MICHIGAN STRATEGIC FUND
BOARD MEETING AGENDA
DECEMBER 16, 2014

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

A. Consent Agenda
Proposed Meeting Minutes – November 25, 2014
HTC Global Services – MBDP Amendment – LeTasha Peebles
Magna Mirrors of America – MBDP Amendment – LeTasha Peebles
Lenawee Stamping Corporation – MBDP Amendment – Trevor Friedeberg
DTE Electric Company – RZ Time Extension Transfer – Amy Lux

B. Business Investment

1. Business Growth
Clemens Food Group, LLC – CDBG – *Stacy Bowerman*
Paslin Corporation – MBDP – *Marcia Gebarowski*
Brose New Boston, LLC – MBDP – *Tyler Rossmaessler*
Lane Automotive/Village of Watervliet – CDBG – *Mike Gietzen*
Reconserve Project/City of Battle Creek – Act 381 Work Plan – *Mike Gietzen*
MMTC Contract Extension – *Jake Schroeder*
Green Plains Holdings II, LLC & Airgas Carbonic – Ag. Processing RZ Amendment – *Amy Lux*

2. Access to Capital – *Chris Cook*
Cascade/PACE – Bond Authorizing
Detroit Renewables – Bond Authorizing
BMT Aerospace – Bond Authorizing
Senate Building Project – Bond Authorizing

***C.* Community Vitality**
Outfield Partners – MCRP/Brownfield TIF – *Marilyn Crowley*
Y-Site Metro Place – MCRP – *Marilyn Crowley*
Trowbridge Village – Brownfield TIF – *Marilyn Crowley*
TC 555 Michigan – MCRP/Brownfield – *Ryan Kilpatrick*

MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

APPROVAL OF DECEMBER CONSENT AGENDA
FOR THE MICHIGAN STRATEGIC FUND BOARD

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

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

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

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

Consent Agenda Items:

1. November 25, 2014 Proposed Meeting Minutes
2. HTC Global Services – MBDP Amendment
3. Magna Mirrors of America – MBDP Amendment
4. Lenawee Stamping Corporation – MBDP Amendment
5. DTE Electric Co. – Renaissance Zone Transfer

Ayes:

Nays:

Recused:

Lansing, Michigan
December 16, 2014

MICHIGAN STRATEGIC FUND BOARD
PROPOSED MEETING MINUTES
NOVEMBER 25, 2014

Members Present:

Steve Arwood (on behalf of Chairman Finney)
Shelly Edgington (on behalf of Director Zimmer)
Andrew Lockwood (on behalf of Treasurer Clinton)
Bill Martin
Terri Jo Umlor (via phone)
Jody DePree Vanderwel
Jim Walsh
Shaun Wilson

Members Absent:

Paul Anderson
Mike Jackson

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

Public Comment: Mr. Arwood asked if there were any members of the audience who wished to comment. There were none.

Communications: None.

Resolutions 2014-193 - 213 November 2014 Consent Agenda
Mr. Arwood asked if there were any questions from the Board on an of the Consent Agenda items. There being none, Bill Martin motioned for the approval of the following:

November 2014 Consent Agenda – **2014-193**
October 28, 2014 Proposed Meeting Minutes
2015 Business Incubator Grant RFP – **2014-194, 2014-195**
Compilation of MSF Delegation of Authority Amendments – **2014-196**
Mid Towne Hospitality, LLC – MCRP Amendment – **2014-197**
Universal/DeVlieg, LLC – Tool and Die Revocation – **2014-198**
Exacto Tool Company, LLC – Tool and Die Revocation **– 2014-199**
MSF/ Michigan Attorney General – NITC Representation MOU
PM Export – Council of Great Lakes Governors – Grant Amendment – **2014-200**

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

CATALYST PROJECT

Shaun Wilson recused

Resolution 2014-201 – Detroit Events Center – Bond Authorizing Amendment
Mark Morante, SVP & Senior Advisor, provided the Board with information regarding this action item.
At the September Board Meeting, the Board passed resolution 2014-145 authorizing the issuance of $450 million in bonds for the Detroit Events Center Arena project. As a result of continued negotiations with the financing team, bond underwriter and other interested parties, it is the recommendation of staff and the

financing team that the requirement within the resolution calling for a minimum Series 2014A Bond rating of BB be removed to allow the Series 2014A Bonds to be sold as unrated.

Staff Recommendation
It is recommended that the Authorizing Resolution be amended to waive the minimum rating requirement. In addition, the Authorizing Resolution will be amended to (i) approve the appointment of First Southwest as placement agent for the Series 2014B Bonds and authorize the execution and delivery of a related placement agreement with First Southwest and (ii) amend the requirements of Section 8 of the Authorizing Resolution to include a determination by the MSF, in accordance with Section 515(2) of the Revised Municipal Finance Act, Act 34 of 2001, as amended ("Act 34") (MCL 141.2515(2)), that it is necessary for the Series 2014A Obligation issued by the DDA to mature in a manner that does not conform to Section 503(1) of Act 34 in order to structure the amortization schedule to conform to the projected tax increment revenues collections.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. Discussion regarding the effect this change would have on the overall costs as well as the risk involved. Jarrod Smith, Assistant Attorney General, and Counsel to the MSF joined the table to help clarify the details of the requested changes. There being no further questions, Bill Martin motioned for the approval of Resolution 2014-201. Andrew Lockwood seconded the motion. **The motion carried with a roll call vote: 7 ayes; 0 nays; 1 recused.**

Shaun Wilson returns

BUSINESS GROWTH

Business Investment

<u>Resolution 2014-202 & 203 Canal Street Brewing (d/b/a Founders Brewing) – MBDP & Brownfield TIF Amendment</u>
Mike Gietzen, Development Finance, provided the Board with information regarding these action items.
The Applicant requests to amend a previously approved Brownfield Act 381 work plan, and consider use of the Michigan Business Development Program (MBDP) for the project located at 235 Grandville Avenue SW, Grand Rapids. The City of Grand Rapids Brownfield Redevelopment Authority has submitted an amended Act 381 Work Plan (hereinafter Work Plan), requests a new parcel be added to the existing eligible property, 231 Bartlett Street, and for the approval of local and school tax capture for eligible activities in the amount of $4,281,805. Canal Street Brewing Co., LLC (dba Founders Brewing Co.) (Applicant) is requesting approval of a performance-based grant in the amount of $250,000. The Applicant anticipates that the project will result in eligible investment of $4,281,805 and total capital investment in the amount of $40,400,000 in the City of Grand Rapids and the creation of 72 jobs.

Staff Recommendation
MEDC Staff recommends approval of the MBDP Proposal as outlined in the resolution and term sheet (collectively, "MBDP Proposal"), as well as Approval of local and school tax capture for the Act 381 eligible activities totaling $4,281,805 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $2,210,268.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the competition, as well as the benefit the proposed infrastructure would provide to future development. There being no further questions, Bill Martin motioned for the approval of Resolutions 2014-202 & 2014-203. Jody DePree Vanderwel seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

<u>Resolution 2014-204 Covisint – MBDP Grant</u>
Marcia Gebarowski, Development Finance, provided the Board with information regarding this action item.
This is request from the Applicant for a $1,500,000 Performance-based grant. This project involves the creation of 50 Qualified New Jobs, and a capital investment of up to $5,500,000 in the City of Southfield, Oakland County. The Company is a business-to-business cloud company that provides unique platforms for

enterprises that must securely share, integrate and present trusted information to people and devices across their extended network of business partners and customers. After a multi-state search, the Company plans to lease 34,000 s/f of office space in order to establish a new headquarters operation in the City of Southfield, make investments and create jobs related to advanced computing and software development.

Staff Recommendation
MEDC Staff recommends approval of the MBDP Proposal as outlined in the resolution and term sheet (collectively, "MBDP Proposal").

Board Discussion
Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the site selection process, and the decision to remain located in Michigan. There being no further questions, Shaun Wilson motioned for the approval of Resolution 2014-204. Jim Walsh seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Access to Capital

Chris Cook, Capital Programs, provided the Board with information regarding the following action items.

Shaun Wilson recused.

Resolution 2014-205, 206, 207 Grow Michigan Holdings, LLLC – Capital Conduit Program
This request is to authorize the Michigan Strategic Fund Manager ("MSF Manager") to negotiate the final terms and conditions of and enter into a Loan Agreement from the Michigan Strategic Fund ("MSF") to Grow Michigan Holdings, L3C ("L3C"), a newly incorporated Michigan Low-income Limited Liability Corporation, under the Capital Conduit Program. This loan agreement will deliver low cost liquidity to the company. The company will use the MSF loan to attract significant additional investment that will allow a related entity of L3C, Michigan Capital Partners, LLC ("MCP") to establish a new private equity ("PE") fund. Staff is requesting that $22.5M be transferred from the 21st Century Jobs and Investment Fund to the Capital Conduit Program in order to provide funding under the proposed loan agreement.

