

MICHIGAN STRATEGIC FUND BOARD
FINAL MEETING AGENDA
OCTOBER 25, 2016
10:00 am

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

Communications

Chief Compliance Officer Quarterly Report – *Information Only*

A. Consent Agenda

Proposed Meeting Minutes – September 27, 2016

Bridgewater Interiors – Renaissance Zone Amendment – Christin Armstrong

5 Year Reporting Waiver – 21st CJF Grants Memo – Fred Molnar

Parkland Muskegon, LLC – City of Muskegon - MCRP and MBT Amendment – Mary Kramer

Diamond Place LLC – City of Grand Rapids – MCRP Amendment – Julius Edwards

Strand Theatre Manager, LLC – City of Pontiac – MCRP Amendment – Julius Edwards

Offsite Lake Drive, LLC – City of Grand Rapids – MCRP Re-approval – Ryan Kilpatrick/Lynda Franke

Community College Skilled Trade Equipment Program Amendments – Mary Lynn Noah

2017 MSF Board Meeting Dates – Mark Morante

B. Business Investment

a. Entrepreneurship

Michigan Small Business Development Center - Grant Extensions – Fred Molnar

Entrepreneurial Support Specialized Services – Grant Extension – Fred Molnar

b. Business Growth

Flex-N-Gate, Inc./City of Detroit – Next Michigan Renaissance Zone – Marcia Gebarowski

Gestamp North America Inc. – Chelsea & Mason– MBDP – Trevor Friedeberg

Gestamp North America Inc. – Troy – MBDP – Trevor Friedeberg

c. Access to Capital

YMCA of Grand Rapids – Bond Authorizing - Chris Cook

C. Community Vitality

Detroit Entrepreneur Development, LLC – City of Jackson – MCRP – Dominic Romano

Recovery Park Farms, City of Detroit – 21st CJF Activity – Julius Edwards

D. Quarterly Reports – *Information Only*



STATE OF MICHIGAN
OFFICE OF THE CHIEF COMPLIANCE OFFICER
LANSING

RICK SNYDER
GOVERNOR

KEVIN FRAN CART, ESQ.
CHIEF COMPLIANCE OFFICER

MEMORANDUM

October 14, 2016

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

Steve Arwood
Chairperson
Michigan Strategic Fund Board

FROM: Kevin L. Francart
Chief Compliance Officer

RE: FY2016 Q4 Report of the Chief Compliance Officer.

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

With respect to the Michigan Strategic Fund Board, the Michigan Strategic Fund Act requires the Chief Compliance Officer to review and evaluate compliance with internal policies and procedures along with applicable state and federal law. The Chief Compliance Officer assisted the MSF with a conflict of interest question; Board delegation; the American Center for Mobility (Willow Run) project and ACM Board questions; and Council of Great Lakes Governors contract questions. As reported previously, because of staffing changes the site visit guidelines were modified. Because of the staffing changes the site visit guidelines were changed to no longer require a minimum number of site visits. Site visits are being performed pursuant to the site visit guidelines. The Chief Compliance Officer provided informal advice regarding various issues arising this quarter concerning such topics as background checks, the breadth of delegated Board authority, authorized use of 21st century job fund funds, and compliance with established Board policy and limitations.

MICHIGAN STRATEGIC FUND

RESOLUTION 2016-

**APPROVAL OF OCTOBER 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.

Consent Agenda Items:

Proposed Meeting Minutes – September 27, 2016

Bridgewater Interiors – Renaissance Zone Amendment

5 Year Reporting Waiver – 21st CJF Grants Memo

Parkland Muskegon, LLC – City of Muskegon - MCRP and MBT Amendment

Diamond Place LLC – City of Grand Rapids – MCRP Amendment

Strand Theatre Manager, LLC – City of Pontiac – MCRP Amendment

Offsite Lake Drive, LLC – City of Grand Rapids – MCRP Re-approval

Community College Skilled Trade Equipment Program Amendments

2017 MSF Board Meeting Dates

Ayes:

Nays:

Recused:

Lansing, Michigan
October 25, 2016

**MICHIGAN STRATEGIC FUND
PROPOSED MEETING MINUTES
September 27, 2016**

Members Present

Steve Arwood
Paul Anderson
Shelly Edgerton
Larry Koops
Andrew Lockwood (on behalf of Treasurer Khouri)
Jody DePree Vanderwel
Shaun Wilson
Wayne Wood

Members Absent

Dan Boge
Terri Jo Umlor

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

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

Mr. Arwood recognized the following legislators in attendance: Senator Rick Jones and Representative Ben Glardon speaking in support of the Cargill, Inc. project in Owosso under Business Growth on the agenda and the Chamber Support Corporation project in Owosso under Community Vitality on the agenda; Representative Vanessa Guerra speaking in support of the SVRC Industries, Inc. project in Saginaw under Community Vitality on the agenda.

Communications: No communications.

A. CONSENT AGENDA

Resolution 2016-150 Approval of Consent Agenda Items

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

Proposed Meeting Minutes – **August 23, 2016**

Zeeland Bio-Based Products, LLC – Loan Settlement – **2016-151**

Focus Mold & Machining, Inc. – Tool & Die Recovery Zone Revocation – **2016-152**

CNC Precision Machining, LLC – Tool & Die Recovery Zone Revocation – **2016-153**

Plas-Tech Mold & Design, Inc. – Tool & Die Recovery Zone Revocation – **2016-154**

Downtown Albion Hotel/City of Albion – MCRP/Act 381 Work Plan Re-approval – **2016-155 & 2016-156**

618 South Main LLC/City of Ann Arbor – MCRP Amendment – **2016-157**

River Parc Place II, LLC/City of Manistee – MCRP Amendment – **2016-158**

MSF/MSHDA/MEDC – MOU Amendment – **2016-159**

Carhartt, Inc. – MBDP Grant Amendment – **2016-160**

Suniva – MBDP Grant Amendment – **2016-161**

Inteva – MBDP Amendment – **2016-162**

FEV North America, Inc. – MBDP Grant Amendment – **2016-163**

FY17 Allocation of Funds & Administrative Services MOU Renewal – **2016-164 & 2016-165**

Michigan Translational Research and Commercialization - Allocation of Funds – **2016-166**
International Trade & STEP Grant – Allocation & Federal Grant Acceptance – **2016-167**
Procurement Technical Assistance Center – FY17 Grant Allocations – **2016-168**

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

B. ADMINISTRATIVE

Resolution 2016-169 Tool & Die Recovery Zone Policy

Christin Armstrong, Vice President Compliance, Contracts & Grants and Josh Hundt, Vice President Business Development Projects, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-169. Paul Anderson seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2016-170 MBDP Program Guidelines Expansion

Josh Hundt, Vice President Business Development Projects, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-170. Paul Anderson seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2016-171 Next Michigan Development Corporation Policy Recommendations

Andrea Robach, Contracts Manager, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-171. Shaun Wilson seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2016-172 Election of Officers

Mark Morante, Senior Advisor and MSF Fund Manager, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-172. Andrew Lockwood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

C. BUSINESS INVESTMENT

C1. Entrepreneurship

Resolution 2016-173 MidMichigan Innovation Center – Business Incubator Grant Assignment

Fred Molnar, Vice President Entrepreneurship & Innovation, provided the Board with information regarding this action item. Following brief discussion, Jody DePree Vanderwel motioned for the approval of Resolution 2016-173. Paul Anderson seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolutions 2016-174 & 2016-175 University Early Stage “Proof of Concept” Fund – Request to Issue RFP

Fred Molnar, Vice President Entrepreneurship & Innovation, provided the Board with information regarding these action items. Following brief discussion, Larry Koops motioned for the approval of Resolutions 2016-174 & 2016-175. Jody DePree Vanderwel seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolutions 2016-176 & 2016-177 Angel Capital Development Fund – Request to Issue RFP

Fred Molnar, Vice President Entrepreneurship & Innovation, provided the Board with information regarding these action items. Following brief discussion, Larry Koops motioned for the approval of Resolutions 2016-176 & 2016-177. Shelly Edgerton seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolutions 2016-178 & 2016-179 First Capital Fund – Request to Issue RFP

Fred Molnar, Vice President Entrepreneurship & Innovation, provided the Board with information regarding these action items. Following brief discussion, Shelly Edgerton motioned for the approval of Resolutions 2016-178 & 2016-179. Larry Koops seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2016-180 FY2017 Grant Amendments – Invest Detroit

Fred Molnar, Vice President Entrepreneurship & Innovation, provided the Board with information regarding this action item. Following brief discussion, Jody DePree Vanderwel motioned for the approval of Resolution 2016-180. Shaun Wilson seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2016-181 FY2017 Grant Amendments – Michigan Venture Capital Association

Fred Molnar, Vice President Entrepreneurship & Innovation, provided the Board with information regarding this action item. Following brief discussion, Jody DePree Vanderwel motioned for the approval of Resolution 2016-181. Larry Koops seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2016-182 FY2017 Grant Amendments – University of Michigan College of Engineering Center for Entrepreneurship

Fred Molnar, Vice President Entrepreneurship & Innovation, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-182. Shaun Wilson seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

C2. Business Growth

Resolution 2016-183 Cargill, Inc./City of Owosso – Act 381 Work Plan

Jeremy Webb, Business Development Project Manager, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-183. Paul Anderson seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Paul Anderson leaves the room.

Resolution 2016-184 Fiat Chrysler Automobiles – MBDP Grant

Marcia Gebarowski, Business Development Project Manager, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-184. Andrew Lockwood seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

Paul Anderson rejoined the meeting.

Resolution 2016-185 Jackson National Life Insurance Company – MBDP Grant Amendment & CDBG Grant Termination

Trevor Friedeberg, Business Development Project Manager, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-185. Andrew Lockwood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

C3. Access to Capital

Resolution 2016-186 Anderson House Office Building – Bond Refunding Authorization

Chris Cook, Director Capital Programs, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-186. Jody DePree Vanderwel seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

ROLL CALL VOTE: Ayes: Steve Arwood, Paul Anderson, Shelly Edgerton, Andrew Lockwood (on behalf of Treasurer Khouri), Larry Koops, Jody DePree Vanderwel, Shaun Wilson, Wayne Wood; Nays: None; Recused: None

Resolution 2016-187 Holland Home – Bond Authorizing

Chris Cook, Director Capital Programs, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-187. Andrew Lockwood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

ROLL CALL VOTE: Ayes: Steve Arwood, Paul Anderson, Shelly Edgerton, Andrew Lockwood (on behalf of Treasurer Khouri), Larry Koops, Jody DePree Vanderwel, Shaun Wilson, Wayne Wood; Nays: None; Recused: None

Resolution 2016-188 Canterbury Health Care, Inc. – Bond Authorizing

Chris Cook, Director Capital Programs, provided the Board with information regarding this action item. Following brief discussion, Jody DePree Vanderwel motioned for the approval of Resolution 2016-188. Larry Koops seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

ROLL CALL VOTE: Ayes: Steve Arwood, Paul Anderson, Shelly Edgerton, Andrew Lockwood (on behalf of Treasurer Khouri), Larry Koops, Jody DePree Vanderwel, Shaun Wilson, Wayne Wood; Nays: None; Recused: None

Resolution 2016-189 YMCA of Greater Grand Rapids – Bond Inducement

Chris Cook, Director Capital Programs, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-189. Shelly Edgerton seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2016-190 St. Mary’s Cement, Inc. – Bond Inducement

Chris Cook, Director Capital Programs, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-190. Shaun Wilson seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2016-191 Flint Parallel Pipe – Jobs for Michigan Investment Fund Investment

Mark Morante, Senior Advisor and MSF Fund Manager, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-191. Shelly Edgerton seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

D. COMMUNITY VITALITY

Resolution 2016-192 Infrastructure Capacity Enhancement (ICE) – CDBG Grant Awards

Christine Whitz, Director CDBG, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-192. Andrew Lockwood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Wayne Wood left the meeting.

Resolution 2016-193 SVRC Industries, Inc./City of Saginaw– MCRP

Nate Scramlin, Community Assistance Team, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-193. Andrew Lockwood seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

Resolutions 2016-194 & 2016-195 Chamber Support Corporation/City of Owosso – MCRP/Act 381 Work Plan

*James Espinoza, Community Assistance Team, provided the Board with information regarding these action items. Following brief discussion, Larry Koops motioned for the approval of Resolutions 2016-194 & 2016-195. Shaun Wilson seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.***

Resolutions 2016-196 & 2016-197 Diamond Place LLC/City of Grand Rapids – MCRP/Act 381 Work Plan

*Ryan Kilpatrick, Community Assistance Team, provided the Board with information regarding these action items. Following brief discussion, Larry Koops motioned for the approval of Resolutions 2016-196 & 2016-197. Andrew Lockwood seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.***

Resolutions 2016-198 & 2016-199 Third and Grand LLC/City of Detroit – MCRP/Act 381 Work Plan

*Sarah Rainero, Regional Director Community Assistance Team, provided the Board with information regarding these action items. Following brief discussion, Paul Anderson motioned for the approval of Resolutions 2016-198 & 2016-199. Larry Koops seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.***

Shaun Wilson recused from next item, leaves the room.

Resolution 2016-200 Trident-Checker, LLC/City of Detroit – MCRP

*Sarah Rainero, Regional Director Community Assistance Team, provided the Board with information regarding this action item. Following brief discussion, Jody DePree Vanderwel motioned for the approval of Resolution 2016-200. Paul Anderson seconded the motion. **The motion carried: 6 ayes; 0 nays; 0 recused.***

Shaun Wilson rejoined the meeting.

Mr. Arwood adjourned the meeting at 12:12 pm.



Tuesday, Sept. 27, 2016

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

Dear Andrea,
Please consider this communication as a letter of recusal for the Trident-Checker, LLC/City of Detroit agenda item listed for the **Tuesday, Sept. 27, 2016** Michigan Strategic Fund board meeting.

I will be recusing myself due to our firm's direct business dealings with Trident-Checker, LLC.

Thank you,

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

Shaun W. Wilson

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STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

January 22, 2016

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

Dear Ms. Robach,

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

Sincerely,

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

N.A. Khouri
State Treasurer

Cc: Andrew Lockwood

MEMORANDUM

Date: October 25, 2016

To: MSF Board

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

Subject: Bridgewater Interiors, L.L.C. Geographic Renaissance Zone Amendment Request

Request

Michigan Economic Development Corporation (“MEDC”) Staff recommends that the Michigan Strategic Fund (“MSF”) Board authorize an amendment to milestones set forth in the Renaissance Zone Development Agreement between the MSF and Bridgewater Interiors, L.L.C. (“Bridgewater” or “Company”) as follows: 1) add a requirement that the Company maintain 142 full-time jobs at the project location; 2) create 17 new full-time jobs at the project location by December 31, 2017; and 3) increase the capital investment requirement from \$2.7 million to \$12.2 million by December 31, 2017 (the “Amendment Request”)

Background

On December 15, 2010, the MSF Board authorized a time extension to the Company for certain property parcels located within the Southwest/Delray Subzone in the City of Detroit. As a condition of the Renaissance Zone designation, Bridgewater was required to invest a total of \$2.7 million for building renovations and improvements to the property by December 31, 2015 and create 17 new full-time jobs at the property by December 31, 2011.

The Company achieved both the capital investment and job creation requirements by the stated deadlines, however, it has been unable to maintain the 17 full-time jobs and is in default of its Renaissance Zone Development Agreement. The Company was notified of the default in April 2016 and has been working with MEDC Staff to resolve the issue. The Company attributes the reduction in force to the loss of a major contract in December 2014. Bridgewater has secured commitments from other customers that will ensure the viability of the plant for the foreseeable future. In addition, the Company is actively pursuing other business opportunities that it believes will help fill the 60,000 sq. ft. of open capacity in its plant and result in additional hiring. Bridgewater has far exceeded its capital investment requirement, investing \$10.5 million through December 31, 2015. The Company also went to extraordinary measures to assist staff who were reduced by the loss of the contract, including negotiating with the customer to find full-time jobs for over 200 individuals at the customer’s plants throughout Michigan. While the MSF could revoke the Renaissance Zone designation as a result of the job loss, the Company’s commitment to increase its capital investment, to maintain its base employment level, and create 17 new jobs warrants approval of an amendment.

Recommendation

MEDC staff recommends that the MSF Board approve the Amendment Request.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2016-**

BRIDGEWATER INTERIORS, L.L.C RENAISSANCE ZONE AMENDMENT

WHEREAS, on December 15, 2010, by Resolution 2010-226, the Michigan Strategic Fund (“MSF”) Board approved the extension of the duration of a portion of the existing Southwest/Delray Subzone in the City of Detroit Renaissance Zone for Bridgewater Interiors, L.L.C (the “Company”);

WHEREAS, as a condition of the time extension, the MSF and the Company entered into a development agreement (the “Agreement”) which outlines the various terms and conditions to receiving the benefits of a Renaissance Zone, including a requirement that the Company create 17 full-time jobs by December 31, 2011 and invest a total of \$2.7 million dollars for building renovations and improvements by December 31, 2015;

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the Michigan Strategic Fund (“MSF”) for the Renaissance Zone program;

WHEREAS, the Company has requested an amendment to the Agreement to revise the milestones and due dates as follows: 1) add a requirement that the Company maintain 142 full-time jobs at the project location; 2) create 17 new full-time jobs at the project location by December 31, 2017; and 3) increase the capital investment requirement from \$2.7 million to \$12.2 million by December 31, 2017 (the “Amendment Request”);

WHEREAS, MEDC Staff recommends that the Amendment Request be approved; and

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

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
October 25, 2016

MEMORANDUM

Date: October 25, 2016

To: Michigan Strategic Fund Manager

From: Fred Molnar, VP, Entrepreneurship and Innovation

Subject: Request for Waiver to Remove Five Year Reporting Requirement under the 21st Century Jobs Fund

MEDC Staff recommends the Michigan Strategic Fund Manager (MSF) approve a memo to waive the following requirements under the 21st Century Jobs Fund: five year annual summary progress reports. The following reporting metrics are identified under this requirement: entities that received funding, including the amount and the type of funding, number of new patents, copyrights, or trademarks applied for and issued to entities that have received funding, number of new start-up business created, number of new jobs created and projected new job growth by entities that have received funding, return of investment, amounts of other funds leveraged by entities that have received funding, money, other revenues, or other property returned to the Fund, total number of new licensing agreements entered into by each client company by institution, number of new products commercialized and revenues generated by each portfolio company. The following programs listed on Exhibit A to this memo included the five year reporting requirement in the grant agreement.

BACKGROUND

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

The MSF has authorized funding for Business Incubator Grants, Entrepreneurial Support Services, Early Stage Funding Programs, 2013 Michigan Translational Research and Commercialization Program, and University Technology Acceleration and Commercialization Program that contain provisions required under the Act, including a requirement to submit progress reports to the MSF that are then used to compile the annual legislative reports.

In its performance audit of the 21st Century Jobs Fund Program, the Office of the Auditor General noted that national standards for business incubators state that the data to measure the effectiveness of business incubators include increases in revenue, increases in employment numbers, and additional investments for both current and graduated clients and should be collected annually from current clients and for at least five years for clients who have graduated. As a result, MEDC staff included a provision that required business incubators to report for a period of five years beyond the term of their agreement. This requirement was implemented with a number of other entrepreneurial programs as well.

Collection of the progress reports beyond the term of a grant agreement has become administratively burdensome and creates a risk for redundant reporting. In order to remain compliant with the recommendation of the Office of the Auditor General to collect certain information for a five year period beyond the term of a grant MEDC Staff will collect such information through an alternative method.

PROPOSAL

We are prepared to create an internal survey conducted by the MEDC to complete annually for the information that was previously requested under the five year reporting requirement. This would allow the program to continue capturing the metrics for reporting purposes while eliminating the administrative strain of a contractual obligation.

RECOMMENDATION

MEDC Staff recommends that the MSF Board waive the five year reporting requirement for grantees that received awards through the programs and RFPs listed on Exhibit A.

Exhibit A

- 1) 21st Century Jobs Fund – 2009 – MI Pre Seed Fund RFP
- 2) 21st Century Jobs Fund – 2011 – Early Stage Funding RFP
- 3) 21st Century Jobs Fund – 2011 – Entrepreneurial Support Services RFP
- 4) 21st Century Jobs Fund – 2012 – Business Incubators RFP
- 5) 21st Century Jobs Fund – 2013 – Business Incubators RFP
- 6) 21st Century Jobs Fund – 2013 – Michigan Translational Research & Commercialization Program
- 7) 21st Century Jobs Fund – 2014 – Business Incubators RFP
- 8) 21st Century Jobs Fund – 2014 – Early Stage Funding RFP
- 9) 21st Century Jobs Fund – 2014 – Entrepreneurial Specialized Support Services RFP
- 10) 21st Century Jobs Fund – 2014 – Entrepreneurial Support Services RFP
- 11) 21st Century Jobs Fund – 2014 – University Technology Acceleration & Commercialization Program
- 12) 21st Century Jobs Fund – 2015 – Business Incubators RFP

**MICHIGAN STRATEGIC FUND
RESOLUTION
2016-**

WAIVER OF REPORTING REQUIREMENTS

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

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

WHEREAS, the MSF has authorized grants to non-profit organizations and institutions of higher education under the programs and requests for proposals (“RFPs”) listed on Exhibit A to this Resolution;

WHEREAS, the grant agreements for each of the awards authorized under the programs and RFPs listed on Exhibit A contain a provisions requiring the grantees to provide annual progress reports to the MSF for a period of five years following expiration of the grant agreement (the “Five Year Reporting Requirement”);

WHEREAS, MEDC Staff recommends that the MSF Board waive the Five Year Reporting Requirement for grantees that received awards under the programs and RFPs listed on Exhibit A to this Resolution; and

WHEREAS, the MSF Board wishes to waive the Five Year Reporting Requirement for grantees that received awards under the programs and RFPs listed on Exhibit A to this Resolution.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board waives the Five Year Reporting Requirement for grantees that received awards under the programs and RFPs listed on Exhibit A to this Resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
October 25, 2016

Exhibit A

2009 Michigan Pre Seed Fund RFP

2011 Early Stage Funding RFP

2011 Entrepreneurial Support Services RFP

2012 Business Incubators RFP

2012 Entrepreneurial Support Services RFP

2013 Business Incubators RFP

2013 Michigan Translational Research & Commercialization Program

2014 Entrepreneurial Specialized Support Services

2014 Business Incubators RFP

2014 Early Stage Funding RFP

2014 Entrepreneurial Support Services RFP

2014 University Technology Acceleration & Commercialization Program

2015 Business Incubators RFP

MEMORANDUM

Date: October 25, 2016

To: Michigan Strategic Fund Board

From: Mary Kramer, Brownfield and MCRP Program Specialist

Subject: Parkland Muskegon, Inc./Highpoint Flats Muskegon Project
Michigan Community Revitalization Program - Request for Approval of a Loan Agreement Amendment #3
MBT Brownfield Credit – Request for Approval of Amendment #4

Request

Parkland Muskegon, Inc. (“Company”) is requesting approval of amendment #3 to the Michigan Community Revitalization Program Loan Agreement (“Agreement”) and any related ancillary agreements and amendment #4 to the Parkland Muskegon Michigan Business Tax (“MBT”) Credit #S08-0016. The amendment requests dated July 29, 2016 include a request to extend the project completion date to July 21, 2018 and revise the scope of the project to remove two parcels of property; remove the two-story new construction portion of the project, which will result in a reduction of the number of residential units from 72 to 47; add a commercial component of approximately 18,700 square feet; and define the loan repayment amount in lieu of the assignment of Brownfield TIF costs.

Background

On February 27, 2013, the Michigan Strategic Fund Board (“MSF”) approved a \$1,950,000 Michigan Community Revitalization Program (“MCRP”) loan to the Company for the purpose of renovation of an eight-story building along with new construction of a two-story addition alongside to include a total of 72 one- and two-bedroom residential units. The project was re-approved on September 25, 2013 because the agreement had not been executed by the end of the due diligence period. The MBT credit in the amount of \$1,640,000 was approved on July 21, 2008.

The requested changes to the project include extension of the project completion date to July 21, 2018 and changes to the scope of the project. The extension to July 21, 2018 marks the end of the ten year statutory period for the MBT credit. For MCRP, this means that Milestone One: Completion of Construction will be due July 21, 2018 and Milestone Two: Conditions to Loan Disbursement will be October 21, 2018.

The scope changes requested include removal of two parcels of property, 241 and 255 West Western, from the project; removal of the two-story new construction from the project, which will result in a reduction of the number of residential units from 72 to 47; the addition of a commercial component of approximately 18,700 square feet; and loan repayment in lieu of the assignment of Brownfield TIF costs. The reason for the scope changes is because bids came in significantly higher than anticipated so the

project was revised to make it financially feasible. The Muskegon market has proven challenging and in order to make the project work with minimal returns, the developer is reducing the scope and needs additional time. Financing is in place and the developer will be contributing equity of \$1,434,645, which is approximately 16 percent of the project costs. A Neighborhood Enterprise Zone (NEZ) is being created so a loan repayment amount in lieu of the assignment of Brownfield TIF costs will be defined.

There have been two previous amendments to the MCRP award – one to extend the Milestone due dates and another to revise the start date for submittal of the annual financial reports to begin prior to the disbursement of the loan funds and then annually thereafter until the loan is repaid in full. There have been three previous amendments to the MBT credit including the addition of a qualified taxpayer, changes to the scope of the project, and extensions of time.

The project has not started construction at this time. The company is current with reporting requirements.

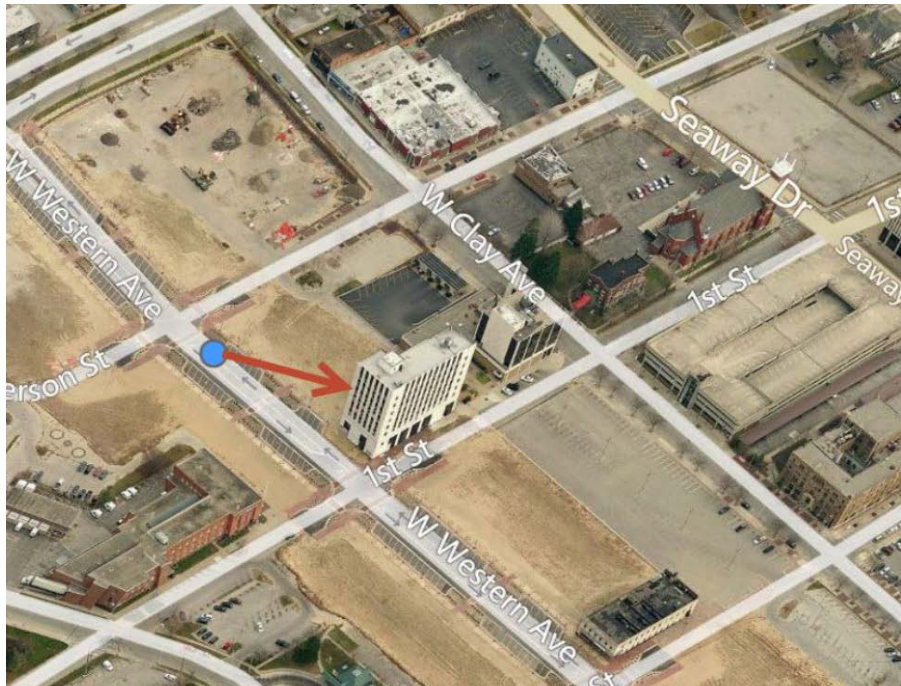
Attached is an updated map and rendering in **Exhibit A**. The original MCRP approval is attached as **Exhibit B**.

Recommendation

The MEDC staff recommends approval of the following:

1. An amendment to the MCRP Loan Agreement and any related ancillary agreements to extend Milestone One due date to July 21, 2018 and Milestone Two to October 21, 2018; remove two parcels of property, 241 and 255 West Western, from the project; remove the two-story new construction from the project, which will result in a reduction of the number of residential units from 72 to 47; add a commercial component of approximately 18,700 square feet; and define the loan repayment amount in lieu of the assignment of Brownfield TIF costs per the Company's request dated July 29, 2016, with the MSF Fund Manager or MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate the amendment approved under the MCRP.
2. An amendment to the MBT credit #S08-0016 to extend the project completion date to July 21, 2018; remove two parcels of property, 241 and 255 West Western, from the project; remove the two-story new construction from the project, which will result in a reduction of the number of residential units from 72 to 47; and add a commercial component of approximately 18,700 square feet per the Company's requested dated July 29, 2016.

APPENDIX A – UPDATED MAP AND RENDERING



APPENDIX B – MCRP ORIGINAL APPROVAL



MEMORANDUM

DATE: February 27, 2013

TO: Michigan Strategic Fund ("MSF") Incentive Subcommittee

FROM: Joseph Martin, Manager, Brownfield & Michigan Community Revitalization Programs
Sarah L. Rainero, Community Assistance Team Specialist

SUBJECT: Approval of Michigan Community Revitalization Request for a \$1,950,000 Performance-based Loan to:

Parkland Muskegon, Inc. ("Applicant" or "Borrower")
940 Monroe NW, Suite 155
Grand Rapids, MI 49503
www.parklandgr.com

MCRP PROGRAM AND ITS GUIDELINES

On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program ("MCRP") and its guidelines. The primary intended objective of the MCRP is to provide incentives to persons that make eligible investments on eligible property in Michigan.

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.

HISTORY OF THE APPLICANT

Parkland Muskegon, Inc. is led by Jon Rooks who has successfully completed numerous redevelopment projects such as the Cityview Condos, Monroe Terrace, Union Square Condos, Boardwalk Condos, plus various coastal waterfront properties. Parkland Muskegon, Inc. focuses on two of his development specialties: 1) redeveloping and marketing old buildings in downtown areas in order to adaptively reuse the existing buildings in urban areas and 2) marketing coastal waterfront properties connected to Lake Michigan.

The Applicant has received a 20% MBT Brownfield Credit in July 2008 totaling \$1,640,000 for the same project presented in this briefing memo. With the real estate downturn, the project was unable to secure financing and get off the ground in 2008.

PROJECT DESCRIPTION

The Applicant plans to renovate one of the only remaining buildings left following the demolition of most of the structures that formerly comprised the downtown Muskegon Mall. The eight-story building will be converted into a residential apartment development in downtown Muskegon, along with the new construction of a two-story addition alongside to provide additional residential units. The project is located at 241, 255 and 285 W. Western Avenue. The project will contain a total of 72 residential units between the 2 structures. There will be one and two bedroom units, making up 94,000 square feet. Site improvements will include landscaping and parking for residents.

APPENDIX B – MCRP ORIGINAL APPROVAL

- a) The project is a “facility” as authorized under the program. The Applicant plans to make an investment of \$10,700,000 to the project for the rehabilitation of the existing eight-story building and the construction of the two-story building addition, as authorized under the program. The project will be located in the city of Muskegon. The City has offered a “staff, financial, or economic commitment to the project” in the form of Renaissance Zone (begin phase out in 2021) and tax increment revenues totaling \$400,000, plus 5% interest to cover carrying cost for the activities.
- b) The project is located in a downtown or traditional commercial center. Preference was given to project based on significance of the eight-story building and the increased density for downtown Muskegon with the added residents.

FINANCING OPPORTUNITY – MCRP REQUEST

The Applicant is seeking a \$1,950,000 MCRP loan to finance the project (“MSF Loan”), with proceeds to be disbursed upon completion of the project. At the time of completion, \$390,000 will be forgiven and applied against the MSF principal. The Senior Lender has currently proposed to provide a revolving line of credit valued at \$4.7 million, until a permanent loan facility or other investors can be brought into the Project. The Project will remit annual payments to the MSF in the amount \$40,000. Additionally, the MSF will receive the assignment of all Brownfield Tax Increment Finance Revenue. Based on the projected on the project Tax Increment Financing revenue, the project is anticipated to pay off the \$1,560,000 in year 21 or 22.

Whether the project is financially and economically sound:

The Applicant has provided evidence that demonstrates there are sufficient sources to cover the cost of the \$10.7 million development with the assistance of the MCRP award. This includes up to \$4.7 million in a line of credit with West Michigan Community Bank, \$2.6 in developer equity, and brownfield incentives valued at \$1.8 million.

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

Based on the projected cash flow from the apartment rentals a traditional term loan would be able to provide only \$2.56 million in funds, assuming 5% interest and a 20 year amortization period. Furthermore, the Applicant has committed to provide up to 25% of the project cost as equity, which is on the high end for commercial real estate projects utilizing the MCRP.

LOAN FACILITY

Borrower:	Parkland Muskegon, Inc.
Senior Lender:	Line of Credit – Currently Proposed with First Community Bank
MSF Loan Amount:	Up to \$1,950,000, not to exceed 25% of Eligible Investment. \$390,000 forgiven upon completion of project. Loan will be subordinate to the senior lender.
Term:	25 Years
Interest Rate:	Zero percent (0%)

APPENDIX B – MCRP ORIGINAL APPROVAL

Repayment:	Repayments are to begin after MSF disbursement. \$40,000 principal annually. In addition to the \$40,000 annual payment, the project will receive the assignment of 100% of Brownfield Tax Increment Finance Revenues applied against principal. Balloon at the end of 25 years.
Prepayment:	No prepayment penalty at any time.
Guarantee:	Currently contemplated to include the personal Guarantee of Jonathan Lee Rooks, subordinate to senior loan. The final terms and conditions of the Guarantee to be acceptable to the MSF Fund Manager, the Borrower, and the Senior Lender.
Funding:	Permanent Certificate of Occupancy and other performance criteria to be contained in final loan documents.

MICHIGAN STRATEGIC FUND CONSIDERATIONS

As required under the program, the following criteria shall be considered by the MSF, as MEDC Staff believes each is reasonably applicable to proposed project:

- A. The importance of the project to the community in which it is located:**
The public will benefit from the re-use of one of the largest vacant structures in the downtown. The project improvements will likely help increase property values in the area and add to the marketability of downtown Muskegon. This will be one of the largest revitalization projects undertaken in downtown Muskegon.
- B. If the project will act as a catalyst for additional revitalization of the community in which it is located:**
The project would be a tremendous catalyst for downtown Muskegon. The downtown has struggled to rebuild since the mall properties were demolished and the real estate market crashed. There are limited residential options presently and the project will add density to the downtown.
- C. The amount of local community and financial support for the project:**
The City of Muskegon established a Renaissance Zone (begin phase out in 2021) that benefits the project and also has dedicated tax increment revenues totaling \$400,000, plus 5% interest to cover carrying cost for the activities.
- D. The extent of reuse of vacant buildings, reuse of historical buildings, and redevelopment of blighted property:**
The project includes the rehabilitation of an eight-story building that has sat vacant for a number of years and formerly operated as the Hackley Bank.
- E. Creation of jobs:**
The project will create 2 full time jobs to manage the properties.

APPENDIX B – MCRP ORIGINAL APPROVAL

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

The MEGA Board approved a 20% MBT Brownfield Credit in July 2008 totaling \$1,640,000. The total private investment for the entire property is \$10.7 million.

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

The density will be increased because the project adds 72 residential units to the downtown core.

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

The project promotes a walkable community based on the location of the building and its proximity to downtown amenities, such as the post office and the theatre.

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

The property does not contain any public buildings.

J. Whether the project promotes sustainable development:

This project will be utilizing several LEED qualifying aspects. The re-use of such a large, vacant building prevents demolition and disposal issues. It alleviates the consumption of new material. The developer will be utilizing water and energy efficiency aspects for residents.

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

The property does not contain a historic resource.

L. Whether the project addresses area-wide redevelopment:

This project includes the development of three downtown adjacent and contiguous parcels.

M. Whether the project addresses underserved markets of commerce:

This project addresses underserved markets because the former mall site in downtown Muskegon has been largely vacant for several years and has resulted in a lack of residential options available.

N. The level and extent of environmental contamination:

The property has been determined to be a facility due to contamination related to historic fill conditions. Soil and groundwater samples identified contamination at concentrations above the Part 201 Generic Residential Cleanup Criteria.

O. 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 contain a historic resource; therefore, the federal Secretary of Interior's standards do not apply.

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

This project fills a residential need in the downtown and will not compete with other Michigan businesses.

APPENDIX B – MCRP ORIGINAL APPROVAL

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

No additional criteria is necessary to note.

INCENTIVE OPPORTUNITY

This project involves \$8,200,000 in eligible investment and total capital investment of up to \$10,700,000 in the City of Muskegon. The requested incentive amount from the MSF is \$1,950,000 in form of a performance based loan with up to \$390,000 to be forgiven upon completion of the project.

Please see below for more information on the recommended action.

RECOMMENDATIONS

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

- a) Closing the MCRP Proposal, subject to available funding under the MCRP 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 all MCRP transaction documents, and further subject to the following terms and conditions:
 - Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.

MICHIGAN STRATEGIC FUND

RESOLUTION 2016 -

**APPROVAL OF AN AMENDMENT TO A MICHIGAN COMMUNITY
REVITALIZATION PROGRAM LOAN AWARD FOR
PARKLAND MUSKEGON, INC.**

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 2013-030 on February 27, 2013 the MSF Board awarded a MCRP Loan Award to Parkland Muskegon, Inc., in furtherance of the Project of up to \$1.95 million (“Award”);

WHEREAS, by Resolution 2013-152 on September 25, 2013 the MSF Board re-approved a MCRP Loan Award to Parkland Muskegon, Inc., in furtherance of the Project of up to \$1.95 million (“Award”);

WHEREAS, by Resolution 2015-183 on December 15, 2015 the MSF Board approved a MCRP amendment to revise the start date for submittal of annual financial reports to begin prior to the disbursement of loan funds and then annually thereafter until the loan is repaid in full;

WHEREAS, the MEDC is recommending that the MSF approve the amendment recommendation to extend the Milestone One due date to July 21, 2018 and the Milestone Two due date to October 21, 2018 in the loan agreement and any related ancillary agreements and to revise the scope of the project to remove two parcels of property, 241 and 255 West Western, from the project; remove the two-story new construction from the project, which will result in a reduction of the number of residential units from 72 to 47; add a commercial component of approximately 18,700 square feet; and define the loan repayment amount in lieu of the assignment of Brownfield TIF costs, with all other requirements remaining in place from the original approval and with the MSF Fund Manager or MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate the amendment.

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

Ayes:

Nays:

Recused:

Lansing, Michigan
October 25, 2016

MICHIGAN STRATEGIC FUND

RESOLUTION 2016 -

**HIGHPOINT FLATS MUSKEGON PROJECT
PARKLAND MUSKEGON, INC.
BROWNFIELD REDEVELOPMENT MBT CREDIT – AMENDMENT #4
CITY OF MUSKEGON**

At the meeting of the Michigan Strategic Fund (“MSF”) held on October 25, 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 24, 2015, the MSF Chairman issued a pre-approval letter for a Small Brownfield MBT Tax Credit to Parkland Muskegon, Inc. (the “Applicant”) to make eligible investment up to \$8,200,000 at an eligible property in the City of Muskegon (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 extend the completion date to July 21, 2018; remove two parcels of property, 241 and 255 West Western; remove the two-story new construction; reduce the number of residential units from 72 to 47; and add a commercial component of approximately 18,700 square feet; and

WHEREAS, no certificate of completion has been issued for the Project; 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 \$1,640,000;

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 extending the completion date to July 21, 2018; removing two parcels of property, 241 and 255 West Western; removing the two-story new construction, which will result in a reduction in the number of residential units from 72 to 47; and adding a commercial component of approximately 18,700 square feet, provided that the maximum credit does not exceed \$1,640,000.

Ayes:

Nays:

Recused:

Lansing, Michigan
October 25, 2016

MEMORANDUM

Date: October 25, 2016
To: Michigan Strategic Fund (MSF) Board
From: Lynda Franke, Underwriting and Incentive Structuring
Subject: Diamond Place, LLC
Michigan Community Revitalization Program (MCRP)
Request for Approval of an MCRP Loan Participation Award Amendment

Request

Diamond Place, LLC (“Company”) is requesting approval of an amendment to the Michigan Community Revitalization Program (MCRP) Other Economic Assistance Performance-Based Loan Participation Award approved at the MSF’s September 27, 2016 Board meeting. The request includes an increase to the Lender’s loan amount. Additionally, staff is requesting to amend MSF Resolution 2016-196 (Resolution) to correct a typo in the Award Request.

Background

The Michigan Strategic Fund Board approved a \$2,826,000 Other Economic Assistance Loan Participation award and Act 381 work plan on September 27, 2016 to the Company for the purpose of demolishing a former manufacturing facility and development of 42 residential apartments, about 22,000 square feet of commercial space on the ground level, and a parking deck.

Capital Impact Partners (“Lender”) is increasing its loan amount to help to fill a gap created by a reduction in financing from the project’s senior lender Mercantile Bank. The wording in the Resolution contained “up to” language, which does not allow for an increase in their loan amount without additional MSF Board action. Below is a summary of the reallocated development sources:

MERC Bank Loan 1 st REM	\$ 7,750,000	38.5%
Capital Impact Share 2 nd REM	\$ 3,645,373	18.7%
MSF Share 3 rd REM	\$ 2,826,000	14.5%
NMTC Equity	\$ 2,948,400	15.0%
Developer Leveraged Loan	\$ 200,000	1.0%
Developer Mezzanine Loan	\$ 750,000	3.8%
Developer Equity	\$ 1,633,734	8.4%
TOTAL	\$19,503,507	100.0%

Additionally, language in the Resolution contained a scrivener’s error listing the MCRP award as “not to exceed \$2,286,000”. The correct amount is \$2,826,000, which was reflected in “Exhibit A” of the Resolution and the MSF briefing memo.

Recommendation

The MEDC staff recommends approval of an amendment to the MCRP Other Economic Assistance Loan Participation award to reflect an increase in the Lender's Share of the financing by approximately \$500,000, increasing the total participated loan amount to around \$6,500,000, and a correction to the Resolution that cleans up a scrivener's error related to the MCRP award request.

MICHIGAN STRATEGIC FUND

RESOLUTION 2016 -

**APPROVAL OF AN AMENDMENT TO A MICHIGAN COMMUNITY
REVITALIZATION PROGRAM OTHER ECONOMIC ASSISTANCE LOAN
PARTICIPATION AWARD TO DIAMOND PLACE, 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 2016-196 on September 27, 2016 the MSF Board awarded an MCRP Other Economic Assistance Performance-Based Loan Participation Award to Diamond Place, LLC, in furtherance of the Project of up to \$2,826,000 (“Award”);

WHEREAS, the MEDC is recommending that the MSF approve the Award amendment recommendation to allow Capital Impact to increase their share of the loan by approximately \$500,000, and to correct a scrivener’s error within the Resolution 2016-196, changing the MSF’s award request from \$2,286,000 to \$2,826,000 on page one, with all other requirements remaining in place from the original approval.

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

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan
October 25, 2016

MEMORANDUM

Date: October 25, 2016

To: Michigan Strategic Fund (MSF) Board

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

Subject: Strand Theater Manager, LLC and Related Parties (Strand)
Michigan Community Revitalization Program
Request for Approval of a Performance Based Direct Loan Agreement Amendment

Request

Strand (“Company”) is requesting approval of an amendment to the Michigan Community Revitalization Program (MCRP) Performance Based Direct Loan Agreements and any related ancillary agreements (“Agreement”). The Company is requesting that we amend the “Foreclosure Rights Agreement” to allow for the Historic Tax Credit investor Enhanced Capital to transfer the project from one Investment Fund to another. All other terms of the Agreement essentially remain unchanged.

Background

The MSF entered into an Agreement with the Company on February 23, 2016 for a Performance Based Direct Loan for \$4,500,000 for the historic rehabilitation of Strand Theater in downtown Pontiac, Michigan. The project is expected to be completed in November 2016.

The Company is current with reporting requirements.

Recommendation

MEDC staff recommends approval of an amendment to the MCRP Performance Based Direct Loan Agreements and any related ancillary agreements as detailed above.

**MICHIGAN STRATEGIC FUND
RESOLUTION 2016-**

**APPROVAL OF AN AMENDMENT TO A MICHIGAN COMMUNITY
REVITALIZATION PROGRAM PERFORMANCE BASED LOAN AWARD TO
STRAND THEATER MANAGER, LLC OR OTHER RELATED ENTITIES
(THE STRAND PROJECT)**

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

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

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

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

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

WHEREAS, by Resolution 2015-163 on October 27, 2015 the MSF Board awarded a MCRP Performance-Based Direct Loan to Strand Theater Manager, LLC or such entities formed or to be formed in the furtherance of the Strand Project (“Applicant” or “Borrower”) of up to \$4,500,000 (“Award”);

WHEREAS, by Resolution 2015-168 on November 24, 2015 the MSF Board approved a MCRP amendment to the Performance-Based Direct Loan to adjust the repayment terms;

WHEREAS, the MEDC recommends that the MSF approve an amendment recommendation to amend the Transaction Documents to reflect a change by the Historic Tax Credit investor moving its investment in the project from one Investment Fund to another. All other terms of the Transaction Documents remain essentially unchanged;

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

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan
October 25, 2016

MEMORANDUM

Date: October 25, 2016

To: Michigan Strategic Fund Board

From: Ryan Kilpatrick, Community Assistance Team Specialist
Mary Kramer, Brownfield and MCRP Program Specialist
Julius L. Edwards, Underwriting and Incentive Structuring

Subject: Offsite Lake Drive, L.L.C. –
Michigan Community Revitalization Program (MCRP)
Request for Re-Approval of a Other Economic Assistance Performance-Based
Loan Participation

Request

Offsite Lake Drive LLC (“Company”) is requesting re-approval of a \$1,773,700 Michigan Community Revitalization Program (“MCRP”) Other Economic Assistance Performance-Based Loan Participation award in order to execute a MCRP Agreement.

Background

On December 15, 2015, the Michigan Strategic Fund Board (“MSF”) approved a \$1,773,700 MCRP Other Economic Assistance Performance-Based Loan Participation award to the Company and an Act 381 Work Plan for the purpose of rehabilitating the Kingsley Building to accommodate the creation of 41 new market rate residential units and 7,500 square feet of office space on floors two through five of the building. The project also includes the construction of a multi-level parking deck and conversion of an existing basement to parking.

The MCRP approval required that the Agreement be entered into within 120 days of the date of the approval, but allowed for a 90 day extension with approval from the MSF Fund Manager. On March 30, 2016, the MSF Fund Manager approved extending the expiration date to July 11, 2016, but all parties were unable to execute the Agreement prior to expiration of the approval due to the Lender requiring additional support from the development team.

The scope of the project has remained largely unchanged from the original approval and there are no changes to the approved Brownfield Work Plan.

There have been some minor changes in the development’s financing sources since the original approval due to an increase in the development costs of the project due to the delay in closing. Below are updated sources for the project:

SUMMARY OF DEVELOPMENT SOURCES:

Lake Michigan Credit Union Share	\$	8,256,000	69.1%
MCRP Share	\$	1,773,700	14.8%
MBT-Credit - Phase One	\$	163,125	1.4%
Deferred Developer Fees	\$	250,000	2.1%
Developer Equity	\$	1,500,000	12.6%
TOTAL	\$	11,942,125	100.0%

The interest rate for the MSF Share has been increased to three percent due to an increase in the residential rents projected for the project. The Exit Fee has been removed.

Recommendation

The MEDC staff recommends re-approval of the MSF MCRP Other Economic Assistance Performance-Based Loan Participation in the amount of \$1,773,700 with the changes proposed to the project's development sources.

APPENDIX A – ORIGINAL APPROVAL



MEMORANDUM

Date: December 15, 2015

To: Michigan Strategic Fund Board

From: Ryan Kilpatrick, Community Assistance Team Specialist
Mary Kramer, Brownfield and MCRP Program Specialist
Julius L. Edwards, Capital Access

Subject: City of Grand Rapids Brownfield Redevelopment Authority
Request for Approval of an Act 381 Work Plan
Offsite Lake Drive, L.L.C. - Request for Approval Michigan Community
Revitalization Program Other Economic Assistance – Performance Based
Loan Participation

Request

The proposed project will be undertaken by Bazzani Associates on behalf of Offsite Lake Drive, L.L.C. The project will redevelop approximately one acre of property located at 1415 Lake Drive SE in the City of Grand Rapids. The project is located in a traditional commercial center and within a Corridor Improvement District and qualifies for a Michigan Community Revitalization Program (MCRP) award and an Act 381 Work Plan because it is functionally obsolete and a historic resource.

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 \$1,648,060.

Offsite Lake Drive, L.L.C. is requesting approval of a MCRP incentive in the amount of \$1,773,700 in the form of an Other Economic Assistance – Performance Based Loan Participation.

The subject parcel was originally designed by architect George S. Kingsley, in 1926, as a five-story storage building, commonly referred to as the Kingsley Building. Due to the building's original design as primarily storage space, the building has very few window openings, poorly spaced interior support columns, and low ceilings on the second floor. To prepare the property for residential use the building requires heavy investment in now income producing development such as creating spaces in the walls for windows, development of a central atrium on each floor for circulation purposes, the addition of two new elevators and shafts, new stairwells, and new HVAC and electrical systems. The development team made several attempts to obtain Federal Historic Tax Credits for the upper stories of the project. These credits

APPENDIX A – ORIGINAL APPROVAL

could have helped to fill a significant portion of the financing gap. However, due to the need to create adequate window openings for residential occupancy, the Secretary of the Interior could not approve the physical alteration of the building's exterior for this land use and award the tax credits. Without the Federal Historic Tax Credits, this project requires gap financing to support the initial costs of rehabilitation of the structure.

Offsite Lake Drive has obtained senior financing from Lake Michigan Credit Union (LMCU) in the amount of \$8,535,000 (includes financing for Phase 1/1st floor), or just under 66% of the total project costs. The loan is less than traditional loan-to-value advance rates of between 70-80%, but this loan amount is limited by the cash flow generated by the development. It is anticipated that the owners of the project will be contributing over \$2,270,000 in equity (approximately 17.5% of total project costs) to the project and deferring "Developer Fees" of 200,000. The remaining gap would be filled by the proposed MCRP Loan Participation in the amount of \$1,773,700. The MSF Share of the loan would bare an interest rate of 1.5% per annum, with a "Success/Exit" fee of \$134,000 due at closing. The interest earned and the fee on the MSF loan will generate approximately a 3% return for the MSF over the term of the loan. CRP detailed structure is provided in **Appendix A**.

For the requested brownfield work plan, 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 infeasible.

The Applicant anticipates that the project will result in total Phase Two capital investment in the amount of \$11,341,938, along with the creation of approximately two permanent full-time equivalent jobs with an average hourly wage of \$17.50.

Background

The Kingsley Building rehabilitation project will include a significant overhaul of the building's interior and exterior. As much of the historic façade will be preserved as possible, while also creating new window openings across all facades, to accommodate adequate flow of light and air into the building. The project will result in 41 new residential units on floors three through five ranging from 650 square feet to 1,050 square feet in size. The second floor of the structure will be working suites and storage, which may be leased by the residential occupants as a live-work option within the same building. Additionally, the project will include construction of a multilevel parking deck and conversion of the existing basement to parking.

In 2011, this developer was awarded a MBT mini credit in the amount of \$181,250 that was specific to Phase One of this project which included only the ground floor of this structure. At that time, the development team was only able to secure financing sources adequate to repurpose the ground floor of the structure. In 2014, the developer completed the ground floor retail spaces and obtained a certification of completion to collect the credit. This MBT credit award has been factored in to the overall financial review of the current request for CRP and work plan support.

As part of the brownfield eligible expenses to be incurred, asbestos abatement will be necessary prior to demolition activities in order to protect human health. Demolition activities will be necessary to create adequate window openings and reconfigure the floor layout to accommodate residential use. Site preparation activities will include excavation, grading and land balancing to accommodate the basement and two level parking deck. A private parking ramp and urban stormwater management system will be

APPENDIX A – ORIGINAL APPROVAL

constructed as part of the infrastructure improvements. Additionally, infrastructure improvements will be made in the public right-of-way in connection with the project and will include curbs, gutters and sidewalk improvements.

As noted above, Offsite Lake Drive, L.L.C. has received a mini MBT credit in 2011 in the amount of \$181,250 for the purpose of rehabilitating only the ground floor of the Kingsley Building for retail use. The sponsoring development team is Bazzani Associates which has been the lead development team on several projects across the State. This includes a project known as Wesener LLC in Owosso, Michigan which received a CRP award of \$560,000 and a MBT credit valued at \$384,000 in 2014 for the rehabilitation of a three story structure in downtown Owosso.

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

Recommendation

MEDC staff recommends approval of the following:

- a) Local and school tax capture for the Act 381 eligible activities totaling \$1,648,060. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$1,110,811.
- b) A MCRP Other Economic Assistance – Performance Based Loan Participation in the amount of \$1,773,700 for Offsite Lake Drive, L.L.C.

APPENDIX A – ORIGINAL APPROVAL

APPENDIX A

FINANCING OPPORTUNITY – MCRP LOAN PARTICIPATION

The project is seeking Michigan Strategic Fund (MSF) participation in coordination with Lake Michigan Credit Union as the senior lender. The Lender, along with the Borrower, has requested the MSF participate in up to \$1,773,700 in a \$10,308,700 construction to permanent loan facility. The above financing from LMCU includes financing for both the Phase 1 (1st floor) and Phase 2 renovations. The MSF would be pari passu in terms of payments on its share of the loan, but would allow the collateral to apply first to the Lender's share in an event of liquidation. It is anticipated that disbursements to the project on the loan will be made on a pro-rata basis. Below outlines a summary of the development sources and investment for both Phases and the proposed structure of the loan participation.

SUMMARY OF DEVELOPMENT SOURCES:

Lake Michigan Credit Union Share	\$	8,535,000	66.0%
MCRP Share	\$	1,773,700	13.7%
MBT Credit – Phase One	\$	163,125	1.3%
Deferred Developer Fees	\$	200,000	1.5%
Developer Equity	\$	<u>2,270,113</u>	<u>17.5%</u>
TOTAL	\$	12,941,938	100.0%

LOAN FACILITY

MSF Facility	MCRP Loan Participation and Servicing Agreement Under "Other Economic Assistance"
Borrower:	Offsite Lake Drive, L.L.C.
Lender:	Lake Michigan Credit Union
Total Loan Amount:	Currently estimated at \$10,308,700
Lender Share:	Currently estimated at \$8,535,000
MSF Share:	Up to the lesser of 25% of "Eligible Investment" or \$1,773,700
Term:	To match that of the Lender, not to exceed 60 months.
Amortization:	To match that of the Lender not to exceed 240 months.
Interest Rate:	On the MSF share anticipated to be 1.50% per annum.
Repayment Terms:	Up to 24 months of monthly interest only payments on the MSF Share, followed by monthly principal and interest payments.
Collateral:	To match that of the Lender, currently anticipated being a mortgage lien on the property, assignment of leases and rents, and a security interest in the TIF

APPENDIX A – ORIGINAL APPROVAL

reimbursements. MSF share of collateral will be subordinated to that of the Lender.

- Guarantee:** To match that of the Lender, currently anticipated to be the unlimited unsecured personal guarantees of the members of Offsite Lake Drive, L.L.C. The MSF Share of guarantee(s) will be subordinated to the Lender.
- MSF Fees:** The MSF shall be paid a one-time fee equal to one percent of the MSF's share of the loan. The Lender may charge the borrower for this fee. Additionally, the MSF will be charging a \$134,000 "Exit Fee" due at loan maturity.
- Funding:** The MSF will fund up to \$1,773,700 to be disbursed following closing of the Loan and other performance criteria.
- Other Conditions:** The MSF's investment will be contingent upon the following:
- A minimum owner equity contribution of \$2,270,000 to the project.

APPENDIX A – ORIGINAL APPROVAL

APPENDIX B – Programmatic Requirements & Screening Guidelines

Property Eligibility

The project is located within the boundaries of the City of Grand Rapids, which is a Qualified Local Governmental Unit, and has been deemed functionally obsolete as verified by a Michigan Master Assessing Officer (MMAO) Assessor on May 29, 2015.

The property is the subject of a Brownfield Plan, duly approved by the City of Grand Rapids on September 8, 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 \$7,094,954.

Source of Information

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

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

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

The project is located in the Uptown Corridor Improvement District and will add significant residential density to the traditional neighborhood business district. This project will also reactivate the upper floors of a structure which has been vacant and underutilized for decades. Additional density is expected to further support efforts to build a strong base of local retailers and restaurateurs.

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

The Kingsley Building Phase One Project has connected the commercial district at Lake Drive and Wealthy Street to the commercial section at Lake Drive and Robinson Road. The addition of the 41 housing units and office spaces will enhance the commercial district's success while providing a healthy place for the residents to live, work and play.

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

The City of Grand Rapids has approved an Obsolete Property Rehabilitation Act tax abatement in the estimated amount of \$965,892. The City and the local Corridor Improvement Authority have also approved participation in the reimbursement of brownfield eligible expenses. The anticipated local capture amount is estimated to be \$545,268.

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

APPENDIX A – ORIGINAL APPROVAL

A significant portion of the construction costs for development is related to either low to non-income producing uses, which creates a gap in traditional financing available for the project. Offsite Lake Drive has obtained senior financing from Lake Michigan Credit Union in the amount of \$8,535,000 (includes financing for Phase 1/1st floor), or just under 66% of the total project cost. The loan is less than traditional loan-to-value advance rates of between 70-80%, but this loan amount is limited by the cash flow generated by the development. It is anticipated that the owners of the project will be contributing over \$2,270,000 in equity (approximately 17.5% of total project costs) to the project and deferring “Developer Fees” of 200,000. The remaining gap would be filled by the proposed MCRP Loan Participation in the amount of \$1,773,700.

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

The project will result in the reuse of an approximately 73,000 square foot, long vacant building that is listed on the National Register of Historic Places.

F. Creation of jobs:

The project is anticipated to create two full time positions with an average hourly rate of \$17.50.

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

It is anticipated that the project financing will include \$2,270,000 in owner equity and \$8,535,000 in senior financing from Lake Michigan Credit Union.

H. Whether the project is financially and economically sound:

Following construction completion, it is anticipated that the project will generate sufficient cash flow to operate with a debt service coverage ratio of greater than 1.15 to 1.00. Additionally, the project will be supported financially by its ownership team, which is personally guarantying 100% of the debt associated with the project.

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

The project will add 41 residential units on an approximately one acre site. This is a significant increase in density over the existing status of the site and the surrounding neighborhood.

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

Phase One of this project resulted in the reactivation of more than 17,000 square feet of ground floor retail space on two street frontages in a traditional business district. This project will add significant residential density to further support the existing retail and the vitality of the surrounding business district. The project also includes construction of a two story parking deck on an existing surface parking lot. This construction will add to the established street wall along two street frontages and will fill a significant gap in the urban fabric of the neighborhood.

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

The building is not publicly owned.

L. Whether the project promotes sustainable development:

This revitalization project will adopt the 2030 Challenge to ultimately achieve carbon neutrality (net zero) through the reduction of fossil fuel uses. In addition, the property will be pursuing LEED Gold certification including green roof, photovoltaics, and a high performance thermal envelope.

APPENDIX A – ORIGINAL APPROVAL

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

The Kingsley Building is an adaptive re-use of a historic storage facility originally constructed for the Grand Rapids Storage and Van Company. This property is listed on the National Historic Register of Historic Places due to the fame of its original architect, George S. Kingsley, who designed iconic storage buildings throughout the United States.

N. Whether the project addresses area-wide redevelopment:

This project will increase residential density in the area and further support local services, amenities and may have the effect of encouraging additional growth on vacant urban land in the district.

O. Whether the project addresses underserved markets of commerce:

The project does not address an underserved market of commerce.

P. The level and extent of environmental contamination:

The property is not contaminated and was deemed functionally obsolete. The existing building contains asbestos that requires abatement during demolition activities.

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 original intended purpose and use of this building was for the storage of goods and not residential occupancy. As a result, additional window openings will need to be created to accommodate residential units.

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

The project is not expected to create undue competition with other Michigan businesses.

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

There are no additional criteria specific to this project.

Brownfield Act 381 Program Additional Project Information:

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

This project includes the reuse of a functionally obsolete building in a traditional business district. The structure has been vacant on the upper stories for several decades.

B. Cost gap that exists between the property and a similar greenfield property:

The Brownfield Tax Increment Financing is needed to remove asbestos, undertake demolition and site preparation activities and to construct a multi-level parking deck and urban stormwater management system needed for this urban site. Given current market rates, the condition of the existing building and the costs associated with construction, these items could not be financially supported by the projected revenue from the project.

APPENDIX A – ORIGINAL APPROVAL

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 47.7179 non-homestead mills available for capture during years 2016 thru 2021 and 46.7379 non-homestead mills available for capture during years 2022 thru 2031, with school millage equaling 24 mills and local millage equaling the difference. Tax increment capture will begin in 2016 and is estimated to continue for 16 years. The school and local tax capture rates below are a blended ratio of capture for the entire 16 year period with the school millage equal to 67.40% and local millage equal to 32.60%. This blended rate is based on OPRA periods for floor 1/Phase 1 of the project during years 2016 thru 2021, a separate OPRA for floors 2-5/Phase 2 during years 2016 thru 2025 and 100% tax rates for the remaining years of the project. The requested tax capture for MSF eligible activities breaks down as follows:

School tax capture	(67.40%)	\$	1,110,811
Local tax capture	(32.60%)	\$	537,250
TOTAL		\$	1,648,060

Cost of MSF Eligible Activities

Demolition	\$	147,100
Asbestos Abatement		17,000
Infrastructure Improvements		1,207,000
Site Preparation	+	53,300
Sub-Total	\$	1,424,400
Contingency (15%)	+	213,660
Sub-Total	\$	1,638,060
Brownfield/Work Plan Preparation	+	10,000
TOTAL	\$	1,648,060

APPENDIX C – Project Map and Renderings

APPENDIX A – ORIGINAL APPROVAL



AECOM

KINGSLEY BUILDING - WEST ELEVATION

APPENDIX A – ORIGINAL APPROVAL



AECOM

KINGSLEY BUILDING - NORTH ELEVATION



**MICHIGAN STRATEGIC FUND
RESOLUTION 2016-**

**RE-APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM
OTHER ECONOMIC ASSISTANCE LOAN PARTICIPATION AWARD TO
OFFSITE LAKE DRIVE, L.L.C.**

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 2015-198 on December 15, 2015 the MSF Board awarded an MCRP Other Economic Assistance Performance-Based Loan Participation Award to Offsite Lake Drive, LLC (“Applicant”), in furtherance of the Project of up to \$1,773,700 (“Award”);

WHEREAS, by the terms of Resolution 2015-198, on March 30, 2016, the MSF Fund Manager approved an extension of the Award to July 11, 2016 (“Original Expiration Date”);

WHEREAS, the Applicant was unable to execute the Transaction Documents by the Original Expiration Date and is requesting re-approval of the Award;

WHEREAS, the MEDC is recommending that the MSF re-approve the Award, increase the interest rate on the MSF Share from one and one-half percent to three percent, and remove the Exit Fee, with all other requirements remaining in place from the original approval.

WHEREAS, the MEDC is recommending the MSF re-approve the Company’s Award Request subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents within 180 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 90 days (the foregoing, collectively, the “MCRP Award Recommendation”); and

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

BE IT FURTHER RESOLVED, the MSF Board approves the MCRP Other Economic Assistance Performance-Based Loan Participation Award Amendment Recommendation;

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan

October 25, 2016



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TALENT AND ECONOMIC DEVELOPMENT
LANSING

STEVE ARWOOD
DIRECTOR

Memorandum

DATE: October 25, 2016

TO: Michigan Strategic Fund Board (MSF)

FROM: Wanda Stokes, Director, Michigan Talent Investment Agency (TIA) 

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

Request

The TIA is requesting the MSF Board, at the October 25, 2016 meeting, consent to CCSTEP project funding increases for Delta Community College, Henry Ford College, Kirtland Community College, and Lansing Community College as outlined below, by using additional funds from reductions taken by Alpena Community College, Jackson Community College, Kalamazoo Valley Community College, and Muskegon Community College through an approval by the MSF Board at the April 26, 2016 meeting, in the amount of \$1,158,751.56. The total funding request increase is \$1,084,396.00, leaving a balance yet to be awarded of \$74,355.56.

Background Information on Increasing Awards

Per the terms of the bond documents, all bond proceeds must be distributed prior to April 1, 2018, to honor the bond disclosure documents and to avoid any penalties or violations. While the original Request for Proposal set a limit request of \$4.8 million, the Office of Attorney General and bond counsel determined there are no legal restrictions to increase the original award to the colleges. As the total amount of CCSTEP grant award funding is \$50 million, it was determined to allow those awarded colleges to request additional funds not to exceed 10% of the total original award amount being \$50 million, resulting in some colleges requesting up to \$5 million. Requests for additional funds are being honored on a first come, first serve basis.

The TIA staff will review each request to confirm the additional equipment requested is in alignment with the original equipment proposal, and that the college can document sufficient local match.

- Delta Community College

Delta Community College is requesting an increase to their CCSTEP award in the amount of \$285,429.00 to cover additional equipment purchases for their Chemical Processing and Computer Numerical Control (CNC) programs. This increase will bring the total CCSTEP grant award for Delta College to \$1,854,434.00. Delta College completed an upgrade to the Distillation process stimulation in the Chemical processing lab with their originally awarded CCSTEP funding, and with the additional funding is

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proposing a second phase that will upgrade the 40 year old Reactor simulator and Flow and Filter labs.

- **Henry Ford College**

Henry Ford College is requesting an increase to their CCSTEP award in the amount of \$470,772.00 to cover additional equipment purchases for the Detroit Public Schools Mechatronics lab. This increase will bring the total CCSTEP grant award for Henry Ford College to \$4,999,385.00. The original awarded CCSTEP funding allowed Henry Ford to work closely with four high schools to provide on-site Super-labs that included equipment for mechatronics and welding, to give students early access to college-level studies customized to provide an introduction and transition to further manufacturing education and direct credit to accelerate the student's acquisition of industry credentials. The additional funding supports a partnership that will assist Detroit Public Schools in their efforts to develop advanced manufacturing technology in Career and Technical Education and help students meet the requirements for college certification and prepare students for programs such as Michigan Advanced Technician Training. Additional purchases will include adding industry standard, high quality precision measurement capabilities in Machine Tool Technology/CNC; equip the auto labs with diagnostic testing capabilities, meeting industry standards for advanced technician training; equip the Industrial Weld Program with Destructive Testing tools and new Weld Video analysis tools; equip the new Industrial Technology R&D Innovation and Technological Literacy Lab with design technology and technological literacy tools. The addition of this equipment will benefit Industrial apprentices, advanced manufacturing technology students, and regional high school and middle school students.

- **Kirtland Community College**

Kirtland Community College is requesting an increase to their CCSTEP award in the amount of \$128,195.00. This increase will bring the total CCSTEP grant award for Kirtland Community College to \$2,784,379.00. Kirtland Community College is requesting additional funds to further update equipment to meet industry standards in the program areas outlined in the original proposal, health sciences, and criminal justice. The equipment for the health sciences will allow training and preparedness in areas that are critical to emergency medical services staff. The purchases for the criminal justice program will allow the school to have operational equipment that is representative of what is being used in the workplace to provide safe and effective training.

- **Lansing Community College**

Lansing Community College is requesting an increase to their CCSTEP award in the amount of \$200,000.00. This increase will bring the total CCSTEP grant award for Lansing Community College to \$5,000,000.00. Lansing Community College, with their current CCSTEP funding, is completing the purchase of some of the latest high-tech equipment in welding and advanced manufacturing that mirrors their regional manufacturer's factory floors. Due to feedback from industry, Lansing Community College would like to add six additional equipment purchases for advance manufacturing and welding that will allow the extension of high-tech equipment used in manufacturing to be brought into the classroom environment.

MICHIGAN STRATEGIC FUND

RESOLUTION

2016-

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

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

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

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

WHEREAS, MEDC and TIA staff determined that it is necessary to increase the CCSTEP grants awarded to Delta Community College, Henry Ford College, Kirtland Community College and Lansing Community College as detailed in the memo to the MSF Board dated October 25, 2016 and in Exhibit A to this Resolution (the “CCSTEP Grant Amendments”);

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

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
October 25, 2016

Exhibit A

College	Original Award	Revised Award
Delta Community College	\$1,569,005	\$1,854,434
Henry Ford College	\$4,528,613	\$4,999,385
Kirtland Community College	\$2,656,184	\$2,784,379
Lansing Community College	\$4,800,000	\$5,000,000

MICHIGAN STRATEGIC FUND

2017 Proposed Meeting Dates

**Michigan Economic Development Corporation
300 N. Washington Square
Lake Michigan Conference Room
Lansing, Michigan**

Tuesday, January 24, 2017
10:00 am

Tuesday, February 28, 2017
10:00 am

Tuesday, March 28, 2017
10:00 am

Tuesday, April 25, 2017
10:00 am

Tuesday, May 23, 2017
10:00 am

Tuesday, June 27, 2017
10:00 am

Tuesday, July 25, 2017
10:00 am

Tuesday, August 22, 2017
10:00 am

Tuesday, September 26, 2017
10:00 am

Tuesday, October 24, 2017
10:00 am

Tuesday, November 28, 2017
10:00 am

Tuesday, December 19, 2017
10:00 am

MEMORANDUM

Date: October 25, 2016
To: MSF Board
From: Fred Molnar, VP, Entrepreneurship and Innovation
Subject: Michigan Small Business Development Center Extension and Refunding Request

MEDC Staff recommends the Michigan Strategic Fund (MSF) Board approve grant amendments for the Michigan Small Business Development Center (SBDC) to 1) increase the funding for each program in the amounts listed below, 2) consolidate the four grants into one master grant agreement and 3) align the end dates of the four grants to December 31, 2019 (collectively, the Request).

Funding requests for each program are as follows:

Technology Counseling Services (TCS)	\$1,500,000
Business Accelerator Services (BAF)	\$1,200,000
Emerging Technologies Fund (ETF)	\$2,100,000
Core Services	\$1,625,000

These services offer crucial assistance to companies and institutions in commercializing novel, competitive-edge technologies with the potential for generating and retaining highly skilled jobs, as well as supporting entrepreneurs building core businesses.

BACKGROUND TO AWARDS

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

The Technology Counseling Services (TCS) program supports new entrepreneurs in starting and growing high-tech businesses by providing training in areas such as strategic planning, business operations and investment attraction. On February 25, 2014, the MSF selected the MI-SBDC to receive a grant to renew the TCS program in the amount of \$2,423,280 (Resolution 2014-017) along with an additional \$1,250,000 (Resolution 2015-154) awarded on October 27, 2015. This amount is governed under the terms and conditions of the Grant Agreement which began on January 1, 2014 and ends December 31, 2016.

The Business Accelerator Fund (BAF) provides a series of small grants (totaling a maximum of \$50,000) for high tech businesses to access the required specialized services they need to grow and compete, such as IP attorneys and marketing specialists. On February 25, 2014, the MSF selected the MI-SBDC to receive a grant to renew the BAF program in the amount of \$1,733,248

(Resolution 2014-018) along with an additional \$1,965,000 on February 24, 2015 (Resolution 2015-018). This amount is governed under the terms and conditions of the Grant Agreement which began on April 1, 2014 and ends September 30, 2017.

The ETF program is designed to attract federal dollars into the State in the form of Small Business Innovation Research (SBIR) and Small Business Technology Transfer Research (STTR) awards, which can be worth up to several million dollars each. ETF provides 25% matching funds of up to \$25,000 for Phase I and \$125,000 for Phase II clinical studies associated with these awards. On February 25, 2014, the MSF selected the MI-SBDC to receive a grant to renew the ETF program in the amount of \$2,293,472 (Resolution 2014-017) along with an additional \$2,076,500 (Resolution 2014-178) awarded on October 28, 2014 and \$2,500,000 (Resolution 2015-153) on October 27, 2015. This amount is governed under the terms and conditions of the Grant Agreement which began April 28, 2014 and ends December 31, 2016.

The Core program is designed to support non high-tech business start-ups by providing services such as business counseling, market education and grant writing assistance. On December 15, 2015, the MSF selected the MI-SBDC to receive a grant for the Core program in the amount of \$1,350,000 (Resolution 2015-189). This amount is governed under the terms and conditions of the Grant Agreement which began on January 1, 2016 and ends December 31, 2020.

In order to reduce the administrative burden on MEDC, MEDC staff also recommend that the MSF Board approve the consolidation of the four grants into one master grant agreement with the SBDC and that the end dates of all grants are aligned to December 31, 2019. The current grant agreements are based on a single template and so none of the key terms and conditions will be altered in the transfer to a single agreement. In particular, the refunding of each program will continue to depend on the availability of funds and the performance of the grantee, disbursements will be linked to the same reporting and deliverables as for current contracts, and the default and 'clawback' clauses will remain unchanged.

PROGRAM RESULTS

The SBDC programs continue to meet and exceed designated metrics. Since January 2014, the TCS program has created 473 full time positions, retained 954 employees, and attracted \$242,190,362 in third party and follow on funding. Since April 2014, the BAF program has created 169 full time positions, retained 1,132 employees, and attracted \$64,485,311 in third party and follow on funding. In the same time period, the ETF program created 127 new jobs, retained 231 employees, and attracted over \$33,000,000 in federal SBIR and STTR dollars, with \$46,749,558 in third party and follow on funding. Core client companies have created 962 jobs, retained 673, and attracted \$50,015,152 in third party and follow on funding.

BACKGROUND TO REFUNDING REQUEST

The SBDC continues to be the primary strategic entrepreneurship partner for MEDC and operates across the entirety of the State of Michigan. They work closely with MEDC staff and their programs continually achieve or exceed the metrics required by MEDC. This request is to continue funding for programs that are operating currently and have a strong, proven track record, while taking steps to reduce the associated administrative burden on MEDC staff.

RECOMMENDATION

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

**MICHIGAN STRATEGIC FUND
RESOLUTION
2016-**

MICHIGAN SMALL BUSINESS DEVELOPMENT CENTER AMENDMENT

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

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

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

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

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

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

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

WHEREAS, the MEDC recommends that the MSF amend the TCS Program Grant, the BAF Grant, the ETF Grant and the Core Services grant in accordance with the following: 1) increase the TCS Program Grant by \$1,500,000; 2) increase the BAF Grant by \$1,200,000; 3) increase the ETF Grant by \$2,100,000; 4) increase the Core Services Grant by \$1,625,000; and 5) consolidate the TCS Program Grant, the BAF Grant, the ETF Grant and the Core Services Grant into on master grant agreement with an

expiration date of December 31, 2019 (the aforementioned, collectively, the “MI-SBDC Grant Amendment Request”); and

WHEREAS, the MSF wishes to approve the MI-SBDC Grant Amendment Request.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves MI-SBDC Grant Amendment Request; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
October 25, 2016

MEMORANDUM

Date: October 25, 2016

To: Michigan Strategic Fund

From: Denise Graves, University Relations Director

Subject: Entrepreneurial Support Specialized Services – Michigan SBIR/STTR Assistance Program - Grant Extension and Refunding Request

Action

MEDC Staff recommends the MSF Board approve a grant amendment for an extension of two years and refunding in an amount totaling \$960,000 from the FY2017 Entrepreneurship and Innovation budget line item.

Background

On June 24, 2014, the MSF Board awarded BBC Entrepreneurial Training Corporation, through a competitive RFP process, an Entrepreneurial Support Specialized Services Michigan SBIR/STTR Assistance Program grant in the amount of \$960,000 for two years, ending December 31, 2016.

The SBIR/STTR programs are federal funding programs. The SBIR (small business innovation research) program is a highly competitive program that encourages domestic small businesses to engage in federal research and development that has the potential for commercialization. The STTR (small business technology transfer) program expands funding opportunities in the federal innovation research and development arena. Central to the program is expansion of the public/private sector partnership to include the joint venture opportunities for small businesses and nonprofit research institutions.

The Michigan SBIR/STTR Assistance Program is a statewide program working with all institutions of higher learning and SmartZone networks to assist in the awareness of non-dilutive federal funding opportunities. This is accomplished through comprehensive training sessions, hands-on one-on-one coaching through the process of proposal development and submission and developing commercialization strategies for the respective technology.

To date, the program has achieved the following metrics: completed 54 training sessions with 555 attendees and assisted 88 individual companies with grant assistance, with those companies receiving over \$32 million in federal SBIR/STTR funding.

Recommendation

MEDC Staff recommends the MSF Board approve this grant amendment for extension and refunding and that the MSF Board delegate authority to the MSF Fund Manager, with the assistance of MEDC staff, to negotiate and execute the final terms and conditions for the grant agreement.

**MICHIGAN STRATEGIC FUND
RESOLUTION**

2016-

BBC ENTREPRENEURIAL TRAINING CORPORATION GRANT AMENDMENT #1

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

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

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

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

WHEREAS, at its April 22, 2014 meeting, the MSF Board issued a request for proposals to award grants to non-profit organizations that provided specialized support services to early-state technology companies and institutions commercializing competitive edge technologies (the “Entrepreneurial Specialized Support Services RFP”);

WHEREAS, on June 24, 2014, the MSF Board authorized a grant of up to \$960,000 to BBC Entrepreneurial Training Corporation (“BBC”) to operate the SBIR/STTR Assistance Program for an initial term of January 1, 2015 to December 31, 2016, with the option to extend the term of the grant for up to an additional three years and to add additional funding at the sole discretion of the MSF (the “BBC Grant”);

WHEREAS, the MEDC recommends that the MSF Board exercise its first option to extend the BBC Grant for an additional two years to December 31, 2018 and allocate \$960,000 in additional funding from the FY 2017 allocation for Entrepreneurial Programs and Grants (the “BBC Grant Amendment”); and

WHEREAS, the MSF Board wishes to approve the BBC Grant Amendment.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the BBC Grant Amendment;

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

Ayes:

Nays:

Recused:

Lansing, Michigan
October 25, 2016

MEMORANDUM

Date: October 25, 2016

To: Michigan Strategic Fund Board

From: Marcia Gebarowski, Senior Business Development Project Manager

Subject: *Flex N Gate Detroit, LLC (“Company”)
Next Michigan Renaissance Zone Program
Eligible Next Michigan Business Certification*

REQUEST

This is a request to approve Flex N Gate Detroit, LLC as a qualified eligible Next Michigan Business (NMB) within the boundaries of the City of Detroit Next Michigan Development Corporation (D-NMDC) Renaissance Zone for a period of ten years.

PROGRAM BACKGROUND

The Michigan Renaissance Zone Act (Act 376 of 1996) gives the MSF Board the authority to designate renaissance zone benefits to eligible Next Michigan Businesses (NMB) with qualifying projects intending to locate or expand within the boundaries of a Next Michigan development district. The role of the NMDC is to attract eligible NMBs to its district by utilizing the authority of the MSF to grant state tax incentives, most notably renaissance zone benefits.

Under delegated authority, the MSF approved the renaissance zone boundary recommended by the D-NMDC; in order to move forward with the acquisition of the subject property from the City of Detroit, Flex N Gate must be certified by the MSF as an eligible NMB. The D-NMDC has submitted an application on behalf of Flex N Gate Detroit, LLC recommending they be certified by the MSF as an eligible NMB, requesting Flex N Gate receive renaissance zone benefits for ten years within the approved boundaries (see attached Exhibit A).

The Next Michigan Renaissance Zone would become effective on January 1, 2017, and end on December 31, 2026 for property parcels identified in Exhibit A (see attached) (the “Zone”).

PROJECT BACKGROUND

Flex N Gate was incorporated in 1956 and headquartered 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 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 to support future contracts that the Company may be awarded to put this building into full operation.

At the May 24, 2016 board meeting, the MSF approved the project for a \$3.5 million MBDP grant, which will create 650 Qualified New Jobs and invest \$95 million in the city of Detroit. The renaissance zone designation was part of the project request at the time of BDP approval, making this request the final piece to the completion of this project.

The Renaissance Zone footprint would be 30.58 acres located near 7000 Georgia Street in the City of Detroit.

PROJECT EVALUATION

Next Michigan Business Eligibility

Flex N Gate Detroit, LLC is defined as a supply chain business providing a majority of its services to businesses engaged in the shipment of tangible personal property, including inventory, via multimodal commerce. Flex N Gate will supply parts to Ford Motor Company for automobile production as a result of this project. Ford utilizes truck and rail to transport their vehicles nationwide.

Committee Evaluation

An internal joint committee, established under MSF delegate authority, has reviewed the application submitted by the D-NMDC and recommends approval to certify Flex N Gate Detroit, LLC as an eligible NMB.

Job Creation

A minimum of 400 new jobs and up to 750 jobs overall

Private Investment

\$95 Million by December 2018

Number of Acres

30.583 acres

Tax Information

It is estimated that an average of \$1,100,000 will be abated annually in property taxes.

Period of Designation

10 year designation

RECOMMENDATION

MEDC Staff recommends the following:

1. Approval of the Application which certifies the Company as a qualified eligible next Michigan business within the boundaries of the Zone for a period of ten (10) years beginning December 31, 2016 and expiring December 30, 2026, for property tax purposes, and beginning January 1, 2017 and expiring December 31, 2026 for all other purposes, provided that:
 - a. The Company acquires ownership of the land within the Zone from the City of Detroit by December 31, 2016; and
 - b. The Company shall create four hundred (400) new full-time jobs and invest at least ninety-five million dollars (\$95,000,000) within the Zone, consistent with the terms of the Development Agreement;
2. The MSF ratifies the Development Agreement and authorizes the Fund Manager to negotiate the final terms and conditions of any other related documents necessary on behalf of the MSF.

MICHIGAN STRATEGIC FUND

RESOLUTION 2016-

ELIGIBLE NEXT MICHIGAN BUSINESS CERTIFICATION Flex-N-Gate Detroit, LLC

WHEREAS, Section 8h of the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, authorizes the Michigan Strategic Fund (“MSF”) to certify up to 25 eligible next Michigan businesses (“NMBs”) as qualified eligible NMBs, and therefore, capable of receiving the benefits of a previously-designated next Michigan renaissance zone, at the application of a Next Michigan Development Corporation (“NMDC”);

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

WHEREAS, the City of Detroit NMDC has submitted an application to the MEDC to recommend that Flex-N-Gate Detroit, LLC (the “Company”) be certified as a qualified eligible NMB for its project located within the City of Detroit (the “Project”) within the boundaries of a next Michigan renaissance zone previously-designated via delegated approval (the “Application”);

WHEREAS, pursuant to the Act, a committee appointed by the MSF via delegated authority met to review and evaluate the Application and voted to recommend the MSF Board approve the Application and the certification of the Company as a qualified eligible NMB;

WHEREAS, the Application, along with related documentation, provides a basis for finding that the Company and the Project meet the statutory requirements of the Act and the Next Michigan Renaissance Zone and Next Michigan Business Certification Policy Guidelines, as approved by the MSF Board in MSF Resolution 2016-171, as well as, providing competent and material evidence that subsection 8h(2) of the Act has been complied with;

WHEREAS, pursuant Section 8h(8) of the Act and consistent with the template approved by the MSF Board in MSF Resolution 2016-171, the Company has entered in to a development agreement, contingent upon the MSF Board’s approval of the certification of the Company, with the MSF governing the proposed certification and outlining the job creation and capital investment requirements, among other terms, related to the Project (the “Development Agreement”);

WHEREAS, the MEDC recommends that the MSF Board approve the Application and certify the Company as a qualified eligible next Michigan business within the boundaries of the City of Detroit NMDC next Michigan renaissance zone approved via delegated authority on October 6, 2016 (the “Zone”) for a period of ten (10) years beginning on December 31, 2016 and expiring on December 30, 2026, for property tax purposes, and beginning January 1, 2017 and expiring December 31, 2026 for all other purposes, provided that:

1. The Company acquires ownership of the land within the Zone from the City of Detroit by December 31, 2016; and
2. The Company creates four hundred (400) new full-time jobs and invests at least ninety-five million dollars (\$95,000,000) within the Zone, consistent with the terms of the Development Agreement.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the Application and certifies the Company as a qualified eligible next Michigan business within the boundaries of the Zone for a period of ten (10) years beginning on December 31, 2016 and expiring on December 30, 2026, for property tax purposes, and beginning January 1, 2017 and expiring December 31, 2026 for all other purposes, provided that:

1. The Company acquires ownership of the land within the Zone from the City of Detroit by December 31, 2016; and
2. The Company shall create four hundred (400) new full-time jobs and invest at least ninety-five million dollars (\$95,000,000) within the Zone, consistent with the terms of the Development Agreement;

BE IT FURTHER RESOLVED, the MSF Board finds that there is competent and material evidence to indicate that subsection 8h(2) of the Act has been complied with;

BE IT FURTHER RESOLVED, the MSF Board ratifies the Development Agreement and authorizes the Fund Manager to negotiate the final terms and conditions of any other related documents necessary to effectuate the terms of this Resolution on behalf of the MSF.

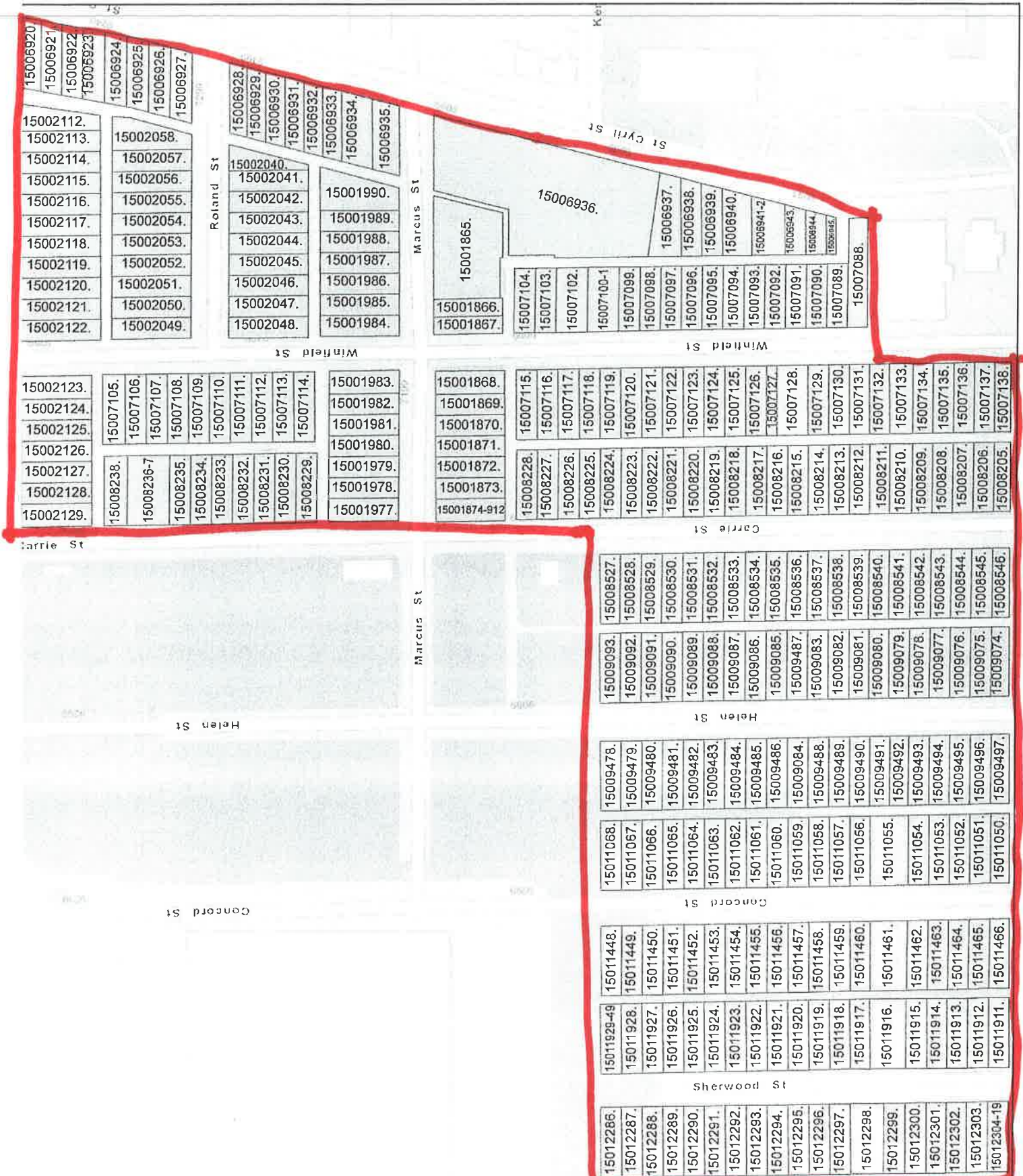
Ayes:

Nays:

Recused:

Lansing, Michigan
October 25, 2016

Flex|N|Gate RZ



Sources: Esri, HERE, DeLorme, USGS, Intermap, increment P Corp., NRCAN, Esri Japan, METI, Esri China (Hong Kong), Esri (Thailand), MapmyIndia, © OpenStreetMap contributors, and the GIS User Community

MEMORANDUM

Date: October 25, 2016

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

From: Trevor Friedeberg, Business Development Project Manager

Subject: Gestamp Mason, LLC
AND
Gestamp Washtenaw, LLC
(Collectively the “Company” or “Applicant”)
Michigan Business Development Program Performance-based Grant Request

Summary

This is a request from the Applicant for a \$1,175,000 performance-based grant. This project involves the creation of 235 Qualified New Jobs as a result of the project, and a capital investment of up to \$158 million in the City of Chelsea and the City of Mason.

The Applicant has demonstrated a need for the funding. The Company has excess capacity at a new facility in Tennessee for the new chassis components production and assembly. The Company also has a facility in West Virginia which could absorb part of the new production. The Company has examined building and locations in Northwest Ohio and Northern Indiana for the projects as well. These locations provide reduced logistical costs and represent lower capital requirement alternatives to the Company when compared to Michigan.

Background

The parent company, Corporacion Gestamp, is based in Madrid Spain and is an international group, which has designed, developed and manufactured metal parts and assemblies for automobile manufacturers since 1997. It specializes in the development of products with an innovative design to produce lighter and safer vehicles, which offer improved energy consumption and a reduced environmental impact. The parent company’s product portfolio includes vehicle bodies and chassis, complex assembly and mechanical opening systems, as well as tooling and, die-cutting.

With incentive assistance, the Company can make the case to management that Michigan is the best location for the projects. The Company is contemplating increasing its presence in the South, where substantial investments have recently been made by the Company. Without incentive consideration, the locations in the South which are viewed as cheaper alternatives will be considered.

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

The Applicant plans to expand operations for a new chassis assembly line and an electronic coat paint line as well as adding a remote laser welding 3D technology line in Chelsea and Mason, make investments and create jobs related to motor vehicle metal stamping.

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

Considerations

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.
- b) The project will be located in the City of Chelsea and the City of Mason. The City of Chelsea and the City of Mason have offered a “staff, financial, or economic commitment to the project” in the form of tax abatements on real and/or personal property.
- c) The Applicant has demonstrated a need for the funding. The Company has locations in Tennessee and West Virginia, which could easily absorb some or all of the increased manufacturing. Ohio and Northern Indiana were also being considered as alternative locations for the Company to explore.
- d) The Applicant plans to create 235 Qualified New Jobs above a statewide base employment level of 872.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: the project is not a retail project; is not a retention project; involves out-of-state competition; has a net positive return to Michigan; has a high wage level for new jobs; projected employer benefits; and the project has strong links to Michigan suppliers.

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
GESTAMP MASON, LLC AND GESTAMP WASHTENAW, 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, Gestamp Mason, LLC and Gestamp Washtenaw, LLC (“Company”) has requested a performance based MBDP grant of up to \$1,175,000 (“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
October 25, 2016

MICHIGAN ECONOMIC
DEVELOPMENT CORPORATION

**MICHIGAN BUSINESS DEVELOPMENT PROGRAM
Performance Based Grant - Term Sheet**

The following is a summary of the highlights of the project and basic terms for which the Company desires grant support from the Michigan Strategic Fund ("MSF") under the Michigan Business Development Program ("MBDP"). While the MBDP is operated and funded through the MSF, recommendation for approval of a MBDP incentive award is presented by the Michigan Economic Development Corporation ("MEDC") to the MSF.

Date: 10/6/2016

- 1. Company Name:** Gestamp Mason, LLC AND Gestamp Washtenaw, LLC
("Company" or "Applicant")
- 2. Company Address:** 2701 Troy Center Drive Suite 150
Troy MI, 48084
- 3. Project Address ("Project"):** 5800 Sibley Road
Chelsea, MI 48118
AND
200 Kipp Road
Mason, MI 48854
- 4. MBDP Incentive Type:** Performance Based Grant
- 5. Maximum Amount of MBDP Incentive:** Up to \$1,175,000("MBDP Incentive Award")
- 6. Base Employment Level** 872 The number of jobs currently maintained in Michigan by the Company and Gestamp North America, Inc. and Gestamp Alabama, LLC or any combination ("Company Group") based on data submitted by the Company to the MEDC reflecting the Company Group's statewide employment level in Michigan prior to the proposed project. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement ("Agreement") between the MSF and the Company.
- 7. Total Qualified New Job Creation:** 235 The minimum number of total Qualified New
(above Base Employment Level) Jobs the Company shall be required to create in Michigan (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the

PURE MICHIGAN*

full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required), and each Qualified New Job must be in excess of the Base Employment Level. The final terms and conditions of the requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.

- a. **Start Date for Measurement of Creation of Qualified New Jobs:** Date of Approval of MSF Award

- 8. **Company Investment:** \$158 million in building purchase, building renovations, machinery and equipment, new building construction, and computers and IT or any combination thereof, for the Project.

- 9. **Municipality supporting the Project:** City of Chelsea and City of Mason
 - a. **Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide: the City of Chelsea will provide a tax abatement on real and/or personal property. The City of Mason will also provide a tax abatement on real and/or personal property. The final terms and conditions demonstrating this support shall be included in the final Agreement.

- 10. **Disbursement Milestones:** The final terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award shall be included in the final Agreement, including that before any disbursement is made to the Company, the Company Group must have maintained: (i) the Base Employment Level (exclusive of the number of Qualified New Jobs then created) and (ii) any Qualified New Jobs created for which disbursements by the MSF have been made, and the Company must otherwise be in compliance with all terms and conditions of the final Agreement, and further shall include:
 - a. **Disbursement Milestone 1:** Up to \$375,000 Upon demonstrated creation of 75 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than December 31, 2018.

 - b. **Disbursement Milestone 2:** Up to \$800,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 160 additional Qualified New Jobs (for a total of 235 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2019.

11. Term of Agreement:

Execution of Agreement to June 30, 2020

12. Repayment Provisions:

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

13. Reporting Requirements:

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

14. Public Announcements:

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

Any final MBDP Incentive Award is contingent upon several factors, including: (i) submission by the Company of a completed application and all other documentation required under the MBDP (ii) satisfactory municipality support (iii) available MSF funding (iv) completion of financial review, business integrity review, required background checks, and other business and legal review and due diligence as required, and the results of which must be satisfactory to the MEDC, the MSF, and as applicable, the Chief Compliance Officer, (v) approval of an award by the MSF, and (vi) execution of a final Agreement containing the established milestones, repayment terms, reporting requirements, and all other detailed terms and conditions, required by the MSF.

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by October 11, 2016 the MEDC may not be able to proceed with any recommendation to the MSF.

Acknowledged as received by:

Gestamp Mason, LLC/Gestamp Washtenaw, LLC

Michigan Economic Development Corporation

By:



By:



Printed Name:

BRIAN BRUNZELL

Printed Name:

Trevor Friestberg

Its:

SIC DIRECTOR BUSINESS PLAN Its:

Business Development Project Mgr.

Dated:

10/12/2016

Dated:

10/12/2016

MEMORANDUM

Date: October 25, 2016

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

From: Trevor Friedeberg, Business Development Project Manager

Subject: Gestamp North America, Inc. (“Company” or “Applicant”)
Michigan Business Development Program Performance-based Grant Request

Summary

This is a request from the Applicant for a \$400,000 performance-based grant. This project involves the creation of 60 Qualified New Jobs, as a result of the project, and a capital investment of up to \$700,000 in the City of Troy.

The Applicant has demonstrated a need for the funding. The Company has had tremendous growth in the Southern United States with several new operations and expansions occurring over the past several years. Due to significant growth at facilities in the Southern United States and Mexico, the Company is contemplating two regional headquarters, one in Mexico and a second in the South as alternatives to expanding the existing Headquarters footprint.

Background

The parent company, Corporacion Gestamp, is based in Madrid Spain and is an international group, which has designed, developed and manufactured metal parts and assemblies for automobile manufacturers since 1997. It specializes in the development of products with an innovative design to produce lighter and safer vehicles, which offer improved energy consumption and a reduced environmental impact. The parent company’s product portfolio includes vehicle bodies and chassis, complex assembly and mechanical opening systems, as well as tooling and, die-cutting.

With incentive assistance the Company will continue to expand its location in Troy instead of setting up regional offices throughout the South and Mexico, which would have logistical benefits of being close to some of the Company’s biggest investments.

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

The Applicant plans to expand its headquarter footprint in the City of Troy, make investments and create jobs related to corporate, subsidiary, and regional managing offices.

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

Considerations

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.
- b) The project will be located in the City of Troy. The City of Troy has offered a “staff, financial, or economic commitment to the project” in the form of marketing and promotion assistance.
- c) The Applicant has demonstrated a need for the funding. The Company has alternative locations being contemplated for the project. Due to significant growth at facilities in the Southern United States and Mexico, the Company is considering two regional headquarters, one in Mexico and a second in the South as alternatives to expanding the existing Headquarters footprint.
- d) The Applicant plans to create 60 Qualified New Jobs above a statewide base employment level of 872.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: the project is not a retail project; is not a retention project; involves out-of-state competition; has a net positive return to Michigan; has a high wage level for new jobs; projected employer benefits; and the project has strong links to Michigan suppliers.

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
GESTAMP NORTH AMERICA, INC.**

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

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

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

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

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

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

WHEREAS, Gestamp North America, Inc. (“Company”) has requested a performance based MBDP grant of up to \$400,000 (“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
October 25, 2016

MICHIGAN BUSINESS DEVELOPMENT PROGRAM Performance Based Grant - Term Sheet

The following is a summary of the highlights of the project and basic terms for which the Company desires grant support from the Michigan Strategic Fund (“MSF”) under the Michigan Business Development Program (“MBDP”). While the MBDP is operated and funded through the MSF, recommendation for approval of a MBDP incentive award is presented by the Michigan Economic Development Corporation (“MEDC”) to the MSF.

Date: 10/6/2016

- 1. Company Name:** Gestamp North America, Inc. (“Company” or “Applicant”)
- 2. Company Address (“Project”):** 2701 Troy Center Drive Suite 150
Troy, MI 48084
- 3. MBDP Incentive Type:** Performance Based Grant
- 4. Maximum Amount of MBDP Incentive:** Up to \$400,000 (“MBDP Incentive Award”)
- 5. Base Employment Level** 872 The number of jobs currently maintained in Michigan by the Company and Gestamp Mason, LLC, Gestamp Washtenaw, LLC, and Gestamp Alabama, LLC or any combination (“Company Group”) based on data submitted by the Company to the MEDC reflecting the Company’s Company Group’s statewide employment level in Michigan prior to the proposed project. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement (“Agreement”) between the MSF and the Company.
- 6. Total Qualified New Job Creation:** 60 The minimum number of total Qualified New Jobs the Company shall be required to create in Michigan (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required), and each Qualified New Job must be in excess of the Base Employment Level. The final terms and
(above Base Employment Level)

conditions of the requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.

a. **Start Date for Measurement of Creation of Qualified New Jobs:** Date of Approval of MSF Award

7. **Company Investment:** \$700,000 in Computer and IT and Other Personal Property or any combination thereof, for the Project.

8. **Municipality supporting the Project:** City of Troy

a. **Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide: the City of Troy has agreed to provide Marketing/Promotions Assistance. The final terms and conditions demonstrating this support shall be included in the final Agreement.

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

a. **Disbursement Milestone:** Up to \$400,000 Upon demonstrated creation of 60 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than December 31, 2017.

10. **Term of Agreement:** Execution of Agreement to June 30, 2017.

11. Repayment Provisions:

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

12. Reporting Requirements:

Periodic reporting will be required with this program. The detailed information needed from the Company will be included in the final Agreement, but will include Project reporting for such things as: amount of proposed incentive, amount of actual incentive received by Company; amount of proposed and actual

investment made by Company for Project; the committed number of new jobs and the actual number of new jobs created as a result of the Project.

13. Public Announcements:

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

Any final MBDP Incentive Award is contingent upon several factors, including: (i) submission by the Company of a completed application and all other documentation required under the MBDP (ii) satisfactory municipality support (iii) available MSF funding (iv) completion of financial review, business integrity review, required background checks, and other business and legal review and due diligence as required, and the results of which must be satisfactory to the MEDC, the MSF, and as applicable, the Chief Compliance Officer, (v) approval of an award by the MSF, and (vi) execution of a final Agreement containing the established milestones, repayment terms, reporting requirements, and all other detailed terms and conditions, required by the MSF.

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by October 11, 2016., the MEDC may not be able to proceed with any recommendation to the MSF.

Acknowledged as received by:

Gestamp North America, Inc.

Michigan Economic Development Corporation

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Its: _____

Its: _____

Dated: _____

Dated: _____

MEMORANDUM

Date: October 25, 2016

To: Michigan Strategic Fund Board

From: Christopher Cook, Director, Capital Access

Subject: *Private Activity Bond – Authorizing
The Young Men’s Christian Association of Greater Grand Rapids
Non-Profit – Not to Exceed \$50,000,000 – Refunding & New*

Request:

The Young Men’s Christian Association of Greater Grand Rapids (“YMCA”), a not-for-profit organization, is requesting private activity bond financing for purposes of (a) refunding the YMCA’s Michigan Strategic Fund (“MSF”) Variable Rate Demand Limited Obligation Revenue Bonds, Series 2004, with an outstanding par amount of \$10,320,000; Variable Rate Demand Limited Obligation Revenue Bonds, Series 2005, with an outstanding par amount of \$3,495,000; and Multi-Modal Limited Obligation Revenue Bonds, Series 2010, with an outstanding par amount of \$12,510,000; and (b) financing and/or refinancing indebtedness incurred for the acquisition of land, construction, furnishing and equipping of a facility known as Mary Free Bed YMCA located in Cascade Charter Township; and (c) paying certain costs related to the issuance of the Series 2016 Bonds.

The YMCA indicates the Mary Free Bed YMCA is the first health and wellness facility in the world specifically designed to equally serve all individuals regardless of ability. As the first YMCA in the world to receive Global Universal Design Certification from the Global Design Commission, West Michigan now serves as a model in a new certification process that is expected to be the standard for Universal Design in architecture and construction. This environment enables people of all abilities to experience a fully accessible health and wellness facility side-by-side. The LEED-certified and fully accessible facility includes: two and one-half gymnasiums, two pools, two group fitness and indoor cycling studios, an indoor track, climbing wall, fitness equipment, wheelchair softball field, tennis courts, baseball and soccer fields, a greenhouse, teaching kitchen, learning farm and access to the Rapids Bus line. The Carol Van Andel Healthy Living Center is also located in the Mary Free Bed YMCA. The Carol Van Andel Healthy Living Center serves as an incubator for new healthy living initiatives and innovative evidence-based programs intended to reduce the growing obesity epidemic and combat preventable chronic disease through nutrition education, physical activity and education.

Background:

The YMCA was founded in 1866 with the establishment of its downtown location. The YMCA was incorporated in Michigan on February 20, 1869 and was classified by the Internal Revenue Service as a 501(c)(3) organization on July 30, 1942.

The YMCA employs approximately 1,632 people at ten different locations in Michigan. The projected number of jobs to be created and/or retained as a result of the Mary Free Bed project at full operation is estimated to be approximately 254. The YMCA currently operates the following branch locations as well as a residential camp:

David D. Hunting YMCA – Downtown Grand Rapids
Mary Free Bed YMCA – Cascade Charter Township
Spartan Stores YMCA - Wyoming
Visser Family YMCA – Grandville
Wolverine Worldwide Family YMCA – Belmont
Ionia YMCA – Ionia
Lowell YMCA – Lowell
YMCA Camp Manitou-Lin – Middleville.

Plans of Finance:

The Bonds will be issued in more than one series in the aggregate principal amount of not to exceed \$50,000,000. The Bonds will be initially issued in a bank purchase rate mode and will be purchased in separate series by CFC Capital Inc., a Michigan corporation, Huntington Public Capital Corporation, a Nevada corporation and Macatawa Bank, a Michigan banking corporation.

Recommendation:

Based upon a determination by Varnum LLP 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 \$50,000,000

RESOLUTION TO AUTHORIZE THE ISSUANCE OF THE MICHIGAN
STRATEGIC FUND MULTI-MODAL LIMITED OBLIGATION REVENUE AND
REFUNDING BONDS (YMCA OF GREATER GRAND RAPIDS OBLIGATED
GROUP), SERIES 2016A, SERIES 2016B, SERIES 2016C, AND MULTI-MODAL
LIMITED OBLIGATION REVENUE AND REFUNDING BONDS (YMCA OF
GREATER GRAND RAPIDS OBLIGATED GROUP), SERIES 2016D
(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. The Young Men’s Christian Association of Greater Grand Rapids, a Michigan nonprofit corporation (the “Obligor”), has requested a loan from the Fund to (i) finance and/or refinance indebtedness incurred to acquire land, and construct, furnish and equip an approximately 116,200 square foot facility located in Cascade Charter Township, Kent County, Michigan, (the “2016 Project”); (ii) currently refund all or portions of the Fund’s outstanding Variable Rate Demand Limited Obligation Revenue Bonds, Series 2004 (The YMCA of Greater Grand Rapids Project (the “2004 Project”), Variable Rate Demand Limited Obligation Revenue Bonds, Series 2005 (The YMCA of Greater Grand Rapids Project) (the “2005 Project”), and Multi-Modal Limited Obligation Revenue Bonds, Series 2010 (The YMCA of Greater Grand Rapids) (the “2010 Project” and collectively with the 2004 Project, and the 2005 Project, the “Prior Projects”); and (iii) pay all or a portion of the costs of issuing the Bonds and accomplishing the refunding (the “Issuance Costs,” and together with the 2016 Project and the Prior Projects, the “Project”).

C. The Obligor has requested the Fund to issue the Bonds, in more than one series, in the aggregate principal amount not to exceed \$50,000,000 pursuant to this resolution (the “Resolution”) and a bond trust indenture (the “Indenture”), between the Fund and U.S. Bank National Association, as trustee (the “Trustee”) dated as of November 1, 2016, relating to the Bonds to obtain funds which will be loaned to the Obligor pursuant to a loan agreement, dated as of November 1, 2016, between the Fund and the Obligor (the “Loan Agreement”) to pay costs of the Project and other costs described above.

D. The Bonds will be issued to sophisticated investors as fully registered bonds in the denomination of \$100,000 and integral multiples of \$5,000 in excess thereof.

E. The Bonds will be purchased in separate series by the hereinafter identified Purchasers pursuant to a bond purchase agreement among CFC Capital, Inc., a Michigan corporation (“CFC”), Huntington Public Capital Corporation, a Nevada corporation (“Huntington”), Macatawa Bank, a Michigan banking corporation (“Macatawa” together with CFC and Huntington, the “Purchasers”), the Fund, and the Obligor (the “Bond Purchase 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 Obligor, 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 person 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 general obligation of the Fund within the meaning of any constitutional or statutory 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 has been endorsed by the staff of the Fund the date of adoption of this Resolution, are approved:

- a. Loan Agreement
- b. Indenture
- c. Bond Purchase Agreement

Any Member and Authorized Officer are authorized to execute and deliver the Bond Purchase Agreement and any Member or Authorized Officer is authorized to execute and deliver the remaining documents identified in this Section, in substantially the forms approved, with any changes as are considered necessary or desired by him or her, permitted by the Act or otherwise by law, and not materially adverse to the Fund.

SECTION 3. Completion of Document Terms. Any Member may approve the initial interest rate applicable to the Bonds of each series, which shall not be more than 8.0% per annum, and the aggregate principal amount of the Bonds, which shall not be greater than \$50,000,000. Approval of those terms shall be evidenced by the Member's execution of the Bond Purchase Agreement.

SECTION 4. Sale and Delivery of the Bonds. A Member or an Authorized Officer shall execute, seal, and deliver the Bonds upon receipt of the following documents and payment of the purchase price for the Bonds:

- 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 Obligor and necessary certificates and representations of the Obligor acceptable to the Fund, the Attorney General, and bond counsel, and
- c. an approving opinion of the Attorney General.

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

SECTION 5. Designation of Certain Parties. U.S. Bank National Association's acceptance of duties as Trustee shall be evidenced by its execution of the Indenture.

SECTION 6. Authorization of Filings, Submissions 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 Bond Purchase Agreement, or as may be necessary to effectuate the valid issuance, sale, and delivery of the Bonds as tax-exempt bonds and otherwise as contemplated by those documents. Any Member or Authorized Officer is authorized to execute one or more swap identification

certificates for purposes of identifying an interest rate swap agreement relating to all or a portion of the Bonds as a qualified hedge.

SECTION 7. Conflict and Effectiveness. All resolutions or other proceedings of the Fund in conflict with this Resolution are repealed to the extent of the conflict. This Resolution shall become effective upon adoption. If the Bonds are not delivered to their original purchasers on or before December 31, 2016, the authority granted by this Resolution shall lapse.

Adopted.

Ayes:

Nays:

October 25, 2016
Lansing, Michigan

MEMORANDUM

Date: October 25, 2016

To: Michigan Strategic Fund Board

From: Dominic Romano, Community Assistance Team Specialist
Lisa Edmonds, Brownfield and CRP Program Specialist
Jim Davis, Underwriting and Incentive Structuring Specialist

Subject: Detroit Entrepreneur Development, LLC. - Request for Approval Michigan Community Revitalization Program Loan

Request

The proposed project will be undertaken by Detroit Entrepreneur Development, LLC. The project will redevelop a single 0.28 acre site located at 209 West Louis Glick Highway in the City of Jackson, Michigan. The project is located in Downtown Jackson and qualifies for a Michigan Community Revitalization Program (MCRP) award because the site is a facility.

Detroit Entrepreneur Development, LLC is requesting approval of a \$1,300,000 MCRP Other Economic Assistance award in the form of a Performance-Based Loan Participation.

The City of Jackson has been an impacted community where the rental housing market has been underserved. Market research supported by the Michigan State Housing Development Authority has shown the need for additional rental opportunities for the growing workforce in Jackson. This project addresses this housing need, however, a third party appraisal of the proposed completed project shows a value of \$4,040,000, which is more than \$1,300,000 less than the estimated developments costs of \$5,385,838 to complete construction. The development team has been able to secure approximately \$3.2 million traditional senior debt and is contributing another \$854 thousand (15.9%) in owner equity to the project. The remaining gap is being filled with a MCRP Loan Participation award of \$1,300,000. The MCRP award will assist in maintaining the financial stability of the project and allow the development team to achieve an acceptable projected return of around 10%. The project also supports significant job creation, addresses brownfield conditions on the site, and will act as a catalyst for additional projects in the downtown. The detailed structure of the MCRP award is provided in **Appendix A**.

The Applicant anticipates that the project will result in total capital investment of \$5,385,838 along with the creation of approximately 39 permanent full-time equivalent jobs with an average hourly wage of \$26.00.

Background

The project will redevelop a 0.28 acre, City of Jackson owned, parcel in northwest downtown Jackson. The City has previously completed demolition activities and will be building a parking lot on adjacent land to support this newly constructed building on the site. The City is also supporting the redevelopment with a Commercial Rehabilitation tax abatement spanning nine years with an approximate projected value of \$516,042. The Detroit Entrepreneur Development, LLC is primarily owned by individuals who want to act as a catalyst for downtown development in Jackson. They propose to construct approximately a 46,280 square foot, 4 story, mixed-used, urban infill project containing approximately 8,500 square feet of commercial space on the first floor and approximately 30 market rate apartments making up approximately 29,655 square feet. The developer has a Letter of Interest for the entirety of commercial space on the first floor for five years with a to-be-announced technology company. The site is a contaminated facility and will remediate the site following the due care plan submitted to the Michigan Department of Environmental Quality (DEQ). The developer has spent approximately \$150,000 to date on predevelopment costs. The developer plans to acquire the property on October 20, 2016 and begin construction by November 1, 2016. The development team has never received prior assistance from the MSF but has successfully completed other projects, one being the Grand River Brewery in Jackson.

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

Recommendation

MEDC staff recommends approval of the following:

- a) MCRP Other Economic Assistance Performance-Based Loan Participation in the amount of \$1,300,000 for Detroit Entrepreneur Development, LLC.

APPENDIX A

FINANCING OPPORTUNITY – MCRP LOAN PARTICIPATION

SUMMARY OF DEVELOPMENT SOURCES:

Bank Share	\$3,232,000	60.01%
MSF Share	\$1,300,000	24.14%
Developer Equity	\$853,838	15.85%
TOTAL	\$5,385,838	100%

LOAN FACILITY

MSF Facility

Borrower:	Detroit Entrepreneur Development, LLC or a Related Entity
Lender:	Dart Bank
Total Amount of Loans:	Currently Estimated at \$4,532,000
Lender Share:	Currently Estimated at \$3,232,000
MSF Share:	Up to the lesser of 25% “Eligible Investment” or \$1,300,000 <i>Staff is recommending deviation from our lending parameters and advancing 25% of “Eligible Investment”. The recommended increase is to reduce senior debt burden on the project and provide additional financial flexibility.</i>
Term:	To match that of Lender, anticipated to be 60 months
Amortization:	To match that of Lender, anticipated to be 300 months
Interest Rate:	On the MSF Share anticipated to be 1.00% per annum.
Repayment Terms:	To match that of Lender, currently anticipated to be 24 months of interest only payments, followed by principal and interest payments. <i>Payments on the MSF Share of the loan will be limited to a level that will allow the project to maintain a 1.20x debt service coverage ratio.</i>

- Collateral:** To match that of Lender, currently anticipated being a mortgage lien on the property, and assignment of leases and rents. MSF share of collateral will be subordinated to that of the Lender.
- Guarantee:** To match that of Lender, currently anticipated to be the limited unsecured personal guarantees of the members of Detroit Entrepreneur Development, LLC. The MSF share of guarantees will be subordinated to that of the Lender.
- MSF Fees:** The MSF shall be paid a one-time fee equal to one percent of the MSF's award amount. The Lender may charge the borrower for this fee.
- Funding:** The MSF will fund up to \$1,300,000 to be disbursed following closing of the Loan and other performance criteria.
- Other Conditions:** Approval will be contingent upon receipt of the following prior to closing or as a project Milestone:
- Executed Construction Documents (includes "Guaranteed Maximum Price" construction contract)
 - A minimum equity contribution of \$853,838

APPENDIX B – Programmatic Requirements & Screening Guidelines

MCRP Program and its Guidelines

On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program (MCRP) and on September 22, 2015, the MSF Board approved its restated program guidelines. The primary intended objective of the MCRP is to provide incentives to persons that make eligible investments on eligible property in Michigan. The total eligible investment for this project is estimated to be \$5,237,552.

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:

At the moment, the Lofts on Louis is the City of Jackson's number one development priority. The City of Jackson has an underserved rental apartment market of which this project will directly address. Professionals who currently commute from as far as Lansing and Ann Arbor will be able to relocate into the community where they are employed. The project will increase the residential and commercial density of the downtown, which will boost the image of the downtown and will provide additional tax revenue to the City.

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

The project will act as a catalyst for additional revitalization for the community. This endeavor will not only bring in more housing, but also a new business into the 8,500 square feet of commercial space with 39 new jobs for professionals to live, work and play in the city's downtown. Other adjacent projects are awaiting the outcome of this initiative to get the ball rolling; these other projects will have an impact on the downtown, in that one will redevelop a 100+ room historic hotel and another will be a mixed-use 72 one-bedroom unit building.

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

The local community has shown their support through financial assistance by selling the city-owned parcel valued at \$23,000 for \$1.00. The property was prepped by the city for new construction through demolition activities and plans redevelop a parking lot for the project. A Commercial Rehabilitation tax abatement has been approved for nine years valued at a total of \$516,042.

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

The ownership group is contributing just over 15% in equity to the project and has maximized the traditional debt available for the project. Staff is recommending to maximize the MCRP investment in the project by proposing loan participation of \$1,300,000 which will allow the project more financial flexibility and allow the ownership team to achieve a reasonable return of around 10% for the project.

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

The project does not reuse an existing structure as it will be new construction and no structures currently exist on the site.

F. Creation of jobs:

The estimated number of full-time jobs created from this project is 39. The average hourly wage is estimated to be \$26.00.

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

The level of private contributions will be a senior lender loan from Dart Bank at \$3,232,000 (60% of the project costs) and developer equity of \$853,838 (15.85% of the project costs).

H. Whether the project is financially and economically sound:

Based on the market information, the residential and commercial rental rates appear to be reasonable. This development product will have a strong advantage to attract young professionals that desire downtown living, walkable environment and close proximity to services and core community jobs. Upon reaching a stabilized occupancy it is anticipated the project will generate sufficient cash flow to cover its debt service requirement by a ratio of over 1.20 to 1.00 debt service coverage ratio. The MCRP Share of the loan will be structured in a fashion that will allow additional financial flexibility for the project. Additionally, the project will be supported by the financial backing of the ownership team.

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

The project will increase density by constructing a new 4-story building of approximately 30 market rate rental units on a vacant parcel. This structure like several in the area is within the range of size and height of surrounding buildings.

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

The project promotes mixed-use development and a walkable community. The anticipated 8,500 square foot commercial space on the first floor, in addition to the 30 rental units, will contribute to the mixed nature of the project. The approximate 46,280 square foot building features large first floor windows where the commercial space will be. The combination of a larger sidewalk, zero lot line, well-placed landscaping, and walking and biking paths which extend into the parking spaces will create a safer, walkable environment around the structure. Parking for the

building will be constructed in the rear of the structure to help promote street side pedestrian activity.

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

The project is new construction. Currently the parcel has no structure on it.

L. Whether the project promotes sustainable development:

This project will promote sustainable development by using existing utilities as an infill project within the downtown, and by using energy efficient appliances, low flow fixtures, low e glass and glazing, low VOC paints, low emitting glues/plastics/woods, motion sensor lighting, and other materials in the rental units.

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

The project is new construction and therefore does not involve a historic resource.

N. Whether the project addresses area-wide redevelopment:

The project addresses area-wide redevelopment. Other projects in the vicinity surrounding the Lofts on Louis site and in other parts of downtown Jackson include a proposed hotel redevelopment and more mixed use commercial/residential projects. The Jackson 2016 Master Plan shares, as a part of the city's values and goals, a future story of the city where the "development pattern offers a rich array of choice in commerce, entertainment, business, housing, and transportation (page 6)". The Lofts on Louis project will help to bolster the lack of housing choice in the city currently.

O. Whether the project addresses underserved markets of commerce:

The project looks to address the underserved housing market in Jackson. There are no rental products currently available with the amenities desired by young professionals according to research completed by the Anchor Initiative. Jackson's downtown had virtually no product in the \$900+/month range in 2014 which is above the average rental rate for the area (\$600-750). Just eight (8) of the 666 rental units (1%) were \$900 or more per month. The bulk of the available rental stock resides in the neighborhoods away from the urban core businesses in family-style residences. This lack of product is inconsistent with a downtown whose employers are providing jobs for engineering, IT and medical talent, and a downtown where both public and private sector investments have been significant in the last three years.

P. The level and extent of environmental contamination:

Subsurface conditions have been evaluated at the property during the course of Phase II ESA conducted by Triterra and AKT. Impacted fill material and soil were encountered across the property at depths ranging from at least 0.5 feet to 3 feet below ground level. Environmental impact includes the presence of arsenic, selenium, and mercury in soil at concentrations greater than the Part 201 GRCC. Therefore, the property meets the definition of a "facility", as defined by Section 20101 of PA 451, Part 201, as amended. The project will follow the Due Care Plan submitted to the DEQ.

Q. If the rehabilitation of the historic resource will meet the federal Secretary of the Interior's standards for rehabilitation and guidelines for rehabilitating historic buildings

(36 CFR 67):

This is not applicable as the project is new construction.

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.

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

No additional criterial needs to be considered.

APPENDIX C – Project Map and Renderings





MAXAM
ARCHITECTURE
©2011 MAXAM ARCHITECTURE, P.C. 1/1/11

Glick Highway Development
Jackson, MI



R-1

MICHIGAN STRATEGIC FUND

RESOLUTION 2016 -

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM
OTHER ECONOMIC ASSISTANCE LOAN PARTICIPATION AWARD TO
DETROIT ENTREPRENEUR DEVELOPMENT, 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, Dart Bank (“Lender”) will be providing financing to Detroit Entrepreneur Development, LLC and or related entities (“Proposed Borrower”) anticipated to be \$4,532,000 toward the construction activities and infrastructure improvements to real property (“Project”);

WHEREAS, the Lender and Proposed Borrower have requested an Other Economic Assistance Performance Based Loan Participation Award from the MSF under the MCRP for the Project in an amount not to exceed \$1,300,000 (“Award Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
October 25, 2016

EXHIBIT A

LOAN FACILITY

MSF Facility

Borrower:	Detroit Entrepreneur Development, LLC or a Related Entity
Lender:	Dart Bank
Total Amount of Loans:	Currently Estimated at \$4,532,000
Lender Share:	Currently Estimated at \$3,232,000
MSF Share:	Up to the lesser of 25% “Eligible Investment” or \$1,300,000 <i>Staff is recommending deviation from our lending parameters and advancing 25% of “Eligible Investment”. The recommended increase is to reduce senior debt burden on the project and provide additional financial flexibility.</i>
Term:	To match that of Lender, anticipated to be 60 months
Amortization:	To match that of Lender, anticipated to be 300 months
Interest Rate:	On the MSF Share anticipated to be 1.00% per annum.
Repayment Terms:	To match that of Lender, currently anticipated to be 24 months of interest only payments, followed by principal and interest payments. <i>Payments on the MSF Share of the loan will be limited to a level that will allow the project to maintain a 1.20x debt service coverage ratio.</i>
Collateral:	To match that of Lender, currently anticipated being a mortgage lien on the property, and assignment of leases and rents. MSF share of collateral will be subordinated to that of the Lender.
Guarantee:	To match that of Lender, currently anticipated to be the limited unsecured personal guarantees of the members of Detroit Entrepreneur Development, LLC. The MSF share of guarantees will be subordinated to that of the Lender.
MSF Fees:	The MSF shall be paid a one-time fee equal to one percent of the MSF’s award amount. The Lender may charge the borrower for this fee.

Funding:

The MSF will fund up to \$1,300,000 to be disbursed following closing of the Loan and other performance criteria.

Other Conditions:

Approval will be contingent upon receipt of the following prior to closing or as a project Milestone:

- Executed Construction Documents (includes “Guaranteed Maximum Price” construction contract)
- A minimum equity contribution of \$853,838

MEMORANDUM

Date: October 25, 2016

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

From: Stacy Esbrook, Regional Director, Community Assistance Team
Julius L. Edwards, Manager, Underwriting and Incentive Structuring

Subject: RecoveryPark & RecoveryPark Farms (“Company”)
Approval of a MSF Performance-Based Loan Request

Summary

This is a request to transfer \$1,000,000 from the Michigan Community Revitalization Program (MCRP) for a performance-based loan to RecoveryPark (RP) and RecoveryPark Farms, Inc. (RPF) (collectively “RP/RPF”) under MCL 125.2088b(2)(c) of the MSF statute. This request will serve as financing for the acquisition of land, build out and working capital needs related to the BETA Phase and furtherance of the overall Recovery Park Farms project. The BETA Phase of the project involves acquisition of land from the city of Detroit, referred to as “Area 1” in Appendix B, environmental remediation of the land, construction of a greenhouse containing eight (8) high tunnels and purchase of the associated equipment.

Based on the project parameters and the guidelines for the Business Development Program (BDP) and the Michigan Community Revitalization Program (MCRP), this project is not a good candidate under either program. The MCRP incentive is limited to 25% of “eligible investment” (primarily hard construction costs) and this project does not involve enough hard construction investment to generate sufficient eligible investment to meet the funding need of the company. The BDP program requires a minimum of 50 jobs be created in the near-term and this project is only expected to create 24 jobs within the first two years. In addition, BDP preference is given to second stage companies poised for growth, where this project is in the start-up phase.

Background

RecoveryPark is an independent, 501(c)(3) nonprofit organization established in 2010 with a mission to create sustainable jobs accessible to people with barriers to employment. RecoveryPark Farms is a social enterprise that launched in 2014 as a pilot in Detroit with the intention of growing branded, specialty herbs and produce sold to local chefs for farm-to-table sourcing, as means to provide job opportunities and sustainable funding for RecoveryPark. RPF expanded to a second facility in 2015 to meet growing demand for specialty produce and they are currently scaling the business up in Detroit, preparing for expansion and hiring.

RP/RPF’s business plan calls for the acquisition and redevelopment of 105 acres of land on the eastside of Detroit (northeast of the Eastern Market district – see Appendix A for site map). RP/RPF has entered into a development and lease-to-purchase agreement with the City of Detroit Planning and Development Department and the Detroit Land Bank for 40 of the 105 acres. RP/RPF has also acquired a number of

privately owned parcels in the development area, which is comprised of three development (phased) areas. RP/RPF will develop indoor and climate controlled growing technology using high-tunnel and greenhouse facilities. Such facilities enable year-round growing, a key factor to satisfying customer demand. These facilities utilize crop specific systems and growing techniques including soil based and hydroponic mediums. Many of the facilities will utilize advanced technology for light augmentation, energy conservation and water management.

The jobs RP/RPF will primarily create are low-barrier, entry level positions that are very much needed for unemployed or underemployed Detroiters. RP/RPF will be recruiting “recovering” citizens (former inmates, recovering addicts or others with structural unemployment barriers) and will be providing wrap-around services to boost employment success rates. All employees, regardless of specific challenges, will have access to the wrap-around services provided. It is anticipated that wrap-around services will include housing and transportation assistance, medical/mental health care assistance, professional and personal coaching, soft skills training and basic needs. Even though the positions will be entry-level, recovering citizens will develop highly valuable agriculture skills and will have opportunities for advancement. It is anticipated that entry-level employees will be paid \$11 per hour, plus benefits.

The MSF Board approved a \$400,000 Performance-Based Grant for the project at its March 22, 2016 meeting, of which \$200,000 has been drawn down. At the time the MEDC’s Capital Access team was evaluating the project for a potential loan guarantee for financing totaling approximately \$1.5 million that was being pursued by RP/RPF from a number of CDFIs. In its evaluation of the project the Capital Access team determined that it would be more cost effective for both the project and the MSF to provide direct financing to the project.

Since the time of the original MSF grant approval RP/RPF has been able to secure financing from the Max M. and Marjorie S. Fisher Foundation, \$50,000 from Paramount Pictures, entered into a distribution agreement with Del Bene. Additionally, they are in the process of hiring an experienced hydroponic farming director to assist in the planning and design of the hydroponics portion of the project. Lastly, RP/RPF are in discussions with Kresge Foundation for additional financial and operational support for the project. MEDC and RP/RPF staff are confident they will be able to secure some form of support from Kresge, which would be extremely beneficial to the project and its future success.

As mentioned above, the Applicant was approved for a \$400,000 Performance-Based Grant in March of 2016, of which \$200,000 has been drawn down.

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

Recommendation

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

- a) Approval of a Performance-Based Loan award request as outlined in Appendix A.

APPENDIX A

LOAN FACILITY

MSF Incentive:	Performance-Based Direct Loan
Borrower(s):	RecoveryPark and RecoveryPark Farms
Loan Amount:	\$1,000,000
Term:	60 months
Amortization:	Not applicable
Interest Rate:	0%
Repayment Terms:	Balance due at maturity. MSF will forgive 100% of the loan upon achievement of to be determined milestones (i.e. operations of the BETA farm for 3 years and securing additional financing).
Collateral:	Anticipated to be a 1 st priority lien on all assets of RecoveryPark Farms, to include but not limited to the Project Area 1 land, and all structures, machinery & equipment related to the BETA project.
Guarantee:	N/A
MSF Fees:	The MSF shall be paid a one-time fee equal to one percent of the MSF's award.
Funding:	Milestones anticipated to include, but not limited to the following: <ol style="list-style-type: none">I. Disbursement Milestone One: Up to \$500,000<ol style="list-style-type: none">A. Subject to receipt and review of the following:<ol style="list-style-type: none">a. Final budget and construction contract for BETA projectb. Evidence of adequate insurance for the project plus MSF named as payeec. Deliverance of clear title for Area 1d. Surveye. Environmental due diligencef. Evidence of taxes being on property being current on Area 1g. Final documents for Max M. and Marjorie Fisher Foundation loanh. Evidence of executed agreement with Del Benei. Evidence of monies from Paramount Picturesj. Other applicable legal due diligence

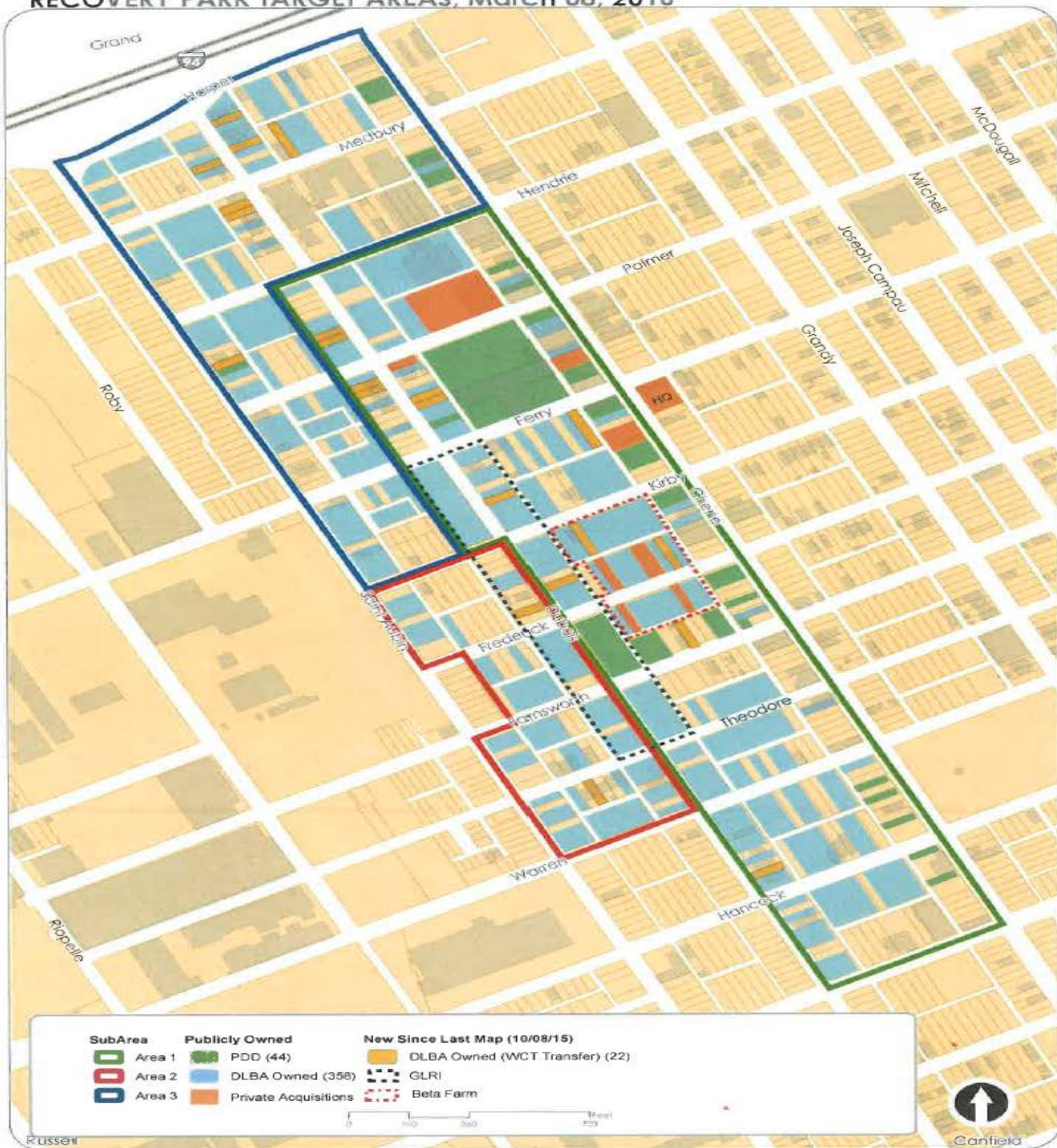
- II. Disbursement Milestone Two: Up to \$250,000
 - B. Subject to evidence of the following:
 - a. Completion of construction of the BETA project
 - b. Evidence that BEA Due Care Plan was followed (if applicable)
 - c. Evidence of creation of 12 jobs
 - d. Evidence of clear title for Area 1
 - e. Evidence of taxes being current on Area 1
 - f. Evidence of insurance requirements being current

- III. Disbursement Milestone Three: Up to \$250,000
 - C. Subject to evidence of the following:
 - a. Evidence of creation of 12 additional jobs
 - b. Evidence of clear title for Area 1
 - c. Evidence of taxes being current on Area 1
 - d. Evidence of insurance requirements being current
 - e. Evidence of a long-term (3+ years) distribution contract with Del Bene or another third-party distributor
 - f. Secured a minimum level of financing from the Kresge Foundation
 - g. Board includes at least one member of the Kresge Foundation
 - h. Formally engaged collective CDFI group or other funding source for next round of financing

APPENDIX B

DLBA PROPERTIES AND ACTIVITIES

RECOVERY PARK TARGET AREAS, March 08, 2016



**MICHIGAN STRATEGIC FUND
RESOLUTION 2016-**

**APPROVAL OF A PERFORMANCE BASED LOAN AWARD TO
RECOVERYPARK AND RECOVERYPARK FARMS, INC.**

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

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

WHEREAS, pursuant to MCL 125.2088b(2)(c), funds appropriated to the MSF for purposes of carrying out the MSF act shall be expended or invested for activities authorized under the act, as long as those activities provide for repayment for breach of the written agreement or the failure to meet measurable outcomes;

WHEREAS, pursuant to MCL 125.2007(c), the MSF has, among other things, the power to make grants;

WHEREAS, pursuant to, 2015 PA 84, Article VIII, Part 1 Section 109, Subsection 3, the legislature appropriated funds for business attraction and community revitalization;

WHEREAS, by resolution 2015-124, The MSF Board allocated the annual appropriation from the 21st Century Job Fund to the CRP and BDP;

WHEREAS, RecoveryPark and RecoveryPark Farms (“Borrower”) is interested in developing, financing, building, owning and operating an urban agriculture farm for specialty produce, consisting of “high tunnel” and greenhouse facilities in Detroit, MI (“Project”);

WHEREAS, the Borrower has requested a performance based loan award from the MSF under MCL 125.2088b(2)(c) for the Project in an amount not to exceed up to \$1,000,000 (“Award Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the Award Request will provide financing that will allow RecoveryPark and RecoveryPark Farms Inc. to continue development while full, Phase 1 financing is obtained;

WHEREAS, the MEDC has recommended that the MSF approve the Award Request in accordance with the Term Sheet, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; (iii) a requirement that Grantee maintain proper financial controls to ensure all grant funds are expended in a lawful manner; and (iv) execution of the final documentation for the Award Request within 120 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 90 days (“Award Recommendation”);

NOW THEREFORE, BE IT RESOLVED, the MSF Board approves the Award Recommendation from the funds appropriated in 2015 PA 84 of 2015, Article VIII, Part 1 Section 109, Subsection 3, for business attraction and community revitalization; and

BE IT FURTHER RESOLVED, the MSF Board approves the transfer of Michigan Community Revitalization Program Funds in the amount of the Award Request to be used for the Project under MCL 125.2088b(2)(c); and

BE IT FURTHER RESOLVED, the MSF Board approves the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate the above approved Award Recommendation.

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan
October 25, 2016

EXHIBIT A

“Term Sheet”

LOAN FACILITY

MSF Incentive:	Performance-Based Direct Loan
Borrower(s):	RecoveryPark and RecoveryPark Farms
Loan Amount:	\$1,000,000
Term:	60 months
Amortization:	Not applicable
Interest Rate:	0%
Repayment Terms:	Balance due at maturity. MSF will forgive 100% of the loan upon achievement of to be determined milestones (i.e. operations of the BETA farm for 3 years and securing additional financing).
Collateral:	Anticipated to be a 1 st priority lien on all assets of RecoveryPark Farms, to include but not limited to the Project Area 1 land, and all structures, machinery & equipment related to the BETA project.
Guarantee:	N/A
MSF Fees:	The MSF shall be paid a one-time fee equal to one percent of the MSF's award.
Funding:	Milestones anticipated to include, but not limited to the following: <ul style="list-style-type: none">I. Disbursement Milestone One: Up to \$500,000<ul style="list-style-type: none">A. Subject to receipt and review of the following:<ul style="list-style-type: none">a. Final Budget and Construction Contract for BETA projectb. Evidence of adequate insurance for the project plus MSF named as payeec. Deliverance of clear title for Area 1d. Surveye. Environmental due diligencef. Evidence of Taxes being on property being current on Area 1g. Final Documents for Max M. and Marjorie Fisher Foundation loanh. Evidence of executed agreement with Del Benei. Evidence of monies from Paramount Picturesj. Other applicable legal due diligenceII. Disbursement Milestone Two: Up to \$250,000

- B. Subject to evidence of the following:
 - a. Completion of construction of the BETA project
 - b. Evidence that BEA Due Care Plan was followed (if applicable)
 - c. Evidence of creation of 12 jobs
 - d. Evidence of clear title for Area 1
 - e. Evidence of taxes being current on Area 1
 - f. Evidence of insurance requirements being current

III. Disbursement Milestone Three: Up to \$250,000

- C. Subject to evidence of the following:
 - a. Evidence of creation of 12 additional jobs
 - b. Evidence of clear title for Area 1
 - c. Evidence of taxes being current on Area 1
 - d. Evidence of insurance requirements being current
 - e. Evidence of a long-term (3+ yrs) distribution contract with Del Bene or another third-party distributor
 - f. Secured a minimum level of financing from the Kresge Foundation
 - g. Board includes at least one member of the Kresge Foundation
 - h. Formally engaged collective CDFI group or other funding source for next round of financing

MEMORANDUM

DATE: October 25, 2016
TO: Michigan Strategic Fund (“MSF”) Board Members
FROM: Lisa Pung, Director, Community Incentives
SUBJECT: Quarterly Report of Delegated Approvals on Act 381 Work Plans

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

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

Project Name	Approval Date	Location	Approved TIF Amount	Jobs	Investment
Quimby Corner, LLC Redevelopment	9/8/2016	Grand Rapids	\$425,725	25	\$11,310,000
Inn on Water Street	9/23/2016	Marine City	\$216,800	15	\$3,549,007
Total			\$642,525	40	\$14,859,007

MEMORANDUM

DATE: October 25, 2016

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

FROM: Josh Hundt, Vice President, Business Development Projects
Lisa Pung, Director, Community Incentives

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

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

If you would like additional information on a project, please let us know.

MBDP APPROVALS

Project Name	Approval Date	Location	Incentive Approved	Jobs	Investment
124 Grand Holdings, DBA Stikwood	7/15/2016	Kentwood	\$400,000	73	\$4,180,000
National Composites LLC	7/21/2016	Owosso	\$275,000	76	\$1,400,000
Engineered Machine Products	8/9/2016	Escanaba	\$250,000	40	\$3,667,000
BorgWarner	8/12/2016	Auburn Hills	\$750,000	76	\$15,550,000
Koops	8/15/2016	Holland	\$360,000	60	\$4,888,000
GE Aviation	8/23/2016	Muskegon	\$800,000	100	\$14,481,000
Martinrea	8/26/2016	Auburn Hills	\$420,000	60	\$5,123,180
Zhongding USA Cadillac dba Michigan Rubber Products	8/29/2016	Cadillac	\$600,000	125	\$4,300,000
Gemini Group	8/29/2016	Bingham	\$700,000	85	\$48,000,000

MBDP and MCRP Delegated Approvals

October 25, 2016

Page 2 of 2

Chem-trend	8/31/2016	Howell	\$250,000	27	\$7,495,000
The Oakwood Group	9/8/2016	Taylor	\$200,000	53	\$5,211,500
Yen Group	9/8/2016	Port Huron	\$400,000	80	\$10,237,800
Royal Technologies	9/13/2016	Hudsonville	\$400,000	66	\$33,678,000
Par Sterile Products	9/15/2016	Rochester	\$350,000	30	\$58,400,000
IP Consulting	9/19/2016	Kentwood	\$180,000	25	\$699,498
Coastal Automotive	9/20/2016	Holland	\$436,000	111	\$6,489,848
Oerlikon Metco USA	9/21/2016	Plymouth	\$600,000	67	\$49,700,000
AGC America	9/21/2016	Farmington Hills	\$500,000	59	\$849,000
Key Safety Systems	9/29/2016	Sterling Heights	\$200,000	50	\$1,000,000
Flex-N-Gate	9/29/2016	Battle Creek	\$250,000	59	\$22,300,000

MCRP APPROVALS

Project Name	Approval Date	Location	Incentive Approved	Jobs	Investment
Cellar Brewing Co.	7/25/2016	Sparta	\$250,940	19	\$1,624,000
Inn on Water Street, LLC	9/23/2016	Marine City	\$642,000	15	\$3,549,007
Shoppes at Woodward LLC and University Cultural Center Association	9/28/2016	Detroit	\$750,000	37	\$5,804,857

**MSF DELEGATED AUTHORITY QUARTERLY UPDATE
MSDF AND SSBCI PROGRAMS
CAPITAL ACCESS TEAM
July 1 – September 30, 2016**

APPROVALS BY AUTHORIZED DELEGATES

Between July 1 and September 30, 2016 the following actions were approved by the MSF Chairperson and MSF Fund Manager, subject to due diligence, and available funding:

SSBCI-MBGF						
Organization	Request Type	Loan Amount	MSF Support	Action	Date Approved	Closed
McCarthy Group Properties	MBGF-CSP	\$ 3,500,000	\$ 192,500	Approved by Chair and Fund Manager	August 23, 2016	N
Metro Community Development, Inc.	MBGF-LGP	\$ 2,000,000	\$ 400,000	Approved by Chair and Fund Manager	September 23, 2016	N
Total		\$ 5,500,000	\$ 592,500			
MSDF						
Organization	Request Type	Loan Amount	MSF Support	Action	Date Approved	Closed
MRB Enterprises Inc.	MSDF-CSP	\$ 2,000,000	\$ 998,000	Approved by Chair and Fund Manager	August 4, 2016	N
UP Paper LLC	MSDF-CSP	\$ 4,000,000	\$ 1,996,000	Approved by Chair and Fund Manager	September 13, 2016	Y
Total		\$ 2,000,000	\$ 998,000			

MEMORANDUM

Date: October 25, 2016

To: Michigan Strategic Fund Board

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

Subject: *Community Development Block Grant Program
Quarterly Report of Delegated Approvals (July - September 2016)*

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

Grantee	Approval Date	CDBG Funds	Brief Summary of Project
City of Zeeland	7/25/16	\$391,419	The City requested \$391,419 in CDBG funds for the façade improvement project. The project will significantly transform four buildings in downtown Zeeland. The City expects the project could result in private investment of \$254,198.
City of Laingsburg	8/4/16	\$196,995	The City requested \$196,995 in CDBG funds for façade improvements for three buildings in their downtown. The City expects that this project could result in private investment of \$196,995.
County of Marquette	8/4/16	\$700,000	The County requested \$700,000 in CDBG funds for on the job training needed for the Global Response North Corporation located in Gwinn, Marquette County. The County expects that this project could result in private investment of \$949,000 and the creation of 100 jobs.
County of Crawford	9/8/16	\$15,000	The County requested an increase of \$15,000 in CDBG funds to amend their existing Homeowner Rehabilitation grant. The increase, due to increased construction costs, will result in an additional single family home rehabilitation.
City of Greenville	9/13/16	\$834,631	The City requested \$834,631 in CDBG funds for façade improvements. The project includes six buildings in downtown Greenville. The City expects the project could result in private investment of \$308,976.
Total CDBG Funds for Quarter		\$2,138,045	



**MSF DELEGATED AUTHORITY QUARTERLY UPDATE
MSF CONFIDENTIALITY MEMOS
BOARD MEETING – October 25, 2016**

FOR QUARTER ENDED September 30, 2016

BACKGROUND

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

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

APPROVALS BY AUTHORIZED DELEGATE

During the period between July 1, 2016 and September 30, 2016, the following confidentiality memos were approved by the MSF Fund Manager:

Company Name and Location	Overview of Confidential Information
KWA I Residential, LLC and KWA I Financing, Inc. 17800 Laurel Park Drive North, Suite 200 C Livonia, MI 48152	The following items submitted pursuant to Section 6.1 of the Michigan Community Revitalization Grant Agreement with the MSF, dated April 9, 2015, CASE – 116255: <ol style="list-style-type: none"> 1. All income statements 2. The Sources and Uses statement (excluding items referencing MSF or CRP funding) 3. The “net operating income” field on the Progress Report
Metabolic Solutions Development Company 161 East Michigan Ave., 4th Floor Kalamazoo, MI 49007	Metabolic Solutions Development Company’s Financial Statements: Years ending December 31, 2015 and 2014
150 Ottawa Development, LLC 32 Market Avenue SW Grand Rapids, MI 49503	Letter from Chemical Bank to Mr. Gary Postma and Mr. John Wheeler, dated September 7, 2016; MEDC Proforma for 150 Ottawa, dated 9/8/2016, except for the terms of any MSF funding or incentive, Debt Service Coverage Ratio, total private investment, the terms of supplemental funding (including the Chemical Bank loans), and the Company’s equity input

<p>Metro Community Development Corporation 503 Saginaw St. Flint, MI 48502</p>	<p>Any portion of any documents or record of any kind containing any of the following business or personal information pertaining to any of the Interested Parties to the Proposed Transaction: Financial statements (including without limitation, income statements, balance sheets, statements of cash flow and profit and loss statements), ratio analysis, appraisals and other appraisal reporting, collateral analysis, accounts receivable aging reports, customer names and lists, tax returns, credit reports, social security or other tax identification numbers, and any analysis, report or record of any kind by or on behalf of any of the Interested Parties to the Proposed Transaction containing any of the foregoing information.</p>
<p>U.P. Paper, LLC 402 West Elk Road Manistique, MI 49854</p>	<p>Any portion of any documents or record of any kind containing any of the following business or personal information pertaining to any of the Interested Parties to the Proposed Transaction: Financial statements (including without limitation, income statements, balance sheets, statements of cash flow and profit and loss statements), ratio analysis, appraisals and other appraisal reporting, collateral analysis, accounts receivable aging reports, customer names and lists, tax returns, credit reports, social security or other tax identification numbers, and any analysis, report or record of any kind by or on behalf of any of the Interested Parties to the Proposed Transaction containing any of the foregoing information.</p>
<p>Detroit Entrepreneur Development, LLC 117 W Louis Glick Hwy Jackson, MI 49201</p>	<p>Intake Form (Totals column and Amount column, except for the terms of CRP funding) (INTAKE FORM.xlsx) – submitted on 7/7/16 to MEDC; COST ESTIMATES.pdf – submitted on 7/7/16 to MEDC; Proforma Excel Document (Revenue tab- column E,F,H; Proforma tab - column G and Row 64; Cash Flow tab, except for terms of MEDC/MSF funding and Debt Service Coverage Ratio; Developer Returns Tab, except for terms of MEDC/MSF funding); “The Glick Building” Design Development Drawings, March 22, 2016 (DESIGN DOCUMENTS.pdf) – submitted on 7/7/2016 to MEDC; Letter from Lofts on Louis dated June 6, 2016 re: Proposal/Letter of Intent for</p>

	Commercial Lease Agreement; Letter from Dart Bank to Detroit Entrepreneur Development, LLC dated August 2, 2016 re: Term Sheet/Letter of Interest
The Roxbury Group 2435 Guardian Building 500 Griswold Street Detroit, MI 48226	The bank account balance summary for Stacy L. Fox (FINANCIAL CAPACITY.Bank balance Stacy Fox.Metropolitan Hotel Partners LLC.pdf); The Starwood – Metropolitan Hotel Partners franchise Agreement (REVENUE VALIDATION.Franchise Agreement.Metropolitan Hotel Partners LLC.pdf)
McCarthy Group Properties, LLC 5505 52nd Street SE Grand Rapids, MI 49512	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.
Gemini Group, Inc. 175 Thompson Road Bad Axe, Michigan 48413	The asterisked, bracketed, and bolded portion of section “Phase 1 – Development and Launch of New Structural Materials Lines” in the document titled “03_Gemini Project Description.pdf” attached to the MBDP online application; The Cumulative New Jobs section of the MBDP online application
MRB Enterprises, Inc. (and Fifth Third Bank) 616 Industrial Ave. Mt. Pleasant, MI 48858	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.

American Center for Mobility (ACM)* 201 South Division Ann Arbor, Michigan 48104	Willow Run Automated and Connected Car Test Site (ACCTS), Tass International, A Technical and Business Assessment, February 2015, and any amendments resulting therefrom; Analysis of ACM Operations Financials, Prepared for SPARK by Jacqui Dedo, Greg Steidl, and Don Remboski, March 10, 2016, and any amendments resulting therefrom.
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*This MSF Confidentiality Memo was approved on April 28, 2016 and inadvertently left of the Quarterly Report for that quarter.

**MSF DELEGATED AUTHORITY QUARTERLY UPDATE
FOR 21CJF LOAN PORTFOLIO
BOARD MEETING – OCTOBER 25, 2016
FOR QUARTER ENDED SEPTEMBER 30, 2016**

BACKGROUND

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

APPROVALS BY AUTHORIZED DELEGATE

Between July 1, 2016 and September 30, 2016 the following actions were approved pursuant to the Delegation of Authority:

Organization	Action(s)	Award Amount (full award amount)	Loan Balance (as of 9/1/16)	Date
XB TransMed Solutions, LLC	Loan Restructure	\$508,263	\$501,321.89	July 22, 2016
PharmOptima, LLC	Forbearance	\$400,000	\$334,549.86	August 31, 2016
TransPharm Preclinical Solutions, LLC	Loan Settlement	\$400,000	\$433,381.12	September 15, 2016