000 of the annual appropriation from the 21st Century Jobs Trust Fund to be incurred for expenses related to the MOU; and

BE IT FURTHER RESOLVED, that the MSF Fund Manager is authorized to execute the MOU consistent with the terms of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
May 24, 2016

MEMORANDUM

Date: May 24, 2016

To: Michigan Strategic Fund Board

From: Trevor Friedeberg, Development Finance Manager
Jennifer Schwanky, Brownfield and MCRP Program Specialist

Subject: City of Charlotte Brownfield Redevelopment Authority
Request for Approval of an Act 381 Work Plan

Request

The proposed project will be undertaken by Spartan Motors, Inc., and will redevelop approximately 5.35 acres of property located at 1014 and 1023 Reynolds Road in the City of Charlotte. The project qualifies for an Act 381 work plan because it is a facility.

In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the City of Charlotte Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of \$943,800.

The proposed development involves the removal of concrete foundations, floor slabs, pavements, and utilities on the 1014 Reynolds Road parcel. The site will be graded and graveled to create a level parking surface for storage of new vehicles produced by Spartan Motors. A new storm water detention basin will also be created to manage storm water on site. Additionally, the existing 100,000 square foot building located at 1023 Reynolds Road, including foundations, floor slabs, pavements, and utilities, will be demolished. A new 87,000 square foot manufacturing plant will be constructed on the northwestern portion of the parcel. New paved parking and driveway areas will be constructed, and the remainder of the site will be graded and leveled to allow area for storage of up to 600 new vehicles produced by Spartan Motors. The property is currently owned by Spartan Motors, Inc., which is a specialty vehicle manufacturer.

Prior to construction, Brownfield conditions will need to be alleviated. The eligible activities include demolition and site preparation activities related to the removal of existing concrete foundations, floor slabs, pavements, and utilities. The building demolition will also include asbestos abatement, if necessary. These activities will alleviate Brownfield conditions across the site and make it suitable for redevelopment and protect human health and the environment. Without Brownfield tax increment reimbursement, the cost burden related to Brownfield conditions would make the project financially unfeasible.

The Applicant anticipates that the project will result in total capital investment in the amount of \$6.65 million, along with the creation of at least four permanent full-time jobs with an average hourly wage of \$32, as well as over 50 hourly manufacturing jobs with an average hourly wage of \$20.

Background

Demolition activities will be necessary to complete the eligible activities because the development cannot be constructed without removing the existing features. Site preparation activities include site grading activities and importing fill to meet site grades and create a level surface for the new vehicle storage areas. Infrastructure improvements including the construction of sanitary and storm sewer infrastructure along Reynolds Road right of way, are necessary to support the new development.

The project is competing with Indiana, where the Company has existing operations and capacity to undertake the proposed expansion. Without the ability to take advantage of Act 381 redevelopment activities, the project would be too costly and the Indiana option would be more viable. The Company has received incentives from the MEDC in the past, in the form of a small MBT credit of \$218,191, as well as a MEGA tax credit, both approved in 2011. The Company has raised concerns of the Charlotte campus being landlocked and not providing enough room to expand, again making an out of state option attractive. With assistance, the project will occur in Charlotte – a Rising Tide community – and ensure Spartan’s future in Michigan.

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

Recommendation

MEDC staff recommends approval of the following:

- a) Local and school tax capture for the Act 381 eligible activities totaling \$943,800. Utilizing the current blended state to local capture ratio, the amount of school tax capture for this project is estimated at \$398,021.

APPENDIX A – Programmatic Requirements & Screening Guidelines

Property Eligibility

The project is located within the boundaries of the City of Charlotte, which is a Qualified Local Governmental Unit, and has been determined to be a facility as verified by Michigan Department of Environmental Quality (DEQ) on April 12, 2016.

The property is the subject of a Brownfield Plan, duly approved by the City of Charlotte Brownfield Redevelopment Authority on March 8, 2016 and concurred with by the City of Charlotte on March 14, 2016.

In addition, the project is requesting from the DEQ \$28,750 in TIF to assist with environmental eligible activities.

Key Statutory Criteria

Act 381 requires the following information to understand and explain the benefits of the project.

a) Overall Benefit to the Public:

The development will bring increased economic growth to the City of Charlotte, and will result in over 55 new jobs. The taxable value of the property is projected to increase on the order of 10 times, which will result in over \$100,000 per year in additional taxes to taxing jurisdictions for the benefit of the public once eligible brownfield costs are repaid.

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

This project is expected to create approximately 55, full-time jobs in specialty vehicle manufacturing and retain approximately 622 full time jobs.

c) Area of High Unemployment:

The City of Charlotte unadjusted jobless rate was 3.2% in December 2015. This compares to the statewide seasonally adjusted average of 4.5% in December 2015 and is therefore not in an area of high unemployment.

d) Level and Extent of Contamination Alleviated:

Spartan Motors conducted baseline environmental assessments (BEAs) when they acquired both properties, and numerous site investigations have taken place since then. Multiple underground and aboveground storage tanks have been removed from the 1014 Reynolds Road parcel, as well as various spills and buried drums, impacting the soil and groundwater. The contamination present will be addressed in accordance with the due care plan for the properties.

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

The project is not qualifying as functionally obsolete or blighted.

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

The Brownfield TIF is needed to help mitigate the costs of removing buildings, concrete slabs, foundations, pavements, and utilities that remain on the site and create costs that would not be associated with development of a greenfield site. The location of the site relative to Spartan Motors' existing operations creates an opportunity to build a more efficient manufacturing campus, but the additional demolition, site preparation, and infrastructure improvement costs generate a funding gap for the project.

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

No new Brownfields will be created by this project.

h) Whether the Project is Financially and Economically Sound:

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

i) Other Factors Considered:

No additional factors need to be considered for this project.

Tax Capture Breakdown

There are 53.7190 non-homestead mills available for capture, with school millage equaling 24 mills (44.68%) and local millage equaling 29.7190 mills (55.32%). The local jurisdiction is supporting the project additionally by approving a PA 198 Industrial Facilities Tax Abatement for 12 years. The local mills will also cover the majority of the remaining capture for the last 3 years of the reimbursement period. This alters the ratio between state and local taxes to 42.17% to 57.83%, respectively. Tax increment capture will begin in 2017 and is estimated to continue for 16 years. The blended requested tax capture for MSF eligible activities breaks down as follows:

School tax capture	(42.17%)	\$	398,021
Local tax capture	(57.83%)	\$	<u>545,779</u>
TOTAL		\$	943,800

Cost of MSF Eligible Activities

Demolition		\$	255,000
Infrastructure Improvements			15,000
Site Preparation		+	<u>542,000</u>
Sub-Total		\$	812,000
Contingency (15%)		+	<u>121,800</u>
Sub-Total		\$	933,800
Brownfield/Work Plan Preparation		+	<u>10,000</u>
TOTAL		\$	943,800

APPENDIX B – Project Map



MICHIGAN STRATEGIC FUND

RESOLUTION 2016 -

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN
CITY OF CHARLOTTE BROWNFIELD REDEVELOPMENT AUTHORITY
SPARTAN MOTORS, INC. EXPANSION PROJECT**

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

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

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

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

WHEREAS, the City of Charlotte Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 1014 and 1023 Reynolds Road within the City of Charlotte, known as Spartan Motors, Inc. Expansion Project (the “Project”);

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

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

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

NOW, THEREFORE, BE IT RESOLVED, the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as 42.17% to 57.83% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, and infrastructure improvements as presented in the revised Work Plan dated April 13, 2016. Any change in millage that increases the capture percentage of school operating taxes by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on a maximum of \$933,800 for the principal activity costs of non-

environmental activities and a contingency, and a maximum of \$10,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$398,021.

BE IT FURTHER RESOLVED, that the MSF Board authorizes the MSF Fund Manager, to provide written notification to the Authority, in the form of a letter which incorporates the terms set forth in this Resolution and consistent with the limitations of the Act, and that this approval is further conditioned upon the Authority, or the City, as appropriate, maintaining adequate records regarding: a) all taxes captured for the project; and b) receipts or other appropriate documentation of the cost of eligible activities. The records shall be made available for review upon request by MSF or MEDC staff. Eligible activities authorized by this resolution must be completed within three (3) years.

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

Ayes:

Nays:

Recused:

Lansing, Michigan
May 24, 2016 (Date of Board Meeting)

MEMORANDUM

Date: May 24, 2016

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

From: Marcia Gebarowski, Senior Business Development Project Manager

Subject: *Cosworth, LLC (“Company” or “Applicant”)*
Michigan Business Development Program Performance-based Loan Request

Summary

This is a request from the Applicant for a \$2,100,000 performance-based loan with the ability to convert to a grant based on job creation milestones. This project involves the creation of a minimum of 50 Qualified New Jobs over five years, and a capital investment of up to \$30 million, including a \$1.5 million Qualified Investment in Shelby Township, Macomb County.

Cosworth evaluated a manufacturing operation for Indiana, where they are presently headquartered, or Michigan. The Company received a competing offer including job creation tax credits and training grants from Indiana. The facility in Indiana met all of Cosworth’s requirements, where the cost of tenant improvements were rolled into the lease rate. BDP assistance is required to offset building upgrades that Cosworth would be required to pay for to make the building in Shelby Township meet their specifications, as well as compete with job creation incentives offered from Indiana. The Company also will be relying on assistance from local Michigan Works! and MEDC for recruitment and workforce development assistance given the Company’s limited experience in recruiting in the U.S.

Background

Cosworth Group is a world leader with a prestigious reputation built on over five decades of excellence, innovation and collaboration. The group delivers high-performance technologies to a diverse range of industries using its capabilities in mechanical and electronic engineering and precision manufacturing. The company was founded in 1958 and currently headquartered in Northampton, U.K. The Company has a U.S. headquarters operation in Indianapolis, Indiana which is also their hub for warehousing and logistics.

In 2004, Cosworth was purchased (from Ford) by Jerry Forsythe and Kevin Kalkhoven, co-owners of the Champ Car World Series. Under its new ownership Cosworth embarked on a diversification strategy, applying its expertise in mechanical engineering, performance electronics and precision manufacturing to secure business opportunities in the mainstream automotive, aerospace, and defense industries.

Cosworth plans to establish a new manufacturing facility to machine V8 cylinder heads for an OEM. The Company will lease a facility at the Cherry Creek Business Park in Shelby Township and create up to 110 jobs, two thirds of which will be specific to the contract awarded to them. The facility will have a ramp up of production from 2018 - 2021 when it will be at full production volume. In addition to the manufacturing jobs directly affiliated to their contract, Cosworth anticipates additional indirect job growth for marketing, sales, product assembly, and production engineers for the new facility as well.

Cosworth has not received MSF or other state discretionary incentives in the past.

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

Considerations

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that will locate and operate in Michigan.
- b) The project will be located in Shelby Township. The township and/or the county has offered a “staff, financial, or economic commitment to the project” in the form of a property tax abatement and/or staff time related to the project.
- c) The Company has demonstrated a need for the funding. Michigan lacks the availability of suitable buildings for this project, particularly floor thickness required for the machines. The selected facility will require significant upfront costs by the Company. Cosworth received an incentive package including property tax abatements and job creation incentives from the State of Indiana for this manufacturing operation.
- d) The Applicant plans to create a minimum of 50 Qualified New Jobs above a statewide base employment level of 0.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: Cosworth LLC is headquartered in Indiana which did provide this project a competing incentive package, the project will re-use an existing building, the project will result in more and better jobs, and the project will have a positive ROI to Michigan.

Recommendation

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

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

MICHIGAN STRATEGIC FUND

RESOLUTION 2016-

APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM PERFORMANCE-BASED LOAN TO COSWORTH, LLC

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

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

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

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

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

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

WHEREAS, Cosworth, LLC (“Company”) has requested a performance based MBDP loan of up to \$2,100,000 (“Loan Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”); and

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
May 24, 2016

EXHIBIT A

Company Name: Cosworth, LLC and/or its Affiliates

Project Address: City of Wixom

MBDP Award Amount: Up to \$2,100,000

MBDP Award Type: Performance-based Loan
1% interest per annum, accruing beginning in 2020 (default rate at 7%)
P&I repayment over 5 years beginning in 2020
Loan is forgivable; amounts forgiven up to maximum amount of Loan shall be determined based upon number of QNJ's in excess of 50 QNJ's prior to start date of loan repayment.

Base Employment Level: At least 0

Total Qualified New Jobs: At least 50

Total Qualified Investment: At least \$1.5 million

Municipality supporting Project: Shelby Township and/or Macomb County

Disbursement Milestone Amounts/Dates:

- 1) \$1 million disbursement upon receipt of lease agreement of no less than seven years for a building in the City of Wixom or Oakland County.
- 2) \$1.1 million disbursement upon verification that at least \$1.5 million in eligible Qualified Investment has been completed, and upon verification of local support for the project
- 3) No Disbursement – Verification of at least 50 Qualified New Jobs have been created

All milestones are anticipated to occur within five years of MSF Approval.

MEMORANDUM

Date: May 24, 2016

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

From: Marcia Gebarowski, Senior Business Development Project Manager

Subject: *Flex N Gate Detroit, LLC (“Company” or “Applicant”)*
Michigan Business Development Program Performance-based Grant Request

Summary

This is a request from the Applicant for a \$3.5 million Performance-based grant. This project involves the creation of 650 Qualified New Jobs, with the potential for up to 750 total jobs, and a capital investment of up to \$95 million in the City of Detroit, Wayne County.

Flex N Gate is doing due diligence on property acquisition in the I-94 Industrial Park in Detroit. The cost of routine environmental due diligence and infrastructure upgrades for this property are more costly than a greenfield site or other sites with existing buildings in Michigan or other states such as Indiana and Ohio.

MSF assistance is necessary to lower the high project costs associated with an urban brownfield development including infrastructure upgrades, demolition and site preparation. This site will require a dedicated substation whereby the Company will bear a portion of that cost. MSF assistance is necessary to help offset power infrastructure hard costs and related expenses.

Flex N Gate will have a large training component to execute such a large hiring and recruitment plan. The Company will continue to work with the MEDC and Detroit Employment Solutions Corp (DESC, the local Michigan Works! agency) to implement this plan.

Background

Flex N Gate was incorporated in 1956 and HQ'd in Urbana, IL. Flex N Gate provides their customers a comprehensive solution using collective resources of product engineering, project management, testing, stamping, welding, molding, painting, plating, assembly and shipping. Flex N Gate has 48 manufacturing and nine product development and engineering facilities throughout US, Canada, Argentina, Brazil, Mexico, China, and Spain. Their product portfolio includes large body and chassis structural assemblies, full bumper and fascia systems, brackets, receiver hitches and interior plastic panels and pillars.

Flex N Gate and their subsidiary entity Ventra have 11 manufacturing facilities, as well as one R&D facility in Michigan. Ventra has benefitted from two previous BDP grants. Ventra Ionia is currently in good standing for a \$500,000 BDP grant for 144 new jobs, final milestone is June, 2016. Ventra Grand Rapids received \$650,000 in BDP for a 2013 project and 150 new jobs. This agreement is currently in maintenance.

Flex N Gate was awarded a contract to increase its' supply product to Ford in the future. The Company has no room in any of their existing facilities in MI, IN, OH, or Canada to place this work. A 30 acre site at the I-94 Industrial Park has been chosen in Detroit to build a new 500,000 s/f production and sequencing facility. The Company will purchase the city-owned land and construct the facility to place this new work, as well as additional future contracts that the Company may be awarded to put this building into full operation.

The MEDC and the City of Detroit will also recommend the approval of a Renaissance Zone for this new operation proposed by the Company at a later date. The City submitted their Next Michigan Development Corporation (NMDC) documents to the MEDC to be approved at a later MSF Board meeting. The recommended Renaissance Zone is expected to be an NMDC designated zone once the city is confirmed its NMDC designation.

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

Considerations

- a) The Applicant is a "Qualified Business", as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.
- b) The project will be located in City of Detroit. The city and/or the city's Next Michigan Development Corporation (NMDC) body has offered a "staff, financial, or economic commitment to the project" in the form of a property tax abatement and/or a Renaissance Zone related to the project.
- c) The Company will have significantly higher costs to construct a new facility in the City of Detroit, including site preparation, environmental due diligence, and infrastructure. The Company will have high utility costs at this location, as well as a large training cost for an aggressive hiring plan. This project would also be eligible for job creation and property abatement incentives at other states.
- d) The Applicant plans to create 650 Qualified New Jobs above a project location base employment level of 0.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: the project involves out-of-state competition; has a net positive return to Michigan; includes a high level of investment; the project has strong links to Michigan suppliers; if project is located in a distressed or targeted community.

Recommendation

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

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

MICHIGAN STRATEGIC FUND

RESOLUTION 2016-

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
FLEX N GATE DETROIT, LLC**

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

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

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

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

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

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

WHEREAS, Flex N Gate Detroit, LLC (“Company”) has requested a performance based MBDP grant of up to \$3,500,000 (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”); and

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
May 24, 2016

EXHIBIT A

Company Name: Flex N Gate Detroit, LLC and/or its Affiliates

Project Address: City of Detroit, 48211

MBDP Award Amount: Up to \$3,500,000

MBDP Award Type: Grant

Base Employment Level: At least 0

Total Qualified New Jobs: At least 600

Municipality supporting Project: City of Detroit and/or the Detroit Next Michigan Development Corporation (NMDC) body

Disbursement

Milestone Amounts/Dates: Performance-based milestones incremental milestones over a five year period

- 1) Up to \$350,000 upon demonstrated creation of 100 Qualified New Jobs above the base employment level and verification of local support
- 2) Up to \$1,300,000 upon completion of Disbursement Milestone 1, and upon creation of 250 additional Qualified New Jobs above the base employment level
- 3) Up to \$530,000 upon completion of Disbursement Milestone 1, Milestone 2, and upon creation of 100 additional new jobs above the base employment level
- 4) Up to \$530,000 upon completion of Disbursement Milestone 1, Milestone 2, Milestone 3, and upon creation of 100 additional new jobs above the base employment level
- 5) Up to \$610,000 upon completion of Disbursement Milestone 1, Milestone 2, Milestone 3, Milestone 4, and upon creation of 100 additional new jobs above the base employment level

MEMORANDUM

Date: May 24, 2016

TO: Michigan Strategic Fund Board

From: Christopher Cook, Director of Capital Access

Subject: *Private Activity Bond – Authorizing
Detroit Renewable Power Project
Solid Waste - \$13,275,000 – New*

Request:

Detroit Renewable Energy LLC (“DRE”) is requesting private activity bond financing for the purpose of issuing bonds (the “Series 2016 Bonds”).

Background:

DRE is a privately-held Delaware limited liability company. DRE indicates it was formed to own the equity of the entities that own and operate: the Greater Detroit Resource Recovery Facility (“GDRRF”) (operated by Detroit Renewable Power LLC) and the local district heating facilities that currently supply thermal energy in downtown and midtown Detroit via 39 mile underground steam pipeline loop (owned and operated by Detroit Thermal, LLC). DRE reports that the acquisition was completed in November 2010. DRE indicates that annually GDRRF disposes of approximately 900,000 tons of municipal solid waste and provides approximately 253 million kWh of electricity. It is reported that DRE and its subsidiaries operate one of the largest waste-to-energy facilities in the United States. DRE reports that GDRRF operates under several long-term contracts, including a long-term disposal agreement with the Greater Detroit Resource Recovery Authority through a minimum of year 2021 which requires the City of Detroit to dispose of its municipal solid waste at the GDRRF; and a long-term power purchase agreement with The Detroit Edison Company for approximately 100% of DRE’s electric power production.

Inducement Resolution 2010-237 in the amount of \$75,000,000 was approved for DRE by the MSF Board on December 1, 2010.

On November 28, 2012, Resolution 2012-174 was approved by the MSF Board granting an extension to the Inducement Resolution. Resolution 2012-174 granted an additional two years with an expiration date of November 28, 2014.

On November 25, 2014, Resolution 2014-227 was approved by the MSF Board granting an additional extension to the Inducement Resolution to November 28, 2016.

Below is the description of the first two projects financed:

On July 25, 2013, the Michigan Strategic Fund issued its \$27,535,000 Michigan Strategic Fund Limited Obligation Revenue Bonds (Detroit Renewable Power Project) Series 2013 (the "DRP Bonds") to finance the costs of certain improvements to the GDRRF and its \$27,430,000 Michigan Strategic Fund Limited Obligation Revenue Bonds (Detroit Thermal Project) Series 2013 (the "DT Bonds," together with the DRP Bonds, the "Series 2013 Bonds") to finance certain heating and cooling facilities, to make a deposit to the debt service reserve fund related to each series of the Series 2013 Bonds, and to pay costs of issuance for the Series 2013 Bonds.

On December 30, 2014, the Michigan Strategic Fund issued its \$6,760,000 Michigan Strategic Fund Limited Obligation Revenue Bonds (Detroit Renewable Power Project) Series 2014 Bonds (the "Series 2014 Bonds") to finance additional improvements to the GDRRF and to pay costs of issuance for the Series 2014 Bonds.

Description of Project:

DRE, Detroit Renewable Power LLC, a Delaware limited liability company ("DRP"), Resource Recovery Business Trust 1991-A, a Delaware business trust ("RRA"), and Resource Recovery Business Trust 1991-B", a Delaware business trust ("RRB") (RRB, together with DRE, DRP and RRA, the "2016 Borrowers") are requesting private activity bond financing to assist in financing the continuation of the existing renovation project at the GDRRF including the costs of renovating, improving and equipping an approximately 3,300 ton per day waste-to-energy plant and related facilities, and acquiring related equipment, rolling stock and vehicles, including but not limited to the installation of superheaters, spray dry absorbers, and grate chains located at 5700 Russell Street, Detroit, Wayne County (the "Project").

The Project will enable DRP to retain and continue to employ the staff currently working at the GDRRF which number 161 employees.

Plans of Finance:

The Series 2016 Bonds will be sold pursuant to a private placement agreement with Alamo Capital acting as placement agent. The placement agent will sell the Series 2016 Bonds, issued through the DTC book entry system, to AllianceBernstein Municipal Income Shares, AllianceBernstein High Income Municipal Portfolio, and AllianceBernstein Tax-Aware Fixed Income Portfolio.

If the Project size remains at \$13,275,000, the MSF issuance fee will be \$29,093.75.

Recommendation:

Based upon a determination by Lewis & Munday and the State of Michigan Attorney General's office that this transaction complies with state and federal law requirements for tax-exempt financing, staff recommends the adoption of a Bond Authorizing Resolution in an amount not to exceed \$13,275,000.

RESOLUTION TO AUTHORIZE THE ISSUANCE OF THE MICHIGAN STRATEGIC
FUND LIMITED OBLIGATION SUBORDINATE REVENUE BONDS (DETROIT
RENEWABLE POWER PROJECT), SERIES 2016 (THE "BONDS")

Resolution 2016-___

Background

A. The Michigan Strategic Fund (the "Fund") 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).

B. Detroit Renewable Energy LLC, a Delaware limited liability company ("DRE"), Detroit Renewable Power LLC, a Delaware limited liability company ("DRP"), Resource Recovery Business Trust 1991-A, a Delaware business trust ("RRA"), and Resource Recovery Business Trust 1991-B, a Delaware business trust ("RRB" and, together with DRE, DRP and RRA, the "2016 Borrowers"), have requested a loan from the Fund to (i) assist in financing the costs of renovating, improving and equipping an approximately 3,300 ton per day waste-to-energy plant and related facilities, and acquiring related equipment and rolling stock, including but not limited to the installation of superheaters, spray dry absorbers, and grate chains located at 5700 Russell Street, Detroit, Wayne County, Michigan (the "Project"); (ii) fund a deposit to a debt service reserve fund, and (iii) pay certain expenses incurred in connection with the issuance of the Bonds. The 2016 Borrowers are affiliated entities.

C. DRE has advised the Fund that it and DRP, RRA, and RRB, its wholly owned subsidiaries, will own and operate the Project.

D. The 2016 Borrowers have requested the Fund to issue the Bonds in an aggregate principal amount not to exceed \$13,275,000 pursuant to this resolution (the "Resolution") and an amended and restated trust indenture between the Fund and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") dated as of May 1, 2016, as supplemented by the Second Supplemental Trust Indenture dated as of May 1, 2016 (collectively, the "Indenture"), to obtain funds which will be loaned to the 2016 Borrowers pursuant to an amended and restated loan agreement, dated as of May 1, 2016, as supplemented by the Second Supplemental Loan Agreement dated as of May 1, 2016, between the Fund and the 2016 Borrowers (collectively, the "Loan Agreement") for the purposes of paying costs of the Project.

E. The Bonds will be purchased by Alamo Capital, as the placement agent (the "Placement Agent") pursuant to a Private Placement Agreement among the Fund, the Placement Agent, and the 2016 Borrowers (the "Private Placement Agreement") and sold by the Placement Agent to the initial investors consisting of AllianceBernstein Municipal Income Shares Fund, Inc., AllianceBernstein High Income Municipal Portfolio and AllianceBernstein Tax-Aware Fixed Income Portfolio (collectively, the "Original Purchasers").

F. The Bonds will be secured by the Guaranty Agreement in favor of the Trustee from the 2016 Borrowers and certain other affiliated entities, dated as of July 1, 2013, as amended and supplemented by the Amended and Restated Guaranty Agreement dated as of [June 1], 2016 (the "Amended Guaranty Agreement").

NOW, THEREFORE, Be It Resolved by the Board of the Fund:

SECTION 1. Issuance of Bonds; Limited Obligation. For the purpose of making the loan requested by the 2016 Borrowers, the issuance of the Bonds is authorized.

The terms of the Bonds shall be substantially in the form contained in the Indenture, with the changes permitted or required by action of the Fund or the Indenture. The Bonds shall bear the manual or facsimile signature of a member of the Fund's Board of Directors (a "Member") or of a Fund employee authorized by Board Resolution to sign Bond documents on behalf of the Fund (an "Authorized Officer"), and the official seal of the Fund (or a facsimile of the seal) shall be impressed or imprinted on the Bonds.

The Bonds and the interest and any premium on the Bonds are not a debt or obligation of the State of Michigan or a debt or general obligation of the Fund within the meaning of any constitutional or statutory provision or limitation and do not constitute a charge against the credit or taxing powers of the State of Michigan or the general funds or assets of the Fund (including funds relating to other Fund loans or activities), but shall be a limited obligation of the Fund payable solely from the revenues derived from the Loan Agreement and otherwise as provided in the Indenture.

SECTION 2. Approval, Execution, and Delivery of Documents. The forms of the following documents, on file with the staff of the Fund and on which have been endorsed by the staff of the Fund the date of adoption of this Resolution, are approved:

- a. Loan Agreement,
- b. Indenture, and
- c. Private Placement Agreement.

Any Member or Authorized Officer is authorized to execute and deliver the Loan Agreement and the Indenture and any Member and an Authorized Officer are authorized to execute and deliver the Private Placement Agreement, in substantially the forms approved, with such completions as are authorized by this Resolution and any changes as are considered necessary or desired by them, permitted by the Act or otherwise by law, and not materially adverse to the Fund.

SECTION 3. Completion of Document Terms. The following terms shall be as approved by the Member executing the Private Placement Agreement:

- a. The accretion rate and the interest rate applicable to the Bonds shall not be more than 9% per annum;
- b. The purchase price of the Bonds, which shall be set forth in the Private Placement Agreement;
- c. The final maturity date on the Bonds which shall not be later than December 1 , 2025; and
- d. The aggregate principal amount which upon maturity shall not exceed \$13,275,000.

SECTION 4. Acknowledgement of Collateral Document. The form of the Amended Guaranty Agreement applicable to the Bonds on file with the staff of the Fund and on which has been endorsed by the staff of the Fund the date of adoption of this Resolution, is acknowledged, with

any changes made by the parties as are permitted by the Act or otherwise by law, and not materially adverse to the Fund.

SECTION 5. Sale and Delivery of the Bonds. The Bonds shall be sold to the Original Purchasers in accordance with the terms of the Private Placement Agreement. A Member or an Authorized Officer shall execute and seal the Bonds, if necessary, and deliver the Bonds upon receipt of the following documents and payment of the purchase price for the Bonds by the Original Purchasers:

- a. an opinion of bond counsel to the Fund acceptable to the Fund and the Attorney General of the State of Michigan (the "Attorney General"),
- b. an opinion of counsel to the 2016 Borrowers and necessary certificates and representations of the 2016 Borrowers acceptable to the Fund, the Attorney General, and bond counsel, and
- c. an approving opinion of the Attorney General.

Upon receipt, the Bond proceeds shall be paid over to the Trustee to be credited in accordance with the Indenture.

SECTION 6. Designation of Certain Parties. The Bank of New York Mellon Trust Company, N.A.'s acceptance of duties as Trustee shall be evidenced by its execution of the Indenture.

SECTION 7. Authorization of Filings and Other Documents. Any Member or Authorized Officer, as well as counsel to the Fund, is authorized to apply for or submit, execute, and deliver the other certificates, documents, opinions, and papers to any party or governmental agency as may be required by the Loan Agreement, the Indenture, or the Private Placement Agreement or as may be necessary to effectuate the valid issuance, sale, and delivery of the Bonds (as defined in the Indenture) as tax-exempt bonds and otherwise as contemplated by those documents.

SECTION 8. Conflict and Effectiveness. This Resolution shall become effective upon adoption. If the Indenture, the Bonds, the Loan Agreement and Private Placement Agreement are not delivered on or before June 24, 2016, the authority granted by this Resolution shall lapse.

Adopted.

Ayes:

Nays:

Recused:

May 24, 2016 Meeting
Lansing, Michigan

MEMORANDUM

To: Michigan Strategic Fund Board

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

Date: May 12, 2016

Subject: Potluri Group, LLC / Digital Terrain, Inc. (and/or related borrowers/guarantors)
MBGF – Collateral Support Proposal

Request

Digital Terrain, Inc. (“DT” or “Company”), is an IT company that was established in Livonia, MI. The Company offers comprehensive employee training on various IT issues, with the deployment of trained employees to its customer’s sites for on-site work, as well as storage, cloud computing and data handling services. Potluri Group, LLC (“PG” or “Borrower”) is the real estate holding company. Both companies are owned 100% by Dinesh Potluri.

Citizens Bank (“Bank”) has proposed financing of a \$6,724,303 construction draw to term loan (“Loan”) to PG for the construction and end financing of its new 44,971 sq. ft. headquarter building in Farmington, MI. Due to the low “as-completed” appraised value of the building, the Bank is requesting collateral support from the MSF in the amount of 47.06% or \$3,164,500.

A. Bank Facility and MSF Support

The Bank has proposed to provide the following credit facilities:

Term = Real Estate Loan	\$6,724,303
Revolver = Line of Credit	\$1,600,000
Term = Machinery & Equipment	\$300,000
Term = Equipment	\$200,000
Letter of Credit	\$100,000
<u>Commercial Credit Card</u>	<u>\$150,000</u>
Total Loans Leveraged	\$9,074,303

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

Term = Real Estate Loan	<u>\$3,164,500</u>
Total MSF Contribution	\$3,164,500

In addition to the financing being proposed, the borrower will be injecting \$1,681,076 in equity toward the transaction. Under definitions provided by the US Department of Treasury related to the calculation of leverage, the reported leveraged lending as compared to MSF exposure is 3.40:1.

B. Confidentiality

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

Background

Digital Terrain, Inc. is an IT company that was established in 2010 in Livonia, MI. The Company offers storage, cloud computing and data handling services; while using the latest technology to create solutions for numerous mid to large sized companies. However, its primary service is comprehensive employee training on various IT issues, with the deployment of trained employees to its customer sites for on-site work. Deployment can be anywhere from a few weeks to a few years; however, the average is around 3 to 6 months. In some instances, its customer ‘purchases’ DT’s employee to retain them, and in return DT is paid the employee’s salary, plus a 20% premium. Some firms DT partners with include Anderson Consulting, Accenture, Price Waterhouse Cooper, etc. DT has a niche in the storage/networking/cloud computing areas of IT, allowing a company like Anderson to offer a full service relationship to its clients.

Dinesh Potluri is 100% owner of Digital Terrain. Dinesh, his wife Jaya, and their two sons, Manesh and Prasad, run the day-to-day operations of the business and are the four main employees of the company. Manesh and Prasad each have degrees in Computer Science and currently hold jobs within the field outside of Digital Terrain as well. Dinesh’s nephew, Michael Mikhail is the CFO and handles the financial aspects of the company. Dinesh is now a US Citizen and recently completed the process on April 12, 2016. Jaya, and both sons, Manesh and Prasad, are also US Citizens.

The MEDC staff has reviewed the financials provided by both the Potluri Group, LLC and Digital Terrain, Inc. Though this is still a relatively young company, DT has seen consistent/steady sales since its inception in 2010. Revenues increased by 26.5% and 16% in the last two fiscal years respectively. The increase comes as the business continues to grow from the success it’s seen in the storage/networking/cloud computing areas. The Company is projecting a slight dip in sales in 2016 due to the building construction and move, however, it is projecting FY 2017 to be another strong year, due to the fact that the business will be able to grow at a faster pace and with better profitability in the new location. DT’s balance sheet saw a slight decline due to a 16.7% decline in working capital from FY 2014 to 2015. However, both cash and accounts receivables increased in 2015. The current ratio dropped from 1.19x in FY2014 to 1.11x in FY2015. A/R days have been trending around 58 days within the last 3 years, which is slightly above the RMA median of 46 days, but still in the lower quartile. The high receivable days are partially due to the Company’s contracts with the government, however, there are no payment issues with these contracts.

The MSF has not previously provided support to Potluri Group, LLC or Digital Terrain, Inc. or any of its affiliates.

Employment

Digital Terrain currently has 148 full-time equivalent employees. The company anticipates adding 20 fulltime employees within the next 6 months and an additional 50 within the next 2 years. The average annual salary for employees of DT is \$75,000.

Financing Opportunity

The Company has been renting space but is currently running out of room as it continues to grow. Additional space needed is the result of DT's data storage equipment taking up a majority of room, while also needing additional space for employee training and development. Potluri Group, LLC is a real estate holding company owned by Dinesh Potluri. The holding company acquired land with cash in 2015 in Farmington, Michigan with the intention of future development. To date, Dinesh Potluri has spent approximately \$804M in land acquisition, architectural fees, legal fees, permits, etc. The proposed new construction will be a 44,971 sq. ft., three story building, and will be approximately 60% owner occupied with the remainder to be leased out. DT will occupy the basement (servers) and the third floor (operations). The first floor will be leased out to several retail companies and the second floor will be leased office space to third parties. The leased space was a requirement from the City of Farmington as the building is located in a heavily populated area. As the building is in a desirable location, Verizon, Jersey Subs and Enterprise have shown strong verbal interest, and Mr. Potluri feels leasing should be no issue. Digital Terrain signed a Master Lease with Potluri Group, leasing 100% of the space. The lease runs from December 1, 2016 through November 30, 2037 and has a monthly base rent of \$66,750. Digital will then sub lease up to 40% to start, which will decrease to up to 20% within ten years.

The new facility is only approximately 10 minutes away from their current facility. The borrower does not expect the move to cause any loss of customers or business interruption besides its attention devoted to moving rather than expanding their business for the short period of time. In the event there is an unforeseen situation, Digital Terrain also has Business Interruption Insurance that covers the company for up to 12 months of loss.

Exit Strategy

The Bank has implemented multiple loan covenants in conjunction with its existing financing to Digital Terrain, Inc. and Potluri Group, LLC. These covenants include the following:

- Debt to Capital Base: Digital Terrain, Inc. shall not permit the ratio of its indebtedness minus subordinated indebtedness to Tangible Net Worth plus subordinated indebtedness to be greater than 2.25x at any time.
- EBITDA ratio: Digital Terrain, Inc. shall not permit the ratio of its EBITDA, minus taxes paid in cash and distributions, plus rental expenses to interest expense, plus CMLTD and rental expenses, to be less than 1.15x to 1.0x for any fiscal year end.
- Cash Flow to CMLTD: Potluri Group, LLC shall not permit the ratio of its Cash Flow to CMLTD to be less than 1.15x to 1.0x for any fiscal year end.

- Commencing at 12/31/17 and every fiscal year end after, Potluri Group, LLC shall agree to pay down the loan by an additional 20% of Gross Annual 3rd Party Rents received.

These covenants are intended to require re-investment in the balance sheet of Digital Terrain and Potluri Group, LLC and ultimately the release of the pledged collateral from the MSF.

Source of Information

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

Recommendation

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

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

Facility 1 –Potluri Group, LLC

Borrower: Potluri Group, LLC
Lender: Citizens Bank, NA
Loan Amount: up to \$6,724,303
MSF Cash Collateral: up to \$3,164,500
Loan Type: 15 months Draw period; followed by a 10 year Term/20 year amortization
Fees: Tier II: 1.50% at Closing
1.0% annually thereafter on the MSF Share Balance.

Other

- Commitment will remain valid for 90 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.
- Unlimited, unsecured personal guaranty of Dinesh Potluri
- Unlimited, unsecured personal guaranty of Jaya L. Potluri
- Unlimited, Corporate guaranty of Digital Terrain, Inc.
*Guarantees are for the benefit of the MSF, subordinated to the senior lender and limited by senior lender’s exposure at time of closing, but the subordination of the guarantees to the MSF in favor of the senior lender may not exceed a principal balance of \$9,074.303, along with reasonable interest and fees.

- The proposed financing will be subject to an EBITDA ratio, as calculated by the Bank. Minimum current ratio will be set at a level acceptable to Bank and CST. (Digital Terrain, Inc. only)
- The proposed financing will be subject to a Debt to Capital Base, as calculated by the Bank. Minimum current ratio will be set at a level acceptable to Bank and CST. (Digital Terrain, Inc. only)
- The proposed financing will be subject to a Cash Flow to CMLTD, as calculated by the Bank. Minimum current ratio will be set at a level acceptable to Bank and CST. (Potluri Group, LLC only)
- The proposed financing will be subject to an annual pay down of the loan, as calculated by the Bank. (Potluri Group, LLC only)

SUMMARY OF DESIGNATED INFORMATION

MICHIGAN STRATEGIC FUND CONFIDENTIALITY LOG

MBGF-CSP

Per MSF Approval of the Staff Recommendation dated May 24, 2016

Name of Applicant	Summary of Designated Information
Potluri Group, LLC located at 19181 Levan Court, Livonia, MI 48152 and any related borrowers and guarantors; and Citizens Bank, (collectively, "Interested Parties to the Proposed Transaction")	Any portion of any documents or record of any kind containing any of the following business or personal information pertaining to any of the Interested Parties to the Proposed Transaction: Financial statements (including without limitation, income statements, balance sheets, statements of cash flow and profit and loss statements), ratio analysis, appraisals and other appraisal reporting, collateral analysis, accounts receivable aging reports, customer names and lists, tax returns, credit reports, social security or other tax identification numbers, and any analysis, report or record of any kind by or on behalf of any of the Interested Parties to the Proposed Transaction containing any of the foregoing information.

MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

**SSBCI MBGF-CSP
APPROVAL OF COLLATERAL SUPPORT AGREEMENT FOR
POTLURI GROUP, LLC. AND RELATED BORROWERS**

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

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

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

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

WHEREAS, Citizens Bank (“Bank”) has proposed new credit facilities to Potluri Group, LLC. and/or related borrowers (the “Proposed Borrowers”) of \$6,724,303 for working capital;

WHEREAS, Proposed Borrowers have requested collateral support from the MSF under the MBGF-CSP in an amount not to exceed the lesser of: (i) \$3,164,500 or (ii) up to 47.06% of the total amount of the Bank loan (“MBGF-CSP Support”);

WHEREAS, the MEDC has reviewed the Bank’s current credit documents for the Proposed Borrowers, and recommends that the MSF Board approve the MBGF-CSP Support, subject to: (i) available funding, and final due diligence performed, to the satisfaction of the MEDC; and (ii) execution of the MBGF-CSP Agreement within 90 days of the date of this Resolution (“Time Period”), or the collateral support approvals under this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 30 days;

NOW, THEREFORE, BE IT RESOLVED, the MSF approves the MBGF-CSP Support subject to: (i) available funding, and final due diligence performed, to the satisfaction of the MEDC; and (ii) execution of the MBGF-CSP Agreements within 90 days of the date of this Resolution (“Time Period”), or the loan participation support approvals under this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 30 days; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
May 24, 2016

MEMORANDUM

Date: May 24, 2016

To: Michigan Strategic Fund Board

From: Emily Petz, Community Assistance Team Specialist
Amy Korp, Brownfield and MCRP Program Specialist

Subject: City of Kalamazoo Brownfield Redevelopment Authority
Request for Approval of an Act 381 Work Plan
Peregrine PNC - Request for Approval Michigan Community Revitalization
Program Grant

Request

The proposed project will be undertaken by Peregrine PNC, LLC, a real estate developer investing in downtown Kalamazoo for three decades. The project will redevelop a single .36 acre parcel located at 108 East Michigan Avenue, Kalamazoo. The downtown property is functionally obsolete and qualifies for Act 381 Work Plan tax capture reimbursements and a Michigan Community Revitalization Program (MCRP) award.

In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the City of Kalamazoo Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of \$648,596.

Peregrine PNC, LLC is requesting approval of a \$750,000 MCRP performance-based grant.

Without additional funding, the projected return on investment does not cover the inherent risk involved in the renovation of the old bank building which occupies a corner, anchor space at the Kalamazoo Mall, in central downtown. The development team is contributing over 26% equity into the project, maximized senior financing through Chemical Bank and with a \$750,000 MCRP grant, the IRR is 4.53%.

Peregrine PNC, LLC anticipates the redevelopment project would result in total capital investment of \$5,251,360, along with the creation of approximately 50 permanent full-time equivalent jobs with an average hourly wage of \$27.50.

Background

Approximately 17 market rate apartments will be constructed on floors two, three and four, ranging in size from approximately 800 square feet to 1,600 square feet. Additional square feet of commercial or retail space will be white boxed on the first floor. A parking garage will also be developed on the first floor with approximately 16 indoor parking spaces, bike storage and a utility room. The basement will include a health club and tenant storage. Exterior improvements include approximately 3,000 square feet of public space amenities like heated sidewalks, lights and landscaping.

Significant costs are present on the site related to Brownfield conditions. Asbestos abatement is necessary prior to demolition activities in order to protect human health. Interior demolition activities are necessary to remove interior walls and obsolete ductwork as well as expand access for elevators. Infrastructure improvements include indoor parking, curbs and gutters, water and sewer upgrades, and streetscaping. These eligible activities will alleviate the Brownfield conditions, making the site 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 infeasible.

Peregrine's owner, Thomas Huff, began investing in downtown Kalamazoo real estate over 30 years ago. In that time period he has purchased and developed 13 buildings in Kalamazoo's central business district. Mr. Huff's latest completed project is the Peregrine Plaza, the renovation of a 100,000 square foot functionally obsolete two story building in downtown Kalamazoo. That building was initially constructed in 1955 as a J.C. Penney's department store and was converted to a school in 2003. It was subsequently converted into a mixed-use building containing 50 indoor parking spaces, eight (8) retail spaces, one (1) office space (M Live Kalamazoo), and 14 apartments. The building is completely leased and has added significant energy and dollars to the local economy. In June 2015, Peregrine Plaza was certified as eligible to claim the Michigan Business Tax Brownfield Redevelopment Credit.

MCRP detailed structure is provided in **Appendix A**. **Appendix B** addresses 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 \$648,596. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$238,618.
- b) A MCRP performance-based grant in the amount up to \$750,000 for Peregrine PNC, LLC.

APPENDIX A - Summary of Terms

1. **Company Name:** Peregrine PNC, LLC
2. **Company Address:** 336 S. Kalamazoo Mall, #702
Kalamazoo, MI 49007
3. **MCRP Incentive Type:** Performance Based Grant
4. **Maximum Amount of MCRP Incentive:** Lesser of 20% of the Eligible Investment, as defined by the Program Guidelines, or \$750,000 (“MCRP Incentive Award”)
5. **Project Description (“Project”):** Peregrine PNC, LLC will redevelop 108 E. Michigan Avenue from functionally obsolete into a mixed-use property with approximately 17 market rate apartments, leasable commercial space and a parking garage.
6. **Anticipated Minimum Eligible Investment:** \$3,151,381 The minimum is based on 80% of the total Eligible Investment amount requested on the CRP incentive application. The Eligible Investment on the Project is anticipated to include:
 - Demolition
 - New Building Construction
 - Building Alteration/Rehabilitation/Improvement
 - Site Improvements
 - Addition of Machinery, Equipment or Fixtures to the Project
 - Professional Fees
7. **Start Date for Measurement of Eligible Investment:** July 1, 2015
8. **Project Qualifying As:** Functionally Obsolete
9. **Progress and Milestones & Disbursement:** The final terms and conditions of each of the Progress Milestones shall be included in the final Agreement, including that before any disbursement is made to the Applicant, the Applicant must demonstrate timely completion of all

Progress Milestones, as required, and otherwise be in full compliance with all terms and conditions of the final Agreement. The MSF Fund Manager, in coordination with Michigan Economic Development Corporation (MEDC) Staff, is authorized to negotiate the final terms and conditions of the final Agreement to be used to memorialize MCRP awards on the MSF's behalf in accordance with the Guidelines and are anticipated to include:

- a. Pre-improvement Progress Milestone: Demonstration by the Company to the satisfaction of the MSF of completion of all pre-improvement requirements as applicable and required by the MSF, including final approval of the municipality support.
- b. Completion of the Project Progress Milestone: Issuance of a certificate of occupancy on terms and conditions satisfactory to the MSF Fund Manager.

10. Municipality supporting the Project (“Municipal Support”): The City of Kalamazoo is committed to provide Brownfield Tax Increment Financing Revenues up to \$650,000 or 12 years.

11. Term of Agreement: From execution of the final Agreement until the date three (3) years after the completion of the final Progress Milestone.

12. Repayment and Penalty Terms: Some repayment and penalty provisions are required by law. The repayment and penalty terms and conditions will be effective through the Term of the Agreement and shall be defined in the final Agreement, and may include any or all of the following: a penalty, reduction of all or a portion of the MCRP Incentive Award, repayment of any portion of any disbursement of the MCRP Incentive Award, or ineligibility of the Applicant and its sponsors for any support or economic assistance from the MSF, as the case may be, if the Applicant fails to comply with the Agreement, any reporting requirements defined in the final Agreement, or otherwise violates the MSF Act.

13. Final Terms and Conditions: The MSF Fund Manager, in coordination with MEDC Staff, is authorized to negotiate the final terms and conditions of the final Agreement to be used to memorialize MCRP awards on the MSF's behalf in accordance with the Guidelines and is anticipated to include the terms described above.

APPENDIX B – Programmatic Requirements & Screening Guidelines

Property Eligibility

The project is located within the boundaries of the City of Kalamazoo which is a Qualified Local Governmental Unit, and was verified as functionally obsolete by a Michigan Master Assessing Officer (MMAO) on May 14, 2015.

The property is the subject of a Brownfield Plan, duly approved by the City of Kalamazoo Brownfield Redevelopment Authority on November 19, 2015 and the City of Kalamazoo City Commission on December 7, 2015.

MCRP Program and its Guidelines

On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program (MCRP) and on September 22, 2015, the MSF Board approved its restated program guidelines. The primary intended objective of the MCRP is to provide incentives to persons that make eligible investments on eligible property in Michigan. The total eligible investment for this project is estimated to be \$3,151,381.

Source of Information

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

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

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

This project supports the growth of Kalamazoo's residential market and downtown Kalamazoo's strategic growth plans putting residential opportunities within a walkable community with easy access to job locations, educational facilities, shopping, and entertainment venues. The project supports ongoing public and private investments in downtown Kalamazoo including the new construction of Western Michigan University's Medical School, Kalamazoo Valley Community College's Culinary Arts and Allied Health building, Bronson Hospital, Zoetis, and others. These employers are relocating high level professionals to Kalamazoo to support their operations. The professionals want to live in downtown Kalamazoo to be near their jobs and the amenities offered by downtown living yet there is currently an inadequate housing stock for this demographic.

Redevelopment of this key corner downtown will help contribute to increased energy and a feeling of community.

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

The project is located in the downtown entertainment district right on Michigan Avenue. The project will act as a catalyst for reinvestment of other nearby properties and will connect this project to other recent projects completed across the street and down the road.

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

The City of Kalamazoo is committed to provide Brownfield Tax Increment Financing Revenues up to \$650,000 or 12 years.

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

With a \$750,000 MCRP grant, the developer will have a 4.53% IRR. Without the incentive, the projected return on investment does not cover the inherent risk involved in the renovation of the old building which occupies a corner, anchor space at the Kalamazoo Mall, in central downtown.

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

The project will restore use, value and vibrancy to a currently vacant building,

F. Creation of jobs:

It is estimated that 50 jobs will be created at the average pay rate of \$27.50 per hour.

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

The private contributions include approximately \$1,381,360 in owner cash, land and building equity and up to \$3,120,000 from Chemical Bank.

H. Whether the project is financially and economically sound:

The project is financially and economically sound. The project, with the requested incentives, is financially viable, and the forecasted revenues demonstrate the project will be economically sound.

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

The project will increase the density by adding commercial, office and residential to a vacant downtown building.

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

The mixed-use project is located in the center of downtown Kalamazoo with a Walk Score of 87.

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

This was not a public building.

L. Whether the project promotes sustainable development:

This development will be reusing an existing building and adding efficient windows, lights and furnaces.

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

While the building was originally constructed in 1863, it does not qualify as a historic resource due to the renovation of the exterior following a tornado in 1980. Much of the exterior was destroyed and replaced with a modern marble façade.

N. Whether the project addresses area-wide redevelopment:

The project is part of the City of Kalamazoo's investments in revitalizing their "Entertainment District" envisioned as a vibrant area with mixed-use development and urban character.

O. Whether the project addresses underserved markets of commerce:

The project provides market rate housing for professionals seeking downtown living. One recent study indicates a need for an additional 1,400 residences in downtown Kalamazoo.

P. The level and extent of environmental contamination:

There is no known lead contamination. Asbestos abatement will be necessary prior to demolition activities in order to protect human health.

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

The project does not qualify as a historic resource.

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

The project will not compete with or affect existing Michigan businesses within the same industry.

- S. Any other additional criteria approved by the board that are specific to each individual project and are consistent with the findings and intent of this chapter:**
No additional factors need to be considered for this project.

Brownfield Act 381 Program Additional Project Information:

- A. Reuse of functionally obsolete buildings and/or redevelopment of blighted property:**
This .36 acre project will renovate a functionally obsolete downtown building into a mixed-use development with approximately 17 apartments on the second, third, and fourth floors, white-boxed commercial or office space on the first floor along with 16 indoor parking spaces with bicycle storage, and a health club and storage for the tenants in the basement.
- B. Cost gap that exists between the property and a similar greenfield property:**
A greenfield site was not considered for this project. This is a transformational project of a downtown structure that would not be constructed elsewhere. However, the previous development on the site adds costs to this project that would not be incurred if it were constructed on a greenfield site. Added costs include asbestos inspection and abatement, interior building demolition, creation of indoor parking, and streetscape improvements.
- C. Whether project will create a new brownfield property in the State:**
No new Brownfields will be created by this project.

Tax Capture Breakdown

There are 65.2339 non-homestead mills available for capture, with school millage equaling 24 mills (36.79%) and local millage equaling 41.2339 mills (63.21%). Tax increment capture will begin in 2016 and is estimated to continue for 12 years. The requested tax capture for MSF eligible activities breaks down as follows:

School tax capture	(36.79%)	\$	238,618
Local tax capture	(63.21%)	\$	<u>409,978</u>
TOTAL		\$	648,596

Cost of MSF Eligible Activities

Demolition		\$	170,970
Lead or Asbestos Abatement			13,905
Infrastructure Improvements			372,600
Site Preparation		+	0
Sub-Total		\$	557,475
Contingency (15%)		+	83,621
Sub-Total		\$	641,096
Interest (0%)		+	0
Sub-Total		\$	641,096
Brownfield/Work Plan Preparation		+	<u>7,500</u>
TOTAL		\$	648,596

APPENDIX C – Project Map and Renderings





Front of Building facing E. Michigan Avenue



View of Kalamazoo Mall with site to the right





MICHIGAN STRATEGIC FUND

RESOLUTION 2016 -

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM
GRANT AWARD TO PEREGRINE PNC, LLC**

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

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

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

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

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

WHEREAS, Peregrine PNC, LLC (“Company”) has requested a performance based grant of up to \$750,000 (“Award Request”), along with other general terms and conditions, and additional Brownfield Tax Increment Finance support total greater than \$1 million;

WHEREAS, the MEDC has recommended that the MSF approve the Company’s Award Request subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents within 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 30 days (“MCRP Award Recommendation”); and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
May 24, 2016

MICHIGAN STRATEGIC FUND

RESOLUTION 2016 -

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN
CITY OF KALAMAZOO BROWNFIELD REDEVELOPMENT AUTHORITY
PEREGRINE PNC, LLC**

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 or asbestos abatement, and for structure demolition and site preparation that are not response activities under the Natural Resources and Environmental Protection Act, 1994 PA 451;

WHEREAS, the City of Kalamazoo Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 108 East Michigan Avenue within the City of Kalamazoo, known as Peregrine PNC, LLC (the “Project”);

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

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

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

NOW, THEREFORE, BE IT RESOLVED, the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as 36.79% to 63.21% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of demolition, asbestos abatement, and infrastructure improvements as presented in the revised Work Plan dated April 6, 2016. Any change in millage that increases the capture percentage of school operating taxes by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on a maximum of \$641,096 for the principal activity costs of non-

environmental activities and a contingency, and a maximum of \$7,500 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$648,596.

BE IT FURTHER RESOLVED, that the MSF Board authorizes the MSF Fund Manager, to provide written notification to the Authority, in the form of a letter which incorporates the terms set forth in this Resolution and consistent with the limitations of the Act, and that this approval is further conditioned upon the Authority, or the City, as appropriate, maintaining adequate records regarding: a) all taxes captured for the project; and b) receipts or other appropriate documentation of the cost of eligible activities. The records shall be made available for review upon request by MSF or MEDC staff. Eligible activities authorized by this resolution must be completed within three (3) years.

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

Ayes:

Nays:

Recused:

Lansing, Michigan
May 24, 2016

MEMORANDUM

Date: May 24, 2016

To: Michigan Strategic Fund Board

From: Rob Garza, Brownfield, MCRP, and SmartZone Program Specialist

Subject: City of Grand Rapids Brownfield Redevelopment Authority
Request for Approval of an Act 381 Work Plan Amendment
601 Bond Nassau Dutch John Equities LLC - Request for Approval of MBT
Brownfield Credit Amendment #1

Request

The proposed project will be undertaken by 601 Bond Nassau Dutch John Equities LLC. The project will redevelop one parcel of property located at 601 Bond Avenue NW in the City of Grand Rapids. The project is located in a downtown and qualifies for an Act 381 work plan and MBT Amendment because it is a facility.

In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the City of Grand Rapids Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of \$5,660,175. This is an increase from the original request of \$1,488,745 which was approved by the Michigan Economic Growth Authority (MEGA) Board on November 15, 2005.

The Work Plan originally approved by the MEGA Board included three parcels that comprised 538, 600, and 601 Bond Avenue NW. Previously approved eligible activities totaling \$999,207 were completed at 538 Bond Avenue NW and no eligible activities have been identified for the 600 Bond Avenue NW parcel.

601 Bond Nassau Dutch John Equities, LLC requests the following amendments be made to the Brownfield MBT credit for the former SSGRCC, LLC project, originally approved by the MEGA Board on May 20, 2008: addition of 5 years to complete the project; a material change to the project; and the addition of the qualified taxpayer 601 Bond Nassau Dutch John Equities LLC. The credit amount will not be impacted by the amendment request and will remain capped at \$3,220,745. Please note that the previously approved qualified taxpayer, SSGRCC, LLC, lost property control and is not involved in the amendment request. 601 Bond Nassau Dutch John Equities, LLC owns the eligible property the MBT credit is assigned to, which is why they are the entity requesting this amendment.

The developer has maximized senior lending and is contributing more than 29% equity into the project. The developer return is acceptable and less than 12%. The eligible activities will alleviate Brownfield conditions across the site and make it suitable for redevelopment, and protect human health and the

environment. Without Brownfield tax increment reimbursement, the cost burden related to Brownfield conditions would make the project financially unfeasible.

The Applicant anticipates that the project will result in total capital investment in the amount of \$53,712,210, along with the creation of approximately 1 permanent full-time equivalent job with an average hourly wage of \$14. An unknown number of jobs are expected to be generated by a future tenant that will occupy the first floor commercial space.

Background

The project will construct a new, 16-story building on one parcel in downtown Grand Rapids that will contain first floor commercial space, an integrated vertical parking deck, and up to 11 floors of one and two bedroom market rate apartments above the parking and commercial space. The project is expected to get underway in mid-2016 and take approximately 18-24 months to complete.

Site preparation activities were undertaken and completed at the 538 Bond parcel. Interest costs were included for the completed eligible activities at the 538 Bond parcel, but will not be requested for the eligible activities at the 601 Bond parcel. Infrastructure improvements will include the construction of an integrated vertical parking structure on the 601 Bond parcel.

Neither 601 Bond Nassau Dutch John Equities LLC or its principals have previously received incentives from the MSF.

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

Recommendation

MEDC staff recommends approval of the following:

- a) Local and school tax capture for the Act 381 eligible activities totaling \$5,660,175. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$3,631,002.
- b) The Brownfield MBT credit amendment request(s) to add the qualified taxpayer 601 Bond Nassau Dutch John Equities LLC; a material change to the project; and add 5 years to complete the project.

APPENDIX A – Programmatic Requirements & Screening Guidelines

Property Eligibility

The project is located within the boundaries of the City of Grand Rapids, which is a Qualified Local Governmental Unit, and has been reaffirmed to be a facility as verified by Michigan Department of Environmental Quality (DEQ) on April 14, 2009.

The property is the subject of a Brownfield Plan, duly approved by the City of Grand Rapids on September 20, 2005 and amended on January 12, 2016

In addition, the project is requesting from the DEQ 10,000 in TIF to assist with environmental eligible activities.

Key Statutory Criteria

Act 381 requires the following information to understand and explain the benefits of the project.

a) Overall Benefit to the Public:

The project will reactivate a vacant industrial lot and create a 16-story mixed use building that will add density and further enhance the walkability of the neighborhood.

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

This project is expected to create approximately 1 new, full-time jobs in site management with an unknown number of jobs being generated by a future retail tenant.

c) Area of High Unemployment:

The City of Grand Rapids unadjusted jobless rate was 4.3% in February 2016.

d) Level and Extent of Contamination Alleviated:

The property contains concentrations of ethylbenzene, 1,2,4-trimethylbenzene, 1,3,5-trimethylbenzene, xylenes, flouranthene, naphthalene, pheenathrene, aluminum, arsenic, total chromium, lead, mercury and selenium in soil and/or groundwater that exceed MDEQ's generic residential clean-up criteria. The developer will undertake due care and additional response activities as necessary to address the existing contamination during the construction process.

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

The project is not qualifying as functionally obsolete or blighted.

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

The Brownfield TIF is needed to reimburse the developer for the costs of the integrated vertical parking structure. The purpose of this project is to create additional urban density, which would not be a consideration on a greenfield property.

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

No new Brownfields will be created by this project.

h) Whether the Project is Financially and Economically Sound:

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

i) Other Factors Considered:

The properties were located within a Renaissance Zone (RZ) through 2011. In addition, the properties also reside within the LDFA SmartZone, which further restricts available capture. Beginning in 2018, the properties will have a Neighborhood Enterprise Zone (NEZ) overlay to assist with local contribution to the project.

Tax Capture Breakdown

The state school vs. local capture ratio will remain the same for all 3 parcels through 2017. Beginning in 2018 and continuing through the end of the plan, the NEZ will impact the millage rate for the residential components of the 601 parcel only. Tax increment capture began in 2006 and is estimated to continue for 27 years. The blended ratio for the requested tax capture for MSF eligible activities breaks down as follows:

School tax capture	(64.15%)	\$	3,631,002
Local tax capture	(35.85%)	\$	<u>2,029,173</u>
TOTAL		\$	<u>5,660,175</u>

Cost of MSF Eligible Activities

Infrastructure Improvements			<u>4,650,968</u>
Sub-Total		\$	4,650,968
Brownfield/Work Plan Preparation		+	<u>10,000</u>
Sub-Total			4,660,968
Completed Eligible Activities (538 Bond)		+	<u>999,207</u>
TOTAL		\$	<u>5,660,175</u>

Brownfield MBT Credit Amendment Request By:

601 Bond Nassau Dutch John Equities LLC
c/o Time Equities, Inc.
55 Fifth Avenue, 15th Floor
New York, New York 10003-4398

Contact: Robert Kantor, Manager

	Previous Approval	Amendment
Project Eligible Investment:	\$16,103,725	\$28,000,000
Requested Credit Amount:	\$3,220,745	\$3,220,745 (capped)
Requested Credit Percentage:	20%	20%

ELIGIBLE INVESTMENT BREAKDOWN

New Construction	\$	<u>28,000,000</u>
Total	\$	<u>28,000,000</u>

APPENDIX C – Project Map and Renderings





Option 3

601 BOND | 
GRAND RAPIDS MICHIGAN

SoutheastPerspective

MICHIGAN STRATEGIC FUND

RESOLUTION 2016 -

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN
CITY OF GRAND RAPIDS BROWNFIELD REDEVELOPMENT AUTHORITY
601 BOND AVENUE NW AND THE ICON ON BOND PROJECT AT 538 BOND
AVENUE NW
AMENDMENT #1**

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, the MEGA Board approved a Work Plan request for the Icon on Bond , LLC Project (the “Project”), by Resolution 2005-91 on November 15, 2005, authorizing the Authority to capture taxes levied for school operating purposes based on a maximum of \$1,488,745 in eligible activities;

WHEREAS, the qualified taxpayer wishes to amend the scope of the Project by adding infrastructure improvement costs of approximately \$4,660,968 by constructing an integrated parking deck and increasing the maximum amount for eligible costs;

WHEREAS, the City of Grand Rapids Brownfield Redevelopment Authority (the “Authority”) is requesting MSF approval to capture additional taxes levied for school operating purposes to provide for the reimbursement of the cost of eligible activities on an eligible property; and

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

NOW, THEREFORE, BE IT RESOLVED, the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as 64.15% to 35.85% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of infrastructure improvements as presented in the revised Work Plan dated April 11, 2016. Any change in millage that increases the capture percentage of school operating taxes by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on a maximum of \$5,650,175 for the principal activity costs of non-environmental activities and contingency, and a maximum of \$10,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$3,631,002.

BE IT FURTHER RESOLVED, that the MSF Board authorizes the MSF Fund Manager, to provide written notification to the Authority, in the form of a letter which incorporates the terms set forth in this Resolution and consistent with the limitations of the Act, and that this approval is further conditioned upon the Authority, or the City as appropriate, maintaining adequate records regarding: a) all taxes captured for the project; and b) receipts or other appropriate documentation of the cost of eligible activities. The records shall be made available for review upon request by MSF or MEDC staff. Eligible activities authorized by this resolution must be completed within three (3) years from the date of this resolution.

BE IT FURTHER RESOLVED, that no taxes levied for school operating purposes shall be used to reimburse interest costs above the previously approved amount of \$279,961 related to the eligible activities on the 538 Bond Avenue NW parcel.

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2005-91 are reaffirmed and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
May 24, 2016

MICHIGAN STRATEGIC FUND

RESOLUTION 2016 -

**SSGRCC, LLC PROJECT
601 BOND NASSAU DUTCH JOHN EQUITIES LLC
BROWNFIELD REDEVELOPMENT MBT CREDIT – AMENDMENT #1
CITY OF GRAND RAPIDS**

At the meeting of the Michigan Strategic Fund (“MSF”) held on May 24, 2016 in Lansing, Michigan;

WHEREAS, the Michigan Economic Growth Authority (“MEGA”) is authorized by 1995 PA 24, as amended to approve and amend projects for brownfield redevelopment tax credits authorized by Section 437 of the Michigan Business Tax Act, PA 36 of 2007, as amended (the “Act”), or by former section 38(g) of the Michigan Single Business Tax Act, PA 228 of 1975;

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, by Resolution 2008-41 on May 20, 2008, the MEGA Board awarded a Brownfield MBT Tax Credit to SSGRCC, LLC (the “Applicant”) to make eligible investment up to \$16,103,725 at an eligible property in the City of Grand Rapids (the “Project”);

WHEREAS, Section 437(9) of the Act allows approved projects to request an amendment to the Project if the Project is unable to be completed as described in the original application;

WHEREAS, a request has been submitted to amend the Project to construct a 16-story mixed use building with first floor commercial space, an integrated parking structure, and residential space, add 601 Bond Nassau Dutch John Equities, LLC as a qualified taxpayer, and add an additional 5 years to complete the project; and

WHEREAS, no certificate of completion has been issued for the Project; and

WHEREAS, 601 Bond Nassau Dutch John Equities, LLC meets the definition of a qualified taxpayer under the Act; and

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF, and recommends approval of the amendment by the MSF Board, provided that the maximum credit amount does not exceed \$3,220,745;

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board amends the Project by modifying the scope of the Project to reflect the construction of a 16-story mixed use building containing first floor commercial space, an integrated parking structure, and residential space and adding 601 Bond Nassau Dutch John Equities, LLC as a qualified taxpayer.

BE IT FURTHER RESOLVED, that the Project is amended to extend the date of completion by 5 years to May 20, 2018.

Ayes:

Nays:

Recused:

Lansing, Michigan
May 24, 2016

MEMORANDUM

Date: May 24, 2016

To: Michigan Strategic Fund Board

From: Rob Garza, Brownfield, MCRP, and SmartZone Program Specialist

Subject: City of Port Huron Brownfield Redevelopment Authority
Request for Approval of an Act 381 Work Plan Amendment #1
Sperry's Theatre Corporation - Request for Approval of MBT Brownfield
Credit Amendment #1

Request

The proposed project will be undertaken by Sperry's Theatre Corporation. The project will redevelop one parcel of property located at 301 Huron Street in the City of Port Huron. The project is located in a downtown and qualifies for an Act 381 work plan amendment and MBT amendment because it is functionally obsolete.

In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the City of Port Huron Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of \$285,619. This is a decrease from the original request of \$710,971, which was approved by the MEGA Board on November 26, 2010.

Sperry's Theatre Corporation requests the following amendments be made to the Brownfield MBT credit for the Former Sperry Department Store Building project, originally approved by the MEGA Board on November 23, 2010: The addition of the qualified taxpayer Sperry's Theatre Corporation; a material change to the project; and an additional 3 years to complete the project. This amendment request will not affect the previously approved credit amount, which is capped at \$1,615,200.

The previously approved qualified taxpayer, Landmark Development, LLC, lost control of the property in 2011 and is not involved in the amendment request. Sperry's Theatre Corporation has an executed purchase agreement for the eligible property included in the previously approved MBT credit. Senior lending has been maximized and Sperry's Theatre Corporation is contributing 23% equity into the project with an acceptable return of less than 12%. The eligible activities will alleviate Brownfield conditions across the site and make it suitable for redevelopment, and protect human health and the environment. Without Brownfield tax increment reimbursement, the cost burden related to Brownfield conditions would make the project financially unfeasible.

The Applicant anticipates that the project will result in total capital investment in the amount of \$10,177,808, along with the creation of approximately 50 permanent full-time equivalent jobs with an average hourly wage of \$14.

Background

The project will completely rehabilitate an existing three-story building on one parcel in downtown Port Huron that will include an estimated 12 small theaters on the first and third floors, commercial space on the second floor which is likely to be a restaurant/lounge, office space, and incubator space in the basement. This project will add a unique attraction which will draw visitors to downtown Port Huron and activate a vacant space on a prominent corner.

Lead and asbestos abatement will be necessary prior to demolition activities in order to protect human health. Demolition activities will be necessary to remove selected walls, partitions, flooring, roofing, roof cooling tower, stairwells, finishes, ceilings, and elevator components. Eligible activity costs are lower because they reflect a significant portion of actual costs following the scope change rather than the projections provided in the original work plan.

Sperry's Theatre Corporation has not previously received incentives from the MSF. Please note that Charles Reid is the president of both Sperry's Theatre Corporation and Charter House Holdings, LLC. Charter House Holdings, LLC was awarded a \$200,000 Business Development Program performance based grant by the MSF Board in 2013.

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

Recommendation

MEDC staff recommends approval of the following:

- a) Local and school tax capture for the Act 381 eligible activities totaling \$285,619. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$285,619.
- b) The Brownfield MBT credit amendment requests to add the qualified taxpayer Sperry's Theatre Corporation; a material change to the project; and add 3 years to complete the project.

APPENDIX A – Programmatic Requirements & Screening Guidelines

Property Eligibility

The project is located within the boundaries of the City of Port Huron, which is a Qualified Local Governmental Unit, and has been deemed functionally obsolete as verified by a Michigan Certified Assessing Officer (MCAO) on May 20, 2010.

The property is the subject of a Brownfield Plan, duly approved by the City of Port Huron on September 27, 2010.

In addition, the project is requesting from the DEQ \$7,000 in TIF to assist with environmental eligible activities.

Key Statutory Criteria

Act 381 requires the following information to understand and explain the benefits of the project.

a) Overall Benefit to the Public:

The public will benefit through the reuse and activation of an underutilized building in downtown Port Huron. In addition, the project will generate approximately \$10.1 million in private investment and increased tax revenue.

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

This project is expected to create approximately 50 new, full-time equivalent jobs in the service industry.

c) Area of High Unemployment:

The City of Port Huron unadjusted jobless rate was 9.3% in February 2016. This compares to the statewide seasonally adjusted average of 5% in February 2016.

d) Level and Extent of Contamination Alleviated:

The project is not qualifying as a facility and the presence, or lack of, contamination has not been determined.

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

The project reactivates a functionally obsolete building in downtown Port Huron and creates a new downtown destination.

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

The Brownfield TIF is needed to alleviate the costs of both lead and asbestos in the existing building as well as interior demolition costs that would not be found on a greenfield site.

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

No new Brownfields will be created by this project.

h) Whether the Project is Financially and Economically Sound:

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

i) Other Factors Considered:

There will be no local Tax Increment Revenue (TIR) contributed by the City of Port Huron. Instead, there is an Obsolete Property Rehabilitation Act (OPRA) exemption on the property that is valued at approximately \$875,800 over a 12 year period.

Tax Capture Breakdown

There are 24 non-homestead mills available for capture, with school millage equaling 24 mills (100%) and local millage is unavailable due to the application of an OPRA exemption on the property that will be in effect throughout the Brownfield TIF capture period. Tax increment capture began in 2015 and is estimated to continue for 6 years. The requested tax capture for MSF eligible activities breaks down as follows:

School tax capture	(100%)	\$	285,619
Local tax capture	(0%)	\$	<u>0</u>
TOTAL		\$	285,619

Cost of MSF Eligible Activities

Demolition		\$	172,019
Lead or Asbestos Abatement			<u>95,600</u>
Sub-Total		\$	267,619
Brownfield/Work Plan Preparation		+	<u>18,000</u>
TOTAL		\$	285,619

Brownfield MBT Credit Amendment Request By:

Sperry's Theatre Corporation
200 North Franklin Street
Zeeland, Michigan 49464
Contact: Charles Reid, President

	Previous Approval	Amendment
Project Eligible Investment:	\$8,076,000	\$8,700,000
Requested Credit Amount:	\$1,615,200	\$1,615,200 capped
Requested Credit Percentage:	20%	20%

ELIGIBLE INVESTMENT BREAKDOWN

Building Renovation	\$	6,600,000
Addition of Machinery and Equipment	+	<u>2,100,000</u>
Total	\$	8,700,000

APPENDIX B – Project Map and Renderings





Proposed East Elevation



MOVIEHOUSE



Proposed West Elevation

MICHIGAN STRATEGIC FUND

RESOLUTION 2016 -

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN
CITY OF PORT HURON BROWNFIELD REDEVELOPMENT AUTHORITY
FORMER SPERRY DEPARTMENT STORE PROJECT
AMENDMENT #1**

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, the MEGA Board approved a Work Plan request for Former Sperry Department Store Project (the “Project”), by Resolution 2010-199 on November 17, 2010, authorizing the Authority to capture taxes levied for school operating purposes based on a maximum of \$710,971 in eligible activities;

WHEREAS, the qualified taxpayer wishes to amend the scope of the Project by eliminating the request for interest cost reimbursement and reducing the maximum amount for remaining eligible costs;

WHEREAS, the City of Port Huron Brownfield Redevelopment Authority (the “Authority”) is requesting MSF approval to capture additional taxes levied for school operating purposes to provide for the reimbursement of the cost of eligible activities on an eligible property; and

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

NOW, THEREFORE, BE IT RESOLVED, the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as 100% to 0% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of demolition and lead and asbestos abatement as presented in the revised Work Plan dated April 11, 2016. Any change in millage that increases the capture percentage of school operating taxes by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on a maximum of \$267,619 for the principal activity costs of non-environmental activities and a contingency and a maximum of \$18,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$285,619.

BE IT FURTHER RESOLVED, that the MSF Board authorizes the MSF Fund Manager, to provide written notification to the Authority, in the form of a letter which incorporates the terms set forth in this Resolution and consistent with the limitations of the Act, and that this approval is further conditioned upon the Authority, or the City as appropriate, maintaining adequate records regarding: a) all taxes captured for the project; and b) receipts or other appropriate documentation of the cost of eligible activities. The records shall be made available for review upon request by MSF or MEDC staff. Eligible activities authorized by this resolution must be completed within three (3) years from the date of this resolution.

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

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2010-199 are reaffirmed and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
May 24, 2016

MICHIGAN STRATEGIC FUND

RESOLUTION 2016 -

**FORMER SPERRY DEPARTMENT STORE PROJECT
SPERRY'S THEATRE CORPORATION
BROWNFIELD REDEVELOPMENT MBT CREDIT – AMENDMENT #1
CITY OF PORT HURON**

At the meeting of the Michigan Strategic Fund (“MSF”) held on May 24, 2016 in Lansing, Michigan;

WHEREAS, the Michigan Economic Growth Authority (“MEGA”) is authorized by 1995 PA 24, as amended, and in particular the Chairman for purposes of small or mini credits, to approve and amend projects for brownfield redevelopment tax credits authorized by Section 437 of the Michigan Business Tax Act, PA 36 of 2007, as amended (the “Act”), or by former section 38(g) of the Michigan Single Business Tax Act, PA 228 of 1975;

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, on November 23, 2010, the MEGA Chairman issued a pre-approval letter for a Small Brownfield MBT Tax Credit to Landmark Development, LLC (the “Applicant”) to make eligible investment up to \$8,076,000 at an eligible property in the City of Port Huron (the “Project”);

WHEREAS, Section 437(9) of the Act allows approved projects to request an amendment to the Project if the Project is unable to be completed as described in the original application;

WHEREAS, a request has been submitted to amend the Project to add the qualified taxpayer Sperry’s Theatre Corporation, modify the scope to include up to 12 theaters, commercial and office space, add 3 years to complete the project; and

WHEREAS, no certificate of completion has been issued for the Project; and

WHEREAS, Sperry’s Theatre Corporation meets the definition of a qualified taxpayer under the Act; and

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF, and recommends approval of the amendment by the MSF President, provided that the maximum credit amount does not exceed \$1,615,200;

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board recommends that the MSF President issue an amended pre-approval letter to amend the Project by adding the qualified taxpayer Sperry’s Theatre Corporation, modifying the scope to include up to 12 theaters, commercial and office space, and adding 3 years to complete the project provided that the maximum credit does not exceed \$1,615,200.

BE IT FURTHER RESOLVED, that the Project is amended to extend the date of completion by three (3) years to November 23, 2018.

Ayes:

Nays:

Recused:

Lansing, Michigan
May 24, 2016

MEMORANDUM

Date: May 24, 2016

To: Michigan Strategic Fund Board

From: Marilyn Crowley, Community Assistance Team Specialty
Charles Donaldson, Program Specialist, Community Development Block Grant
Christine Whitz, Manager, Community Development Block Grant Program

Subject: *Community Development Block Grant Program
2016 Façade Project
City of Adrian, County of Lenawee*

Request

The City of Adrian is requesting \$1,420,346 in Community Development Block Grant (CDBG) funds for façade improvements needed for the 2016 Façade Project located in Lenawee County, Michigan. The City expects that this project could result in private investment of \$558,533. In addition, the City of Adrian is requesting up to \$30,000, in CDBG funds, to pay for a third party CDBG Certified Grant Administrator.

Background

This request is a substantial restoration of the exterior of six buildings in downtown Adrian. The City and property owners have been working on this project for over two years. All of the buildings are contributing to the Downtown Adrian Commercial District, which is listed on the National Register and will be will be historically renovated. The City has contributed substantial staff time to prepare the application of this transformative project and will also waive all local permitting fees to demonstrate local support.

110 East Church Street is owned by Lenawee County Historical Society, Inc., a non-profit, volunteer-run organization. The building is a former Carnegie Library, a large and unique community asset. The project will restore over 100 windows and two chimneys that are original to the building. In addition, the project will reconstruct and repair the handicap entrance to allow for universal accessibility of their patrons. Lenawee County Historical Society, Inc. will remain as the sole occupant of the entire building.

113 West Maumee is owned by Resources Unlimited Masonry, LLC and was previously damaged by a fire. The project will complete a total façade rehabilitation on the front and back of the vacant, three story building. This work includes tuck-pointing all four facades, rebuilding parapets, installing new windows and new storefront, fresh paint, new balcony on the rear façade, removal and replacement of bricks and new outside lighting and hardware.

118 West Maumee is owned by 118 West Maumee, LLC. This building was also damaged by a fire that burned the adjacent building down, leaving the side of the building exposed to the elements. The project includes the exterior restoration of the three story building including: restoration of the side of the building damaged by the fire with appropriate windows added. All existing windows will be replaced by historically appropriate windows, brick will be repainted and masonry repaired. The current tenant on the first floor, “Ann’s by Design” will remain in their current location.

The companies at **124 and 128 East Maumee** are presenting the project together as it is essentially one façade. 124 East Maumee is owned by Caryn Sieler of Lenawee’s Heart & Soul, LLC, a child-centered art and music studio. 128 East Maumee is owned by Ashley Palmer of Encore Dance Studio, a dance studio providing professional instruction for all ages. The project includes window replacement on the north and south elevations, masonry repair, and removal and repair of corrosion on the north elevation window hoods, sills, and columns. The south elevation windows, most of which are hidden behind the stucco panels but visible from the interior, are in very poor condition and require full replacement. The metal window hoods, sills, columns and a portion of the façade will be painted. As match activities, a steel platform and stairs will be added to the south elevation to provide access to the parking lot. In addition, a portion of the roof will be replaced, along with all gutters, coping, and flashing as a match activity. Both business will continue to occupy the first floor.

127-129 East Maumee is owned by Croswell Opera House & Fine Arts Association, a 501(c)3 nonprofit organization since 1967. It is the oldest, continuously operating theatre in the state of Michigan and was voted Michigan’s Favorite Theater in the state. This project will be a complete overhaul of the existing facades. The west façade (127 East Maumee) will be reconstructed as a two-story masonry façade with a historically appropriate storefront and second-floor façades. The center and east buildings (129 E. Maumee) include the Croswell Opera House entry exterior lobby and the existing gallery/ticket office. The center building will receive new lighting in the soffit and repairs to the historical metal pan ceiling. The marquee will be replaced with a more historically accurate marquee. The upper façade wall behind the marquee will be extended up for the new second floor space. A new entrance will be built to hold bathrooms and elevators. The Croswell Opera house proposes to match these activities by paying for the interior build out of the new addition, including the elevator and replacing the courtyard pavement. The Croswell Opera House & Fine Arts Association, will remain as the sole occupant of all of the buildings. This project is part of a larger six million dollar renovation to occur throughout the theatre. These renovations are needed to improve ADA accessibility and flow of space to be more usable. Once completed the theatre will be able to continue for generations to come.

150 North Main is owned by Dan Maloy of Gift From God, LLC, a local CPA and tax preparation business. The project will repair masonry, repoint eroded joints, correct previous owner’s renovations of poor quality and replace spalled, eroded and missing brick. All new windows will be replaced to match the existing or historic window configurations as documented from photographs from the early 1900’s. The property currently has one residential tenant and the owner’s business on the floor. Both will remain in their current spaces.

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

Project area map provided in **Appendix B**.

Before photos and renderings provided in **Appendix C**.

Recommendation

The MEDC Staff recommends:

- A CDBG Facade grant agreement in the amount of \$1,450,346 be authorized for the City of Adrian for the 2016 Façade Project.

APPENDIX A – Programmatic Requirements & Screening Guidelines

Program Requirements

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

- **National Objective:**
This project qualifies for CDBG funding as the project activities will benefit all residents of the project area and 53.2 percent of the residents of the City of Adrian are low and moderate income persons as determined by census data provided by the U.S. Department of Housing and Urban Development. The project meets a national objective by providing benefit to at least 51 percent low and moderate income persons.
- **Eligible Activity:**
This project involves eligible activities identified in Section 105(a)(4) of Title I of the Housing and Community Development Act of 1974, as amended.

Screening Guidelines

The project was evaluated utilizing the CDBG guidelines. It has been determined that the project meets the following standards to qualify as an eligible project under the CDBG program:

- **Economic Impact:** The economic impact of this project was evaluated. It was determined that the project is high impact because it is:
 - Located in a highly visible location
 - Located in a DDA
 - Has local organizational capacity to successfully complete this project
 - Has a full-time downtown development professional or community staff member able to oversee the administration the project
 - The community has adopted a downtown development plan
 - The project will consist of four or more buildings that have the following characteristics:
 - Multi-story Building
 - Mixed-use components
 - Projects with façade only scope (no interior)
 - Eligible for Historic or Contributing Designation
 - Partially or completely vacant building being returned to active use
- **Minimum Local Participation:** The City of Adrian will make an anticipated contribution of waiving the costs of permits and fees in the amount of \$2,850.

- **Minimum Leverage Ratio:** The private leverage contribution, to be provided by the building owners/companies, equals \$558,533, which results in a leverage ratio of approximately .39:1 of the CDBG grant.
- **Financial Viability and Background Check:** The companies receiving the benefit from this project have completed a background check with no concerns and have been determined to be financially viable. The City has executed a development agreement with The Crosswell Opera House & Fine Arts Association because of the size of the CDBG request.

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

APPENDIX B –MAP

PROJECT LOCATIONS



APPENDIX C - PHOTOS & RENDERINGS

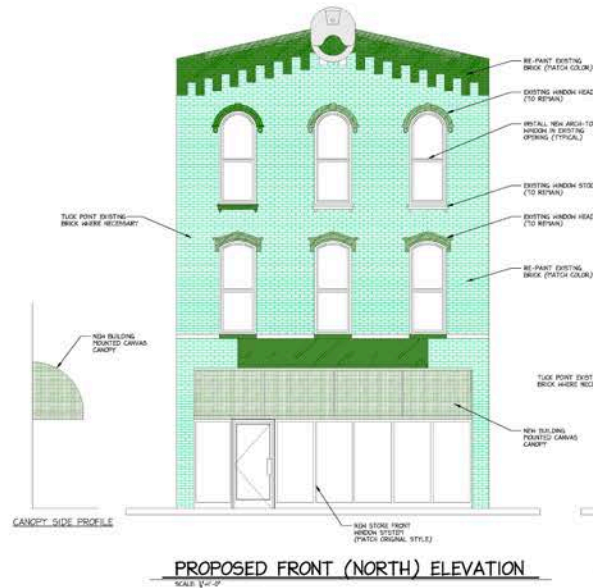
110 East Church Street



113 WEST MAUMEE FACADE RESTORATION



EXISTING FRONT ELEVATION



PROPOSED FRONT (NORTH) ELEVATION



PROPOSED REAR (SOUTH) ELEVATION



EXISTING REAR ELEVATION



Todd Dailey



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ONSTED, MI 49265

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FAX # (517) 467-9000
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FACADE IMPROVEMENTS/RESTORATIONS
113 WEST MAUMEE
ADRIAN, MICHIGAN 49221

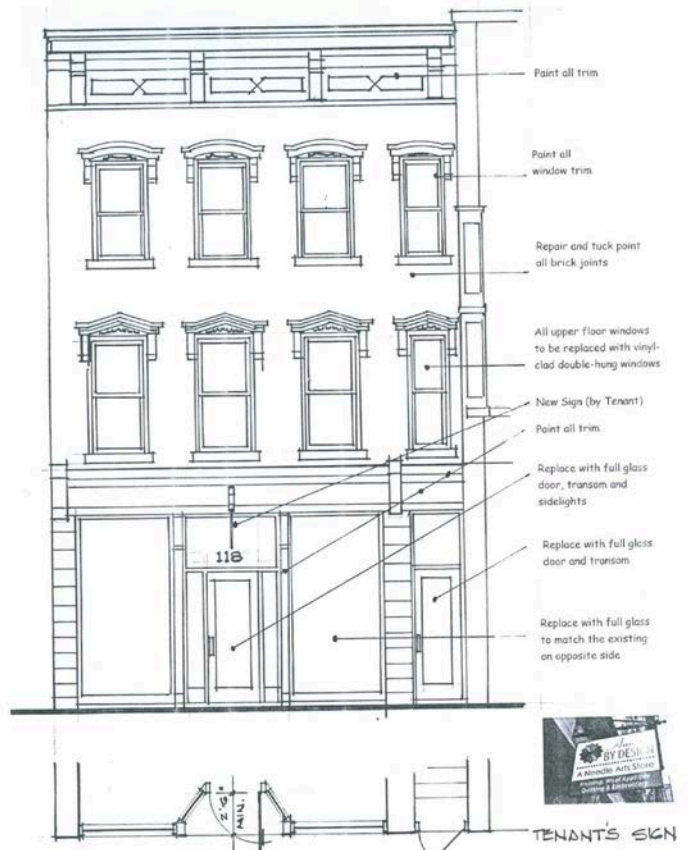
DRAWN BY: M. FOWLER | CHKD. BY: TA DAILEY | APP'D. BY:

ELEVATIONS

DATE: 04/29/2015 | REV.: 0 | DRAWING NO. **A1**
SCALE: 1/4" = 1'-0"



118 West Maumee



REMODEL SOUTH FACADE 1/4"=1'-0"
118 W. MAUMEE STREET, ADRIAN, MICHIGAN
DAVID SILVER, ARCHITECT 5/7/15



124-128 East Maumee

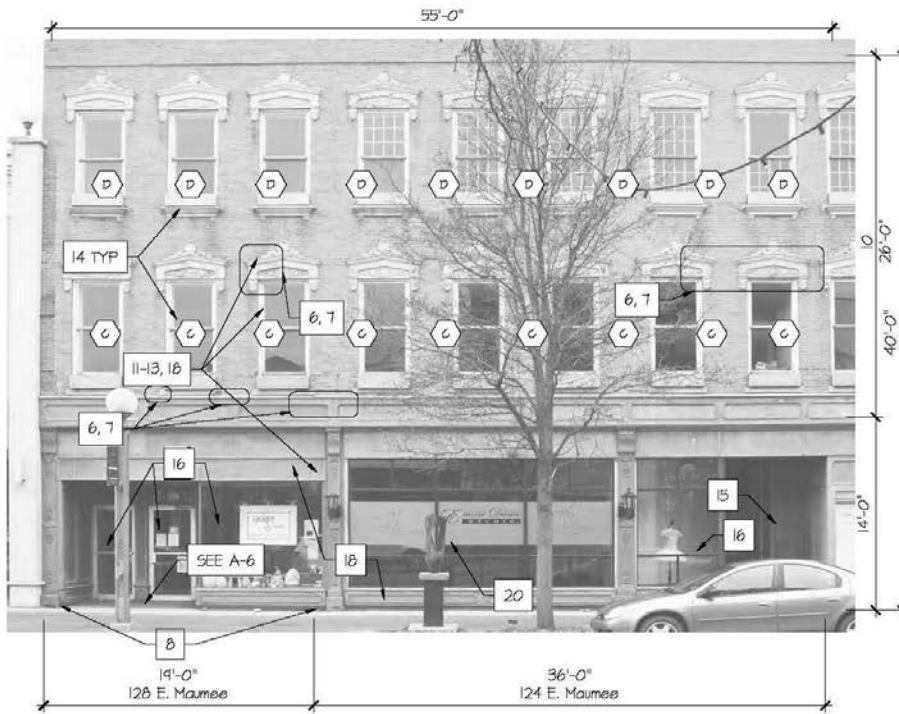
EXISTING CONDITON PHOTOGRAPHS



North Elevation



South Elevation



General Construction Notes

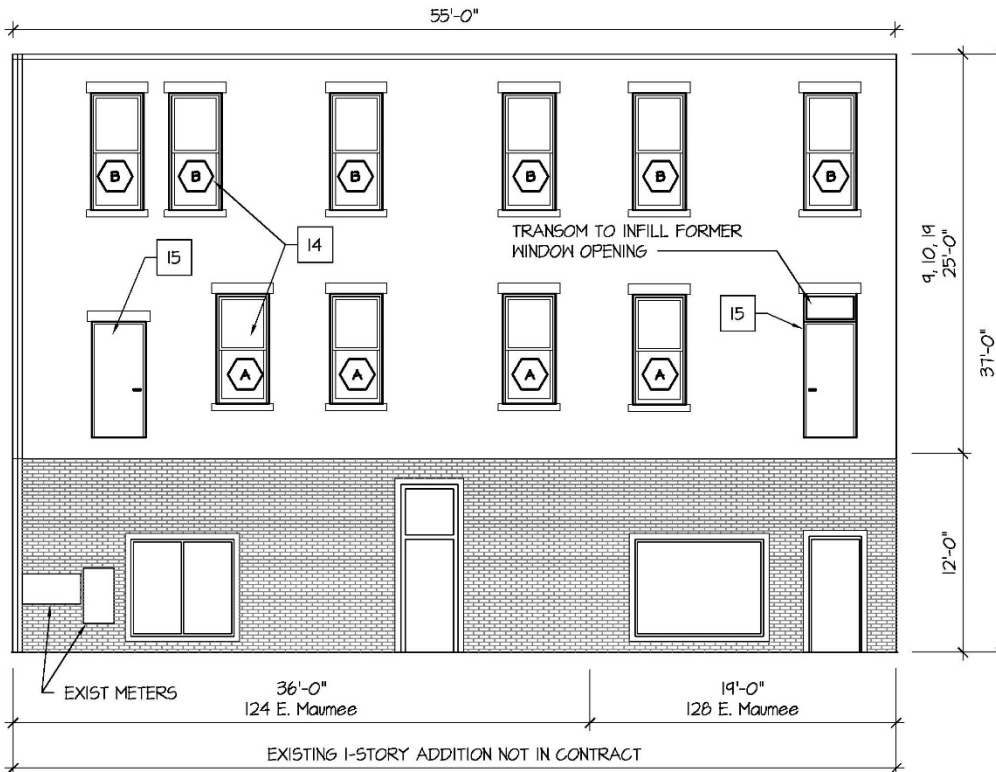
6. Repoint brick, typical.
7. Replace damaged brick as required.
8. Replace eroded brick below columns with concrete, typical.
10. Clean entire brick exterior.
11. Gently remove paint from all columns, window hoods, & sills.
12. Remove rust from all columns, window hoods, & sills.
13. Inspect columns, window hoods, & sills for corrosion & repair as required with epoxy.
14. Install new aluminum-clad wood windows, typical.
15. Install new aluminum clad wood door.
16. Install new storefront system & doors to match system at 124 E. Maumee.
17. Replace broken glass.
18. Prime, & paint storefront, columns, window hoods, & sills.
20. Install vinyl window film.

NORTH ELEVATION: NEW WORK

1/8" = 1'-0"

ALL DIMENSIONS ARE APPROXIMATE & FOR ESTIMATING PURPOSES ONLY

A-4



General Construction Notes

9. Provide allowance for masonry repointing & brick replacement at south elevation after stucco panels are removed.
10. Clean entire brick exterior.
14. Install new aluminum-clad wood windows, typical.
15. Install new hollow metal door & frame, & transom window where shown.
19. Prime & paint second & third floor brick.

SOUTH ELEVATION NEW WORK

1/8" = 1'-0"

ALL DIMENSIONS ARE APPROXIMATE & FOR ESTIMATING PURPOSES ONLY

A-3

127/129 East Maumee





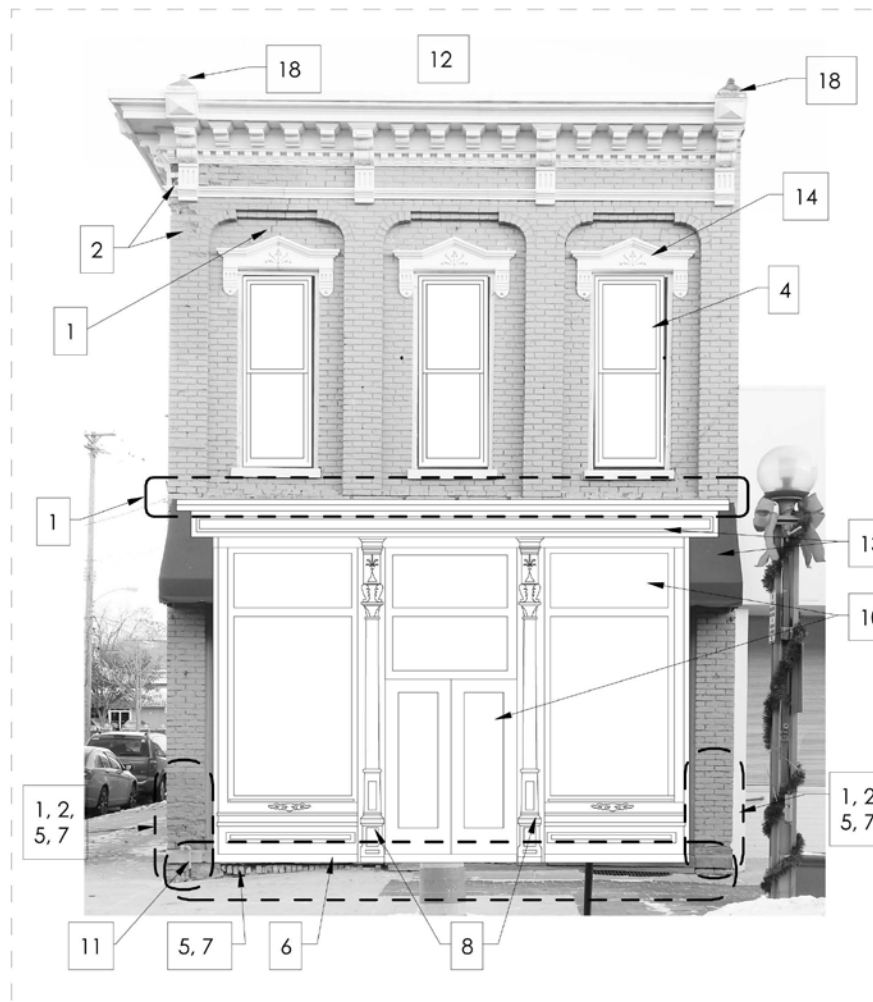
**CROWELL OPERA HOUSE
SCHEMATIC DESIGN**

SOUTH ELEVATION (Maumee Street Facade)
 SCALE: 1/8" = 1'-0"
 24 March 2015 - MEDC Facade Grant Request



150 North Main

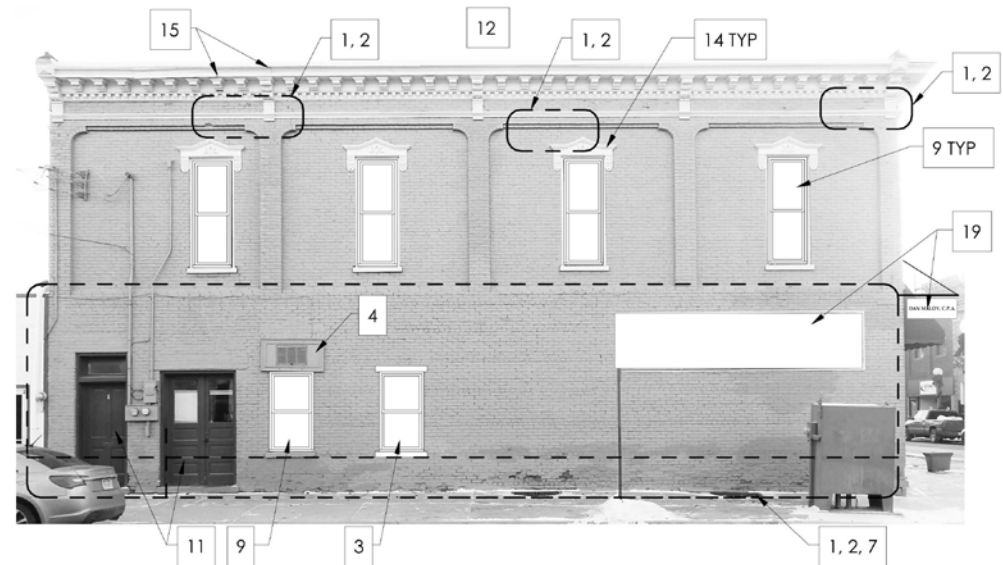




KEY NOTES

1. Repoint mortar.
2. Replace spalled or damaged brick.
5. Remove brick and wood infill below store front limestone sill.
6. Clean limestone sill.
7. Seal exposed brick (2) feet above grade, all limestone sills, and concrete infill below storefront.

8. Remove rust at the base of the iron store front columns and repair as needed.
9. Replace windows.
10. Install new wood storefront, windows, and doors.
12. Clean entire brick exterior and cornice.
13. Remove awning. Existing signboard to remain.
14. Remove excess paint build-up.
17. Remove pipe at northwest corner of building.
18. Clean and repaint tops of metal cornice.



NORTH ELEVATION

KEY NOTES

1. Repoint mortar.
2. Replace spalled or damaged brick.
3. Create new window opening.
4. Remove grill and infill brick.
7. Seal brick.
9. Replace windows.
11. Replace existing doors and transom with matching elements.
12. Clean entire brick exterior and cornice.
14. Remove excess paint build-up.
15. Re-attach loose coping and seal joints with silicone caulk.
19. New signage.

MICHIGAN STRATEGIC FUND

RESOLUTION 2016- _____

APPROVAL OF CITY OF ADRIAN 2016 FACADE PROJECT

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

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

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

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

WHEREAS, the City of Adrian (the "Community") has submitted a complete application for approval requesting funding to be used to fund the façade improvements for the 2016 Façade Project within their downtown (the "Project");

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

WHEREAS, staff recommends that a grant agreement be authorized and entered into with the Community for funds from the CDBG program for the reasons set forth in this Resolution.

NOW, THEREFORE, BE IT RESOLVED, that the MSF authorizes a grant to the Community not to exceed \$1,450,346 for the payment or reimbursement of costs associated with the Project, and allocates \$1,450,346 from the Michigan CDBG program for the purpose of funding the Community's proposed Project contingent upon the MSF's continued receipt of CDBG funds and availability of adequate funds; and

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
Board Date: May 24, 2016