Further, staff is requesting that the existing equity investment of the MSF into Grow Michigan, LLC ("GMI") be transferred to L3C and in return the L3C will be required to repay the MSF under the terms of the new loan agreement. This will legally connect the two entities allowing the L3C to become competitive in applying for federal New Markets Tax Credits and raising additional capital.

Finally, staff is recommending that pursuant to the execution of the loan agreement that the MSF be provided no less than three director positions or not less than one-third of all directors on the board of directors of L3Cand one or more positions on the investment committee of MCP.

In 2012, the MSF executed a subscription agreement for up to $9.5M and a loan agreement for $500,000 with GMI under the Capital Conduit Program-Operating Company Initiative. The purpose of the program is to provide economically competitive growth and acquisition capital to small businesses shut out of that market due to scale (loan size too small to be profitable for the lender). GMI has completed 15 investments in 21 months for $21.3M and has raised $42.7 million dollars from 19 local, regional, and national banks. The final closing of this fund should occur by the end of this year for a total of $50M in private capital and $9.5M in MSF Capital.

Staff Recommendation
MEDC Staff recommends the MSF authorize $22.5M from the 21st Century Jobs and Investment Fund be transferred to the Capital Conduit Program under the Michigan Supplier Diversification Fund; authorize the MSF Manager to negotiate the transfer of its 2012 investment in Grow Michigan LLC to Grow Michigan Holdings, L3C and to restructure that 2012 investment and the $500,000 loan previously made to Grow Michigan LLC to the $32.5 million loan; authorize the MSF Manager to negotiate all final terms and conditions and to enter into a loan agreement with Grow Michigan Holdings, L3C for up to $32.5M which includes, in substance, the concepts found on Exhibit A and finalize other transaction documents; The MSF

appoint Richard Baird, David Zilko, and Doug Luciani (current MSF Appointed Directors for Grow Michigan, LLC) as its Directors to the L3C Board with terms of service to be established by the MSF Manager pursuant to the previously approved guidelines under the Capital Conduit Program (generally for 5 year terms which have a staggered renewal) and delegates to the MSF Manager the authority to appoint one or more appointees to the investment committee of MCP and to make appointments as permitted to any other advisory boards of L3C and MCP.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. There being none, Jody DePree Vanderwel motioned for the approval of Resolutions 2014-205, 2014-206 & 2014-207. Bill Martin seconded the motion. The motion carried: 7 ayes; 0 nays; 1 recused.

Shaun Wilson returns.

Resolution 2014-208 Michigan Senate Office Building – Bond Inducement
The Michigan Senate (the "Senate") is requesting the Michigan Strategic Fund (the "MSF") issue up to $70,000,000 million dollars of tax-exempt bond financing to purchase the basement through seventh floor of the Capitol View Building (south of the Capitol at 201 Townsend Street) and furnish and equip the space for Senate offices (the "Senate Condo") and to lease the Senate Condo to the Senate.

In selecting the Capitol View Building as the new location for the Senate an RFP was sent out and five bids were submitted. From those five bids, four were considered true contenders and each was judged independently by the Secretary of the Senate, two Purchasing Agents from the Senate, the Physical Properties Director, and an individual from Senate Fiscal Agency on a 100-point scoring system that looked at such things as price per square foot and how well a bidder met certain needs. All of the scores were then given to Senate Majority Leader Randy Richardville, and he made the ultimate decision. The Senate is requesting the assistance of the MSF because the MSF has the ability to issue tax exempt bonds and to own and lease office facilities. The MSF will acquire title to the Senate Condo and lease it to the Senate.

Staff Recommendation
After reviewing the Letter of Interest from the Senate and the Memorandum from Miller, Canfield, Paddock and Stone, MEDC staff recommends an adoption of an Inducement Resolution in the amount of $70,000,000.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the intended division of the building into office condominiums, and the existing tenants, as well as the involvement of the Boji Group as owners of one floor of condo parcels. There being no further questions, Bill Martin motioned for the approval of Resolution 2014-208. Shelly Edgington seconded the motion. The motion carried: 8 ayes; 0 nays; 0 recused.

Resolutions 2014-209, 210 & 211 Holland Homes – Bond Authorizing
Holland Home ("Borrower") is requesting private activity bond financing for the purpose of refinancing the Michigan Strategic Fund's (the "MSF") outstanding Variable Rate Demand Limited Obligation Revenue Bonds, Series 2004 in the principal amount of not to exceed $9,940,000 (the "Series 2004 Bonds"), the outstanding Variable Rate Demand Limited Obligation Refunding Revenue Bonds, Series 2005A in the principal amount of not to exceed $7,900,000 (the "Series 2005A Bonds"), and the outstanding Variable Rate Demand Limited Obligation Refunding Revenue Bond, Series 2005B in the principal amount of not to exceed $5,750,000 (the "Series 2005B Bonds," and collectively with the Series 2004 Bonds and the Series 2005A Bonds, the "Bonds"). The Borrower is also requesting approval of the First Amendment to the Bond Indentures for each of the Series 2004 Bonds, the Series 2005A Bonds and the Series 2005B Bonds.

Staff Recommendation
Based upon a determination by Varnum LLP and the State of Michigan Attorney General's office that the refinancing complies with state and federal law requirements for tax-exempt financing, the staff recommends the adoption three separate Resolutions Authorizing the First Amendment to the Bond Trust Indenture for each of the Bonds in an aggregate principal amount not to exceed $23,590,000. The MSF will charge an issuance fee of $40,000.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. There being none. Shelly Edgington motioned for the approval of Resolutions 2014-209, 2014-210 & 2014-211. Andrew Lockwood seconded the motion. The motion carried with a roll call vote: 8 ayes; 0 nays; 0 recused.

Resolution 2014-212 Cascade PACE/United Methodist Retirement Communities – Bond Inducement
Cascade PACE, Inc. (the "Borrower") is requesting up to $4.0 million of private activity bond financing for the purpose of financing the cost of acquiring, renovating and equipping of facilities for the Program of All-Inclusive Care for the Elderly ("PACE") Project in southeast Michigan in or near the city of Jackson. The Borrower was created as a joint venture by the Sponsors in early 2014 and is a 501(c)(3) corporation. Borrower is approved to serve as the exclusive PACE provider for the counties of Jackson, Lenawee, and Hillsdale with an enrollment capped at 175 participants daily. PACE is a health care program designed for frail, nursing-home-eligible seniors capable of living in their own homes with supervised care. Participants must be at least 55 years old, live in the PACE service area, and be certified as eligible for nursing home care by the appropriate State agency. The PACE program becomes the sole sources of services for Medicare and Medicaid-eligible enrollees.

Borrower plans to develop an existing property and enhance an existing building located in Charter Township of Blackman, Jackson County, Michigan. The Project will create approximately 25 short term construction jobs with the lowest hourly wage starting at $29/hr. and an average hourly wage of $40/hr. Additionally, the Project will create 52 full time equivalent (FTE's) once full participant levels are reached in year 5 of operations. The lowest hourly wage will be approximately $13.50/hr. and the average hourly wage will be approximately $30/hr.

Staff Recommendation
After reviewing the Private Activity Bond application for Cascade PACE, Inc., staff recommends the adoption of an Inducement Resolution in the amount of $4,000,000.

Resolution 2014-213 Detroit Renewables – Bond Inducement Amendment
Detroit Renewable Energy LLC ("DRE") is requesting an additional extension in the expiration date of Resolution 2010-237 to November 28, 2016, for the purpose of issuing additional bonds. On December 1, 2010, the Michigan Strategic Fund approved the inducement of a $75,000,000 project on behalf of DRE by adoption of Resolution 2010-237, and on November 28, 2012, the Michigan Strategic Fund approved an extension to the expiration date of Resolution 2010-237 to November 28, 2014 by adoption of Resolution 2012-174.

Staff Recommendation
Based upon a determination by Lewis & Munday, A Professional Corporation and the State of Michigan Attorney General's office that the amendment complies with state and federal law requirements for both taxable and tax-exempt financing, the staff recommends the adoption of the amendment to Resolution 2010-237.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. There being none, Andrew Lockwood motioned for the approval of Resolution 2014-213. Shaun Wilson seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Mr. Arwood adjourned the meeting at 10:57 am.

MEMORANDUM

Date: **December 16, 2014**

To: **Michigan Strategic Fund ("MSF") Board Members**

From: **LeTasha Peebles, Program Specialist**

Subject: ***HTC Global Services, Inc. ("Company" or "Applicant")***
Michigan Business Development Program ("MBDP") Amendment to Extend First and Second Milestone Due Dates

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Request

The Company is requesting an amendment to its existing MBDP Agreement to extend the First and Second Disbursement Milestone due dates.

Background

On November 20, 2013 the Michigan Strategic Fund approved a $1,750,000 award for the Company under the MBDP. The Company proposed to lease two floors in a second building in the City of Troy in order to expand their operations in software development, testing and maintenance of suite services. The expansion would result in the creation of 203 Qualified New Jobs and about $3.4 million in capital investment. The City of Troy committed to provide a property tax abatement in support of the project.

The MBDP Agreement required the Company to obtain approval of municipality support and create 50 Qualified New Jobs no later than September 30, 2014 in order to meet the requirements for their first Milestone. The Company was required to create an additional 100 Qualified New Jobs in order to meet the requirements for their second Milestone. To date, the Company has not received any disbursements.

The Company has completed a property tax abatement application which they anticipate to be approved by the City of Troy in early 2015. However, the Company has experienced unforeseen project delays due to their client which has set back the creation of Qualified New Jobs until March 2015. Currently, the Company has approached several other clients in order to work toward meeting the job creation requirements which has yielded five jobs. In order to acquire the growth needed, the Company will need an extension of their first and second Milestone due dates to ensure the requirements are met.

Recommendation

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

a) Amend the November 20, 2013 approval for HTC Global Services, Inc. to extend the deadline to meet the requirements for Milestone 1 from September 30, 2014 to October 31, 2015;
b) Extend the deadline to meet the requirements for Milestone 2 from November 30, 2015 to November 30, 2016;
c) All other aspects of the approval remain unchanged.

MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

APPROVAL OF AN AMENDMENT TO MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO HTC GLOBAL SERVICES, 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, by Resolution 2013-192, the MSF approved a $1,750,000 Michigan Business Development Program performance based grant on November 20, 2013 for the Company. A MBDP Grant Agreement ("Grant Agreement") was fully executed effective January 7, 2014 to expand their operations in software development, testing and maintenance of suite services (the "Project");

WHEREAS, the Company has experienced unforeseen delays in obtaining its tax abatement and in fulfilling its job creation requirements;

WHEREAS, the Company requests that the Grant Agreement be amended and revised as follows: extend the deadline to meet the requirements set forth in Milestone One to October 31, 2015 and extend the deadline to meet the requirements set forth in Milestone Two to November 30, 2016 ("Amendment");

WHEREAS, the MEDC recommends that the MSF approve the Company's Amendment request subject to execution of the Grant Agreement Amendment within 120 days of the date of this Resolution ("Time Period"), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 60 days ("MBDP Amendment Award Recommendation").

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

Ayes:

Nays:

Recused:

Lansing, Michigan
December 16, 2014

MEMORANDUM

Date: **December 16, 2014**

To: **Michigan Strategic Fund ("MSF") Board Members**

From: **LeTasha Peebles, Program Specialist**

Subject: **Magna Mirrors of America, Inc.**
("Company" or "Applicant")
Michigan Business Development Program ("MBDP") Amendment to Milestone Requirements, Due Date and Disbursements

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Request

The Company is requesting an amendment to its existing MBDP Agreement to amend the Milestone requirements, Milestone due dates, and Milestone disbursement amounts.

Background

On January 15, 2013 the Michigan Strategic Fund approved a $1,200,000 award for Magna Mirrors of America, Inc. under the Michigan Business Development Program ("MBDP"). The Company proposed to develop, test, and plan the commercialization of SunBlade TM, a new sunroof technology for the passenger car automotive industry. The application of the technology would allow the Company to manufacture and assemble an electro-polymeric shade to be used in automotive sunroofs along with other potential applications. The result would be the creation of 177 Qualified New Jobs and about $10.1 million in capital investment. The Charter Township of Holland committed to provide a property tax abatement in support of the project. To date, the Company has completed their first Milestone requirement and received a disbursement of $300,000.

The second Milestone required the Company to provide documentation showing the receipt of the first customer order for full-scale production of the Company's new product, SunBlade TM. However, due to unforeseen business and market-related issues, SunBlade TM has not yet reached production. In the meantime, the Company has developed four other products despite the delay on SunBlade TM leading to increased business and job growth.

As of September 2014, the Company has created 143 jobs. As a result, the Company has requested modifications to their second and third Milestones to focus on the job creation.

Recommendation

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

a) Amend the first Milestone by deleting item number three requiring a certified test report for SunBlade TM, and amend the second Milestone by deleting item number two requiring the receipt from a full scale customer order for SunBlade TM;

b) Amend the second Milestone from no job creation to 150 Qualified New Jobs, extend the Milestone due date from December 31, 2014 to March 1, 2015, and increase the disbursement amount from $600,000 to $750,000;

c) Amend the third Milestone from 177 to 27 Qualified New Jobs and decrease the disbursement amount from $300,000 to $150,000; and

d) All other aspects of the approval remain unchanged.

MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

APPROVAL OF AN AMENDMENT TO MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO MAGNA MIRRORS OF 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, by Resolution 2012-115, the MSF approved a $1,200,000 Michigan Business Development Program performance based grant on January 15, 2013 for the creation of 177 Qualified New Jobs and a capital investment of $10.1 million. A MBDP Grant Agreement ("Grant Agreement") was fully executed January 15, 2013; and the Company proposed to develop, test, and plan the commercialization of SunBlade TM, a new sunroof technology for the passenger car automotive industry (the "Project");

WHEREAS, the Company experienced unforeseen delays in its SunBlade TM product development;

WHEREAS, the Company requests that the Michigan Business Development Program performance based Grant Agreement be amended and revised as follows: amend Milestone One to delete item number 3; amend Milestone Two to delete item number 2, add an item to require the creation of 150 Qualified New Jobs, increase the Grant Disbursement amount to $750,000, and extend the deadline to March 1, 2015; and amend Milestone Three to reduce to 27 Qualified New Jobs, but aggregate the total of 177, and reduce the Grant Disbursement amount to $150,000 ("Amendment");

WHEREAS, the MEDC recommends that the MSF approve the Company's Amendment request subject to: execution of the Grant Agreement Amendment within 120 days of the date of this Resolution ("Time Period"), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 60 days ("MBDP Amendment Award Recommendation").

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

Ayes:

Nays:

Recused:

Lansing, Michigan
December 16, 2014

PURE MICHIGAN

MEMORANDUM

Date: **December 16, 2014**

To: **Michigan Strategic Fund ("MSF") Board Members**

From: **Trevor Friedeberg, Development Finance Manager**

Subject: **Lenawee Stamping Corporation ("Company" or "Applicant")**
Amendment to Incorporate Additional Location and Entity into Agreement

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Request

The Company is requesting to have the facility at 16325 Felton Road, Lansing Michigan, 48906 be included in the Michigan Business Development Program Grant Agreement as a Project location and also incorporate VR Lansing Inc. as a qualified entity under which qualified new jobs can be created. When this project was originally approved a second location and entity name was yet to be determined and this request has been anticipated.

Background

On January 23, 2013 the Michigan Strategic Fund approved a $5.3 million award for Lenawee Stamping Corporation ("LSC") under the Michigan Business Development Program ("MBDP"). This project has two separate aspects to it. The first aspect will cover multiple programs to LSC, in Tecumseh, Michigan, over the period of 2013-2014, which include the production of underbody parts for GM plants in Michigan and Indiana as well as welded assemblies for shipment to Faurecia and AAI in Michigan.

The second aspect of this Project) was to be the creation of a new subsidiary within the State of Michigan at a location to be determined that would produce similar metal stampings and welded assemblies as LSC. VR Lansing Inc. is that subsidiary and is located at 16325 Felton Road, Lansing Michigan, 48906. At the time of the initial Board approval, this portion of the project was in flux and the location had not been determined, but it has now been finalized.

The total job creation for the Project as approved by the Board is anticipated to be 450 jobs from all locations.

Recommendation

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

a) Amend the definition of Project in the Agreement to include the facility located at 16325 Felton Road, Lansing Michigan 48906;
b) Amend the definition of Additional Jobs and Qualified New Job in the Agreement to include VR Lansing Inc. as an eligible entity for job creation purposes;
c) Amend Exhibit B to include VR Lansing Inc. as an eligible entity for job creation purposes;
d) Amend Exhibit C to include the facility located at 16325 Felton Road, Lansing Michigan 48906 and also include VR Lansing Inc. in the project description;
e) All other aspects of the original approval remain unchanged.

MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT AMENDMENT FOR LENAWEE STAMPING CORPORATION

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

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

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

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

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

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

WHEREAS, the MSF approved a $5.3 million Michigan Business Development Program performance based grant on January 23, 2013 for Lenawee Stamping Company ("Company") to expand in Tecumseh, Michigan as well as at a location yet to be determined in the State of Michigan and create 450 jobs and investment related to motor vehicle manufacturing (the "Project"). A Grant Agreement to this effect was fully executed effective June 24, 2013 (the "Grant Agreement");

WHEREAS, the Company has chosen the second location at 16325 Felton Road in Watertown Township, where jobs will be created as part of the Project;

WHEREAS, the Company requests that the Michigan Business Development Program performance based grant be amended and revised as follows: Amend the definition of Project in the Grant Agreement to include the facility located at 16325 Felton Road, Lansing Michigan 48906 and amend the definitions of Additional Jobs and Qualified New Job in the Grant Agreement to include VR Lansing Inc. as an eligible entity for job creation purposes ("Amendment") along with any other similar and consistent changes or as outlined in the attached briefing memo;

WHEREAS, the MEDC recommends that the MSF approve the Company's Amendment request subject to: (i) final due diligence performed to the satisfaction of the MEDC; and (ii) execution of a Grant Amendment within 120 days of the date of this Resolution ("Time Period"), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 60 days ("MBDP Amendment Award Recommendation").

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

Ayes:

Nays:

Recused:

Lansing, Michigan
December 16, 2014

MEMORANDUM

Date: December 16, 2014
To: Michigan Strategic Fund Board Members
From: Amy Lux, Renaissance Zone Program Specialist
Subject: DTE Electric Company
Renaissance Zone Time Extension – Transfer

Action

DTE Energy Company requests and Michigan Economic Development Corporation ("MEDC") Staff recommends that the Michigan Strategic Fund ("MSF") Board approve a resolution to transfer the Renaissance Zone time extension designation from Renaissance Power, LLC ("Renaissance Power") to DTE Electric Company (the "Company"), provided that by March 31, 2015, an assignment and assumption agreement is executed and the Company closes on their purchase of Renaissance Power.

Background

Renaissance Power received a Renaissance Zone time extension designation from the MSF Board in 2011 to extend the duration of a portion of the Montcalm/Gratiot County Renaissance Zone for a site in the City of Carson City (the "Zone") for an additional three (3) years to expire at the conclusion of 2018. The additional years were awarded to support the Renaissance Power's natural gas power generation facility.

The Company is currently negotiating to acquire Renaissance Power's business at their site within the Zone. In order to facilitate the negotiations, the Company would like to have the Renaissance Zone designation transferred to them effective at the date of closing of the acquisition. The Company is willing to execute an assignment and assumption agreement in order to assume all the rights and responsibilities outlined in the applicable Renaissance Zone Development Agreement, including the job creation milestone and the yearly reporting requirements. Therefore, with the MSF Board's approval, the Company will be eligible to receive the benefits of the renaissance zone from the date of closing on the purchase of Renaissance Power.

RECOMMENDATION

MEDC Staff recommends the MSF Board approve DTE Electric Company's request to transfer the Renaissance Zone time extension from Renaissance Power to the Company, provided that an assignment and assumption agreement is executed and provided that the Company closes on their purchase of Renaissance Power both by March 31, 2015.

MICHIGAN STRATEGIC FUND

RESOLUTION
2014-

TRANSFER OF TIME EXTENSION FOR AN EXISTING RENAISSANCE ZONE
DTE Electric Company

WHEREAS, on September 21, 2011, by Resolution 2011-127, the Michigan Strategic Fund ("MSF") Board approved a time extension for a portion of the existing Carson City/Bloomer/North Shade Township Subzone within the Montcalm/Gratiot County Renaissance Zone (the "Property") for Renaissance Power, LLC ("Renaissance Power"), as authorized in Section 4(7) of Public Act 376 of 1996, the amended Michigan Renaissance Zone Act (the "Act");

WHEREAS, as a condition of the time extension, a development agreement was entered into between Renaissance Power and the MSF, effective on September 21, 2011, that set forth certain obligations of Renaissance Power to complete a specific project and attain certain milestones;

WHEREAS, DTE Electric Company (the "Company") is negotiating to acquire Renaissance Power's assets at the Property (the "Acquisition") and plans to continue the project and milestone attainment as described in the development agreement;

WHEREAS, the Michigan Economic Development Corporation (the "MEDC") administers the renaissance zone program and received an application from Renaissance Power requesting a transfer of the renaissance zone designation for the Property (the "Application");

WHEREAS, the Company has agreed to assume the terms of the development agreement completely in place of Renaissance Power; and

WHEREAS, the MEDC recommends that the MSF Board consent to and approve the Application for a transfer of the renaissance zone time extension designation from Renaissance Power to DTE Electric Company for property parcel number 59-051-712-001-00 within Carson City/Bloomer/North Shade Township Subzone in the Montcalm/Gratiot County Renaissance Zone for the remainder of the term of the renaissance zone designation, effective at the date of the closing of the Acquisition, subject to the following conditions:

1. An assignment and assumption of the development agreement is entered into between Renaissance Power, DTE Electric Company, and the Michigan Strategic Fund by March 31, 2015; and
2. DTE Electric Company acquires the assets at the Property of Renaissance Power on or before March 31, 2015.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board consents to and approves the Application for a transfer of the renaissance zone time extension designation from Renaissance Power to DTE Electric Company for property parcel number 59-051-712-001-00 within Carson City/Bloomer/North Shade Township Subzone in the Montcalm/Gratiot County Renaissance Zone for the remainder of the term of the renaissance zone designation, effective at the date of the closing of the Acquisition, subject to the following conditions:

3. An assignment and assumption of the development agreement is entered into between Renaissance Power, DTE Electric Company, and the Michigan Strategic Fund by December 31, 2014.
4. DTE Electric Company acquires the assets at the Property of Renaissance Power on or before March 31, 2015;

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

BE IT FURTHER RESOLVED, that, except as provided in this Resolution, the terms of Resolution 2011-127 shall remain unchanged and in full effect.

Ayes:

Nays:

Recused:

December 16, 2014
Lansing, Michigan

PURE MICHIGAN

MEMORANDUM

Date: **December 16, 2014**

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

From: **Stacy Bowerman, Senior Project Manager, Development Finance**
Deborah Stuart, Director, Community Incentive Programs

Subject: ***Community Development Block Grant Program***
Clemens Food Group Expansion Project
City of Coldwater (the "Community" or "Applicant"), County of Branch and Clemens Food Group, LLC (the "Company")

Summary

The Community is requesting $12,550,000 in Community Development Block Grant (CDBG) funds for infrastructure improvements, land acquisition, workforce development, and on-the-job training ("OJT") needed for the Clemens Food Group Expansion project located in the City of Coldwater, Branch County, Michigan. The Community and Company expects that this project could result in private investment of $255,700,000 and the creation of 644 CDBG related jobs and 810 total jobs. In addition to evaluating feasibility of moving forward with a new facility, the Company was also considering locations in several states for this project. Incentive assistance was instrumental in ensuring the project moved forward in Michigan.

Background

The Clemens Family Corporation ("Clemens") and subsidiaries is comprised of three divisions: Clemens Food Group, Clemens Development, and Clemens Investments. Clemens is a Pennsylvania-based, sixth-generation, family-owned integrated pork production operation including farming, processing, transportation and logistics. The Company's products are sold via grocers, foodservice distributors, and consumer packaged goods companies primarily in the northeastern and mid-Atlantic regions of the United States. The products include Hatfield, Farm Promise, Prima Porta, Premium Reserve Pork, and Nick's Sausage.

The Michigan Department of Agriculture and Rural Development (MDARD) has been working with a self-selected group of Michigan pork producers for approximately three years discussing the merits of siting a pork processing plant in the state. In November 2012, MDARD awarded a group of producers a $100,000 value-added grant to conduct a feasibility assessment for a pork processing plant in Michigan. This feasibility study was used by the producer group to secure a processing partner.

The Company partnered with a number of family-owned pork producers who have farms in Michigan, Ohio and Indiana to explore establishing a new pork processing facility. The Company measured the potential expansion of their processing capacity into the Midwest against adding capacity with physical expansions on-site in Eastern Pennsylvania or into the Mid-Atlantic/Southwest United States. The Company was investigating both Michigan and Ohio for the potential Midwest location of the facility should they determine to move forward. Both locations would have provided access within a two-hour radius to all pork producers engaged in the project. Within this group of partnering pork producers, both Ohio and Michigan represent a significant percentage of hogs. In addition to State and Community support, the Company also considered site feasibility and labor force preparedness when selecting the final location.

The Company selected the City of Coldwater for its new pork processing facility. The Company will invest $255,700,000 and create 810 new jobs in the City of Coldwater to support this project. The Company will produce bulk, fresh pork items at the Coldwater facility and will serve customers across retail, foodservice, business-to-business, and export customers throughout the region.

The new facility will be located on a greenfield site in the City of Coldwater. Currently, the site does not have infrastructure in place to support the project. In order to proceed with the project, the Coldwater location will require the following infrastructure improvements: extensions to the Community's water main and sanitary sewer main and extension of a new municipal electric overhead distribution line.

The Company also identified a need to have a trained workforce available in order to meet their employment ramp-up schedule as well as ongoing training support for newly hired individuals. The Company and Community will partner with the Branch County Intermediate School District to develop a training curriculum to assist with workforce readiness.

The CDBG funds will be used to assist with municipal infrastructure extensions, property acquisition, workforce development and OJT. The Community will fund the electrical extension as well as fund a portion of the new water main and sanitary sewer main to the Company's site.

CDBG funds will be disbursed as follows:

Infrastructure Improvements	$ 5,500,000
Land Acquisition	$ 2,000,000
Workforce Development	$ 1,000,000
OJT	$ 4,000,000
Administrative Costs	$ 50,000
Total:	$12,550,000

Program Requirements

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

- **National Objective:**
  This project qualifies for CBDG funding as the project activities are expected to result in the creation of up to 810 full time positions over the next four years, of which 644 will be associated with the CDBG funding. The business has agreed that at least 329 of the 644 positions will be held by low to moderate income persons. The project meets a national objective by providing benefit to at least 51 percent low and moderate income persons. The CDBG cost per job is $19,488, the overall project cost per job is $15,494, with an average wage of $15.88 per hour. The CDBG cost per job is an average and will vary based on final structure.

  The CDBG funding will be structured in two phases. The first phase will include the infrastructure improvements, land acquisition, workforce development and administrative expenses. The second phase will include OJT and administrative expenses. The job creation national objective will be based on the following structure:

  National Objective Phase One:
  Phase One qualifies for CBDG funding as the project activities are expected to result in the creation of up to 244 full time positions over the next four years. The business has agreed that at least 125 of the 244 positions will be held by low to moderate income persons. The project meets a national objective by providing benefit to at least 51 percent low and moderate income persons. The average CDBG cost per job is $34,938, with an average wage of $15.88 per hour.

National Objective Phase Two:
Phase Two qualifies for CBDG funding as the project activities are expected to result in the creation of up to 400 full time positions over the next four years. The business has agreed that at least 204 of the 400 positions will be held by low to moderate income persons. The project meets a national objective by providing benefit to at least 51 percent low and moderate income persons. The average CDBG cost per job is $10,000, with an average wage of $15.88 per hour.

- **Eligible Activity:**
  This project involves eligible activities identified in Section 105(a) (1)(2)(17) of Title I of the Housing and Community Development Act of 1974, as amended.

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

- **Economic Impact:** The economic impact of this project was evaluated. It was determined that the project will result in significant job creation and investment. In addition to the direct benefits of job creation and investment, the project will also play a major role in Michigan's economy and the global pork market. The project will also help grow our agribusiness and food economy. Currently, the state produces just over 2 million head of market hogs per year, which is shipped out-of-state for processing. Current annual pork production requires approximately 836,000 tons of feed. Overall, Michigan's pork production businesses employ approximately 8,800 people directly and are responsible for total employment of approximately 10,800. The project will significantly increase both direct and indirect employment related to pork production.

- **Minimum Local Participation:** The Community will make an anticipated contribution of $4,500,000 which is thirty-six percent (36%) of the total infrastructure, property acquisition, workforce development and wage reimbursement costs. The Community will use LDFA Tax Capture to finance its portion of the project. The Community is also supportive of a property tax abatement for real property related to the project.

- **Minimum Leverage Ratio:** The private leverage contribution, to be provided by the Company equals $255,700,000, which results in a leverage ratio of approximately 20:1 of the CDBG grant.

- **Financial Viability and Background Check:** The Company receiving the benefit from this project has completed a background check with no concerns and has been determined to be financially viable.

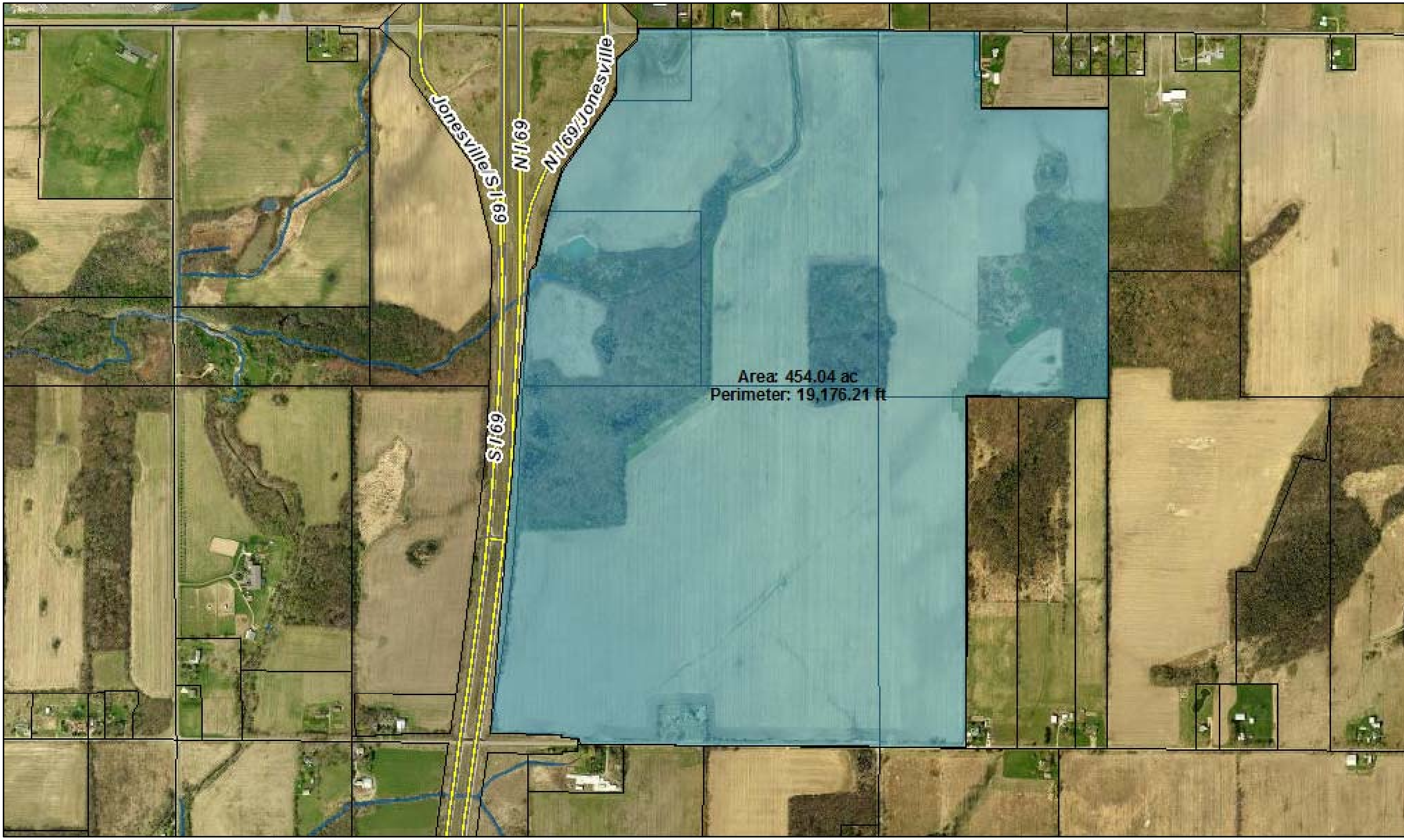
- **2014 Application Guide:** The requirement that the grant(s) can only be used for Michigan residents will be waived due to the project location near the Michigan/Indiana border. The jobs created may cross border, but will still benefit Michigan in tax withholdings and other economic impact.

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

The execution of the grant agreement will be contingent on the receipt and approval of the final Part 1 Application, Part 2 Application, Terms Letter, Environmental Review, and Background Check.

Recommendation
The MEDC Staff recommends:

- A CDBG grant agreement in the amount of $12,550,000 be authorized and that the 2014 Application Guide requirement for Michigan residents only be waived for the Community for the Clemens Food Group Expansion Project.



November 12, 2014

StateRoads
Street Names
County Parcels
LakeRiver
Lakes & Rivers
Dimensions
Property Lines

MICHIGAN STRATEGIC FUND

RESOLUTION 2014- _________

APPROVAL OF CITY OF COLDWATER
INFRASTRUCTURE, LAND ACQUISITION, WORKFORCE DEVELOPMENT, AND
ON-THE-JOB TRAINING PROJECT

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

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

WHEREAS, The CDBG program has policies, criteria, and parameters that are enumerated in the 2014 Program Guidelines, as amended (the "Criteria"). The MSF, by Resolution 2014-051, authorized and approved the Consolidated Plan and the Criteria and the MSF, by Resolution 2014-083, authorized and approved the 2014 Application Guide which includes guidelines for job creation grants ("Guide");

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

WHEREAS, the City of Coldwater (the "Community") has submitted a complete application for approval requesting funding to be used to fund the Clemens Food Group Expansion Project (the "Project");

WHEREAS, the CDBG program staff reviewed the proposed Project in light of the Criteria, Guide and HUD regulations and concluded the Project is eligible for funding, is not speculative in nature, is economically sound, is ready to proceed, will create jobs and at least 51% of the newly created jobs will be held by persons of low and moderate income;

WHEREAS, given the Project location near the Michigan/Indiana border some jobs may come from outside Michigan, and staff recommends an exception to the Guide requirement that all grant proceeds only be used for Michigan residents; and

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF authorizes a grant(s) to the Community not to exceed $12,550,000 for the payment or reimbursement of costs associated with the Project. The MSF allocates $12,550,000 from the Michigan CDBG program for the purpose of funding the Community's proposed Project contingent upon the MSF's continued receipt of CDBG funds and availability of adequate funds;

BE IT FURTHER RESOLVED, the MSF authorizes an exception to the Guide requirement that all grant proceeds only be used for Michigan residents;

BE IT FURTHER RESOLVED, staff is directed to negotiate the terms of the grant agreement(s) for the Project consistent with this Resolution. Execution of the grant agreement(s) is contingent upon receipt and approval of the Part 1 Application, Part 2 Application, Terms Letter, and Environmental Review; and

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

Ayes:

Nayes:

Recused:

Lansing, Michigan
December 16, 2014

PURE MICHIGAN

MEMORANDUM

Date: **December 16, 2014**

To: **Michigan Strategic Fund ("MSF") Board Members**

From: **Marcia Gebarowski, Senior Development Finance Manager**

Subject: ***The Paslin Company ("Company" or "Applicant")***
Michigan Business Development Program Performance-based Grant Request

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<u>Summary</u>

This is request from the Applicant for a $1,700,000 Performance-based grant. This project involves the creation of 200 Qualified New Jobs, with the potential for up to 224 total jobs as a result of the project, and a capital investment of up to $20,612,000 in the City of Warren and in Shelby Township, Macomb County.

The Applicant has demonstrated a need for the funding. As part of their growth strategy, the Applicant considered investing in Alabama, Tennessee, and Washington due to a significant portion of their customer base located outside of Michigan. Investment in one of these states would reduce travel costs of employees and reduce shipping costs while providing a larger talent pool of engineers and skilled trades. They have indicated that the talent pool in southeast Michigan for skilled trades is highly competitive. Because of this, the Applicant must actively recruit out-of-state and provide higher compensation packages to attract the talent they need to grow in Michigan.

<u>Background</u>

Founded by the Pasque family in 1936, the Warren-based Company designs, assembles and integrates robotic assembly lines for Tier One and OEM automotive companies. The Company is recognized throughout the automotive industry for effectively partnering with customers and suppliers and for its ability to provide both sophisticated systems design and state-of-the-art manufacturing capability. They are a full service process, design and build leader in the construction and integration of manufacturing assembly and automation systems.

The Company is working towards a vision that will transform them from a locally known company into a global leader in areas of engineering and manufacturing assembly. As a part of this plan in 2013, the Company was restructured with the addition of ownership and leadership from Tower Three Partners as a financial and operational partners. Since then, the Company has also brought on a new CEO with greater industry experience to lead the Company to its next level of growth.

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

The Applicant plans to complete the construction of a new facility in Shelby Township as well as expand in their three existing facilities in the City of Warren, make investments and create jobs related to equipment manufacturing.

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 Warren and in Shelby Township. The City and Township has offered a "staff, financial, or economic commitment to the project" in the form of a property tax abatement or waived permit fees related to the project.
c) The Applicant has demonstrated a need for the funding. As part of their growth strategy, the Applicant considered investing in Alabama, Tennessee, and Washington due to a significant portion of their customer base located outside of Michigan. Investment in one of these states would reduce travel costs of employees and reduce shipping costs while providing a larger talent pool of engineers and skilled trades. They have indicated that the talent pool in southeast Michigan for skilled trades is highly competitive. Because of this, the Applicant must actively recruit out-of-state and provide higher compensation packages to attract the talent they need to grow in Michigan.
d) The Applicant plans to create 200 Qualified New Jobs above a statewide base employment level of 478.
e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: the Company indicates that job creation and investment will begin in the fourth quarter of 2014, the project involved out-of-state competition, the project has strong links to Michigan suppliers, and the project results in a positive ROI for Michigan.

Recommendation

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

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

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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: 11/21/2014

1. **Company Name:** The Paslin Company ("Company" or "Applicant")

2. **Company Address:** 25303 Ryan Road
Warren, MI 48091

3. **Project Address ("Project"):** 25303 Ryan Road
Warren, MI 48091

3400 Ten Mile Road
Warren, MI 48091

23655 Hoover Road
Warren, MI 48069

Address TBD (new construction)
Shelby Township, MI 48316

4. **MBDP Incentive Type:** Performance Based Grant

5. **Maximum Amount of MBDP Incentive:** Up to $1,700,000 ("MBDP Incentive Award")

6. **Base Employment Level** 478 — The number of jobs currently maintained in Michigan by the Company based on data submitted by the Company to the MEDC reflecting the Company's **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.

B

7. **Total Qualified New Job Creation:** *(above Base Employment Level)*

200

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

   a. **Start Date for Measurement of Creation of Qualified New Jobs:** October 31, 2014 (Date of Accepted Offer Letter)

8. **Company Investment:** $20,612,000 in building new construction, furniture and fixtures, computers, machinery and equipment, *or any combination thereof, for the Project.*

9. **Municipality supporting the Project:** City of Warren or Shelby Township

   a. **Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide: **<u>a property tax abatement in either municipality related to the Project.</u>** 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 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 must otherwise be in compliance with all terms and conditions of the final Agreement, and further shall include:

    a. **Disbursement Milestone 1:** Up to $500,000 Upon demonstrated creation of 25 Qualified New Jobs above the Base Employment Level; verification of secured talent enhancement including any combination of the following: a new documented hire orientation plan, documented on-boarding process, or documented updated employee handbook; verification that relevant job postings are listed on mitalent.org; and

			verification of final approval of municipality support by no later than March 31, 2015.
b.	**Disbursement Milestone 2:**	Up to $500,000	Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 55 additional Qualified New Jobs (for a total of 80 Qualified New Jobs) above the Base Employment Level, verification of a training cell station at the Project, and verification that relevant job postings are listed on mitalent.org by no later than September 30, 2015.
c.	**Disbursement Milestone 3:**	Up to $200,000	Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 40 additional Qualified New Jobs (for a total of 120 Qualified New Jobs) above the Base Employment Level, verification that relevant job postings are listed on mitalent.org by no later than June 30, 2016.
d.	**Disbursement Milestone 4:**	Up to $200,000	Upon completion of Disbursement Milestone 1, Disbursement Milestone 2 and Disbursement Milestone 3, and upon demonstrated creation of 40 additional Qualified New Jobs (for a total of 160 Qualified New Jobs), verification that relevant job postings are listed on mitalent.org above the Base Employment Level, by no later than June 30, 2017.
e.	**Disbursement Milestone 5:**	Up to $300,000	Upon completion of Disbursement Milestone 1, Disbursement Milestone 2 and Disbursement Milestone 3, Milestone 4 and upon demonstrated creation of 40 additional Qualified New Jobs (for a total of 200 Qualified New Jobs), verification that the Company has a certified apprenticeship program or has a student enrolled in the MAT2 program, and verification that relevant job postings are listed on mitalent.org above the Base Employment Level, by no later than June 30, 2018

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 moves 25% or more of their employees out of Michigan, if the Company fails to maintain the Base Employment Level in Michigan, if the Company fails to maintain the Qualified New Jobs incented by this Award.

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; and the educational attainment of the employees hired.

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.

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 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 November 21, 2014, the MEDC may not be able to proceed with any recommendation to the MSF.

		Acknowledged as received by:	
The Paslin Company		Michigan Economic Development Corporation	
By:		By:	Marcia Gebarowski
Printed Name:	TEO ZIMBO	Printed Name:	
Its:	CFO	Its:	Snr. Dev't Finance Mgr
Dated:	11/21/14	Dated:	11/21/2014

MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO THE PASLIN COMPANY

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

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

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

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

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

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

WHEREAS, The Paslin Company ("Company") has requested a performance based MBDP grant of up to $1,700,000 ("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
December 16, 2014

PURE MICHIGAN®

MEMORANDUM

Date: **December 16, 2014**

To: **Michigan Strategic Fund ("MSF") Board Members**

From: **Tyler Rossmaessler, Senior Planning & Project Manager**

Subject: ***Brose New Boston, Inc.***
Michigan Business Development Program Performance-based Grant Request

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Summary

This is request from the Applicant for a $4,250,000 performance-based grant. This project involves the creation of 475 Qualified New Jobs and a capital investment of up to $ 97,600,000. The 475 Qualified New Jobs will be in Huron Charter Township in Wayne County and City of Auburn Hills in Oakland County.

The Applicant has demonstrated a need for the funding due to higher labor costs. The Applicant was considering adding these job functions to a recently expanded plant in Mexico, where labor costs are lower.

Background

Brose New Boston, Inc. (the Applicant) and its parent Brose North America Group (Brose North America Holding, LP), is a leading manufacturer of mechatronic components for vehicle bodies and interiors. Brose International GMBH, the parent to Brose North America Group, is an international supplier to automotive markets worldwide. Brose is drawing upon the Michigan workforce's strong manufacturing expertise to build increasingly sophisticated products and operates three facilities in Michigan: Auburn Hills, Warren, and New Boston. Their customers include Ford, Chrysler, and Honda.

The Applicant has secured new business which exceeds current production capacity among its North American operations. Over the next five years Brose will produce newly ramped up product, and add new programs which require an additional employees and investment.

Over the next 5 years, Brose plans to add 388 new jobs that will be skilled operators and technicians to support the new production lines. 87 jobs will added to perform professional services that support the new business and highly skilled technicians to perform testing and technical support.

The Applicant has received incentives from the MSF in the past. The Applicant received a Business Development Program Performance-based Grant in 2012, they have collected on 2 of 3 milestones and have come in for the third. The Applicant's parent company did receive a MEGA credit and has claimed it from 2002 through 2013.

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 Huron Charter Township and the City of Auburn Hills. Huron Charter Township has offered a “staff, financial, or economic commitment to the project” in the form of a 12 year tax abatement worth approximately $3,528,000.
c) The Applicant has demonstrated a need for the funding due to higher labor costs. The Applicant was considering adding these job functions to a recently expanded plant in Mexico, where labor costs are lower.
d) The Applicant plans to create 475 Qualified New Jobs above a statewide base employment level of 1,104.
e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: The Applicant indicates that investment will begin in 2015, job creation is also expected to commence in 2015, the project involved out-of-state competition, and the project results in a positive ROI for Michigan.

Recommendation

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

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

PURE MICHIGAN®

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: Click here to enter a date.

1. **Company Name:** Brose New Boston, Inc. ("Company" or "Applicant")

2. **Company Address:** 23400 Bell Road
New Boston, MI 48164

3. **Project Address ("Project"):** 23400 Bell Road
New Boston, MI 48164

25295 Guenther
Warren, MI 48091

3933 Automation Avenue,
Auburn Hills, MI 48326

4. **MBDP Incentive Type:** Performance Based Grant

5. **Maximum Amount of MBDP Incentive:** Up to $4,250,000 ("MBDP Incentive Award")

6. **Base Employment Level** 1104 The number of jobs currently maintained in Michigan by the Company, Brose North America, Inc., Brose Jefferson, Inc., and Brose North America Limited Partnership based on data submitted by the Company to the MEDC reflecting the Company'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:** *(above Base Employment Level)* 475 The minimum number of total Qualified New Jobs the Company, Brose North America, Inc., and Brose Jefferson, Inc. shall be required to create at

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

a. **Start Date for Measurement of Creation of Qualified New Jobs:** September 25, 2014 (Date of accepted offer)

8. **Company Investment:** $97,600,000 in new building construction, building renovations, machinery & equipment, computers, *or any combination thereof, for the Project.*

9. **Municipality supporting the Project:** Huron Charter Township

   a. **Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide: **<u>a tax abatement related to the Project</u>**. 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, Brose North America, Inc., Brose Jefferson, Inc., and Brose North America Limited Partnership must have maintained (i) the Base Employment Level (exclusive of the number of Qualified New Jobs then created and the Company, Brose North America, Inc., and Brose Jefferson, Inc. must have maintained any (ii) Qualified New Jobs created for which disbursements by the MSF have been made, and must otherwise be in compliance with all terms and conditions of the final Agreement, and further shall include:

a. **Disbursement Milestone 1:**	Up to $1,250,000	Upon demonstrated creation of 95 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than December 31, 2015.
b. **Disbursement Milestone 2:**	Up to $442,600	Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 60 additional Qualified New Jobs (for a total of 155 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2016.

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c. **Disbursement Milestone 3:**	Up to $442,600	Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 60 additional Qualified New Jobs (for a total of 215 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2017.
d. **Disbursement Milestone 4:**	Up to $442,600	Upon completion of Disbursement Milestone 1, Disbursement Milestone 2 and Disbursement Milestone 3, and upon demonstrated creation of 60 additional Qualified New Jobs (for a total of 275 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2018.
e. **Disbursement Milestone 5:**	Up to $922,200	Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, Disbursement Milestone 3, and Disbursement Milestone 4 and upon demonstrated creation of 125 additional Qualified New Jobs (for a total of 400 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2019.
f. **Disbursement Milestone 6:**	Up to $750,000	Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, Disbursement Milestone 3, Disbursement Milestone 4, and Disbursement Milestone 5 and upon demonstrated creation of 75 additional Qualified New Jobs (for a total of 475 Qualified New Jobs) above the Base Employment Level, by no later than March 31, 2020.

11. **Term of Agreement:** Execution of Agreement to March 31, 2022

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 moves 25% or more of their employees out of Michigan, if the Company fails to maintain the Base Employment Level in Michigan, if the Company fails to maintain the Qualified New Jobs incented by this Award.

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

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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; and the educational attainment of the employees hired.

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.

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 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 December 9, 2014, the MEDC may not be able to proceed with any recommendation to the MSF.

Acknowledged as received by:

Brose New Boston, Inc.		Michigan Economic Development Corporation	
By:	Jan Kowal	By:	
Printed Name:	Jan Kowal	Printed Name:	Tyler Rossmaessler
Its:	President	Its:	Senior Planning & Project Manager
Dated:	12/04/14	Dated:	12/4/2014

J. Breuer / CFO

MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO BROSE NEW BOSTON, 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, Brose New Boston, Inc. ("Company") has requested a performance based MBDP grant of up to $4,250,000 ("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
December 16, 2014

PURE MICHIGAN

MEMORANDUM

Date: **December 16, 2014**

To: **Michigan Strategic Fund (MSF) Delegates**

From: **Mike Gietzen, Development Finance Manager**
Lisa Green, Program Specialist, Community Development Block Grant
Christine Whitz, Manager, Community Development Block Grant (CDBG) Program

Subject: **Community Development Block Grant Program**
Lane Automotive, Inc.
Watervliet Charter Township

Request

The Charter Township of Watervliet is requesting $1,900,000 in Community Development Block Grant (CDBG) funds for on the job training for Lane Automotive, Inc. Job Training Project in Berrien County, Michigan. The Charter Township expects that this project could result in private investment of $30,500,000 and the creation of 138 new jobs.

Background

Lane Automotive, Inc. located at 8300 Lane Drive Watervliet, Michigan 49098 has outgrown its current 153,000 square foot facility and plans to expand operations to 200,000 square feet at its current site. Lane Automotive, Inc. is a supplier of performance parts and accessories for race cars, hot rods, trucks, and off-road enthusiasts. Lane Automotive's divisions include Motor State Distributing, Allstar Performance, Lane Collectables, and the Lane Automotive Showroom.

There was very strong out-of-state competition for this project from Tennessee and Indiana which would be a more suitable location for distribution reasons and customer base. This CDBG will assist Lane Automotive, Inc. with on the job training for 138 new employees at the expanded site. Watervliet Charter Township will reduce permitting fees of up to $10,000 for the project.

Program Requirements

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

- **National Objective:**
  This project qualifies for CBDG funding as the project activities are expected to result in the creation of 138 full time positions over the next three years. The business has agreed that at least 70 of the 138 positions will be held by low to moderate income persons. The project meets a national objective by providing benefit to at least 51 percent low and moderate income persons. The CDBG cost per job is $13,769 with a minimum wage of $18 per hour.

- **Eligible Activity:**
  This project involves eligible activities identified in Section 105(a) (17) of Title I of the Housing and Community Development Act of 1974, as amended.

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

Economic Impact: The economic impact of this project was evaluated. It has been determined that project is not a retention project, the project involves out-of-state competition, that the project is shovel-ready with the support of the MSF, that the project creates diversification to the State of Michigan's economy, and creates near-term jobs.

- **Minimum Local Participation:** Watervliet Charter Township will make an anticipated contribution of $10,000 in the form of permitting fee reductions.

- **Minimum Leverage Ratio:** The private leverage contribution, to be provided by Lane Automotive, equals $30,500,000 which results in a leverage ratio of approximately 16.1:1 of the CDBG grant.

- **Financial Viability and Background Check:** The business receiving the benefit from this project has completed a background check with no concerns and has been determined to be financially viable.

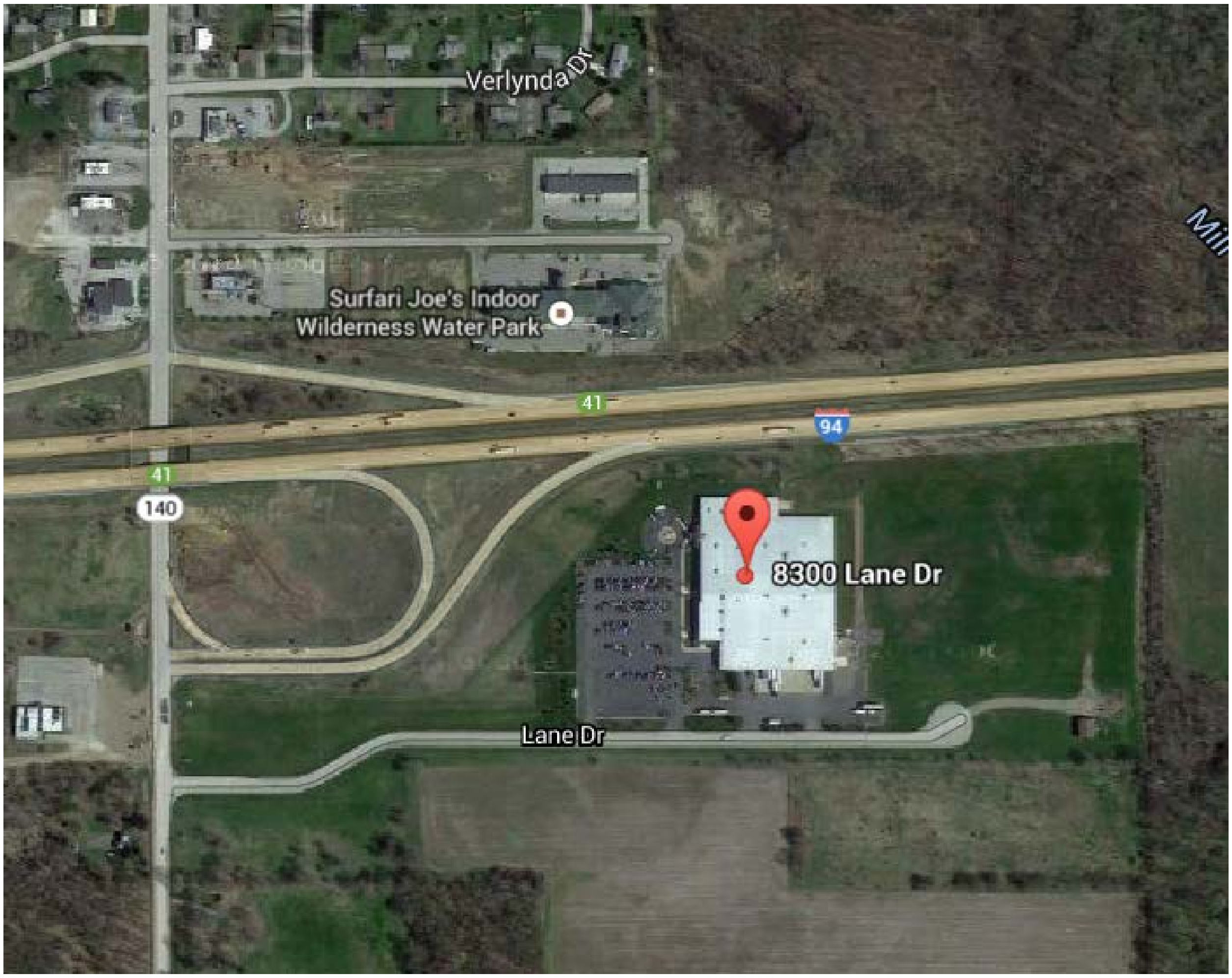
The MEDC staff has concluded that the project meets the minimum program requirements and screening guidelines to be eligible under the CDBG program.

The execution of the grant agreement will be contingent on the receipt and approval of the final Part 1 Application, Part 2 Application, Term Letter, Environmental Review, evidencing that the applicant has completed the application process and to assure viability of the project.

Recommendation
The MEDC Staff recommends:

- A CDBG Job Training grant agreement in the amount of $1,900,000 be authorized for the Charter Township of Watervliet for the Lane Automotive, LLC Expansion Job Training Project.

8300 Lane Drive Watervliet, Michigan 49098



MICHIGAN STRATEGIC FUND

RESOLUTION 2014 - _________

APPROVAL OF CHARTER TOWNSHIP OF WATERVLIET JOB TRAINING PROJECT

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

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

WHEREAS, The CDBG program has policies, criteria, and parameters that are enumerated in the 2014 Program Guidelines, as amended (the "Criteria"). The MSF, by Resolution 2014-051, authorized and approved the Consolidated Plan and the Criteria and the MSF, by Resolution 2014-083, authorized and approved the 2014 Application Guide which includes guidelines for job creation grants;

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

WHEREAS, the Charter Township of Watervliet (the "Community") has submitted a complete application for approval requesting funding to be used to fund the Lane Automotive, Inc. Expansion Job Training Project (the "Project");

WHEREAS, the CDBG program staff reviewed the proposed Project in light of the Criteria, Guide and HUD regulations and concluded the Project is eligible for funding, is not speculative in nature, is economically sound, is ready to proceed, will create jobs and at least 51% of the newly created jobs will be held by persons of low and moderate income; and

WHEREAS, staff recommends that a grant agreement be authorized and entered into with the Community for funds from the CDBG program for the reasons set forth in this Resolution with the following contingencies evidencing that the applicant has completed the application process and assuring viability of the project: the receipt and approval of the final Part 1 Application, Part 2 Application, Term Letter, and Environmental Review.

NOW, THEREFORE, BE IT RESOLVED, that the MSF authorizes a grant to the Community not to exceed $1,928,950 for the payment or reimbursement of costs associated with the Project. The MSF allocates $1,928,950 from the Michigan CDBG program for the purpose of funding the Community's proposed Project contingent upon the MSF's continued receipt of CDBG funds and availability of adequate funds;

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

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

Ayes:

Nayes:

Recused:

Lansing, Michigan
December 16, 2014

MEMORANDUM

Date: **December 16, 2014**

To: **Michigan Strategic Fund Board**

From: **Brent Morgan, Manager, Brownfield and Community Revitalization Programs**
Dan Wells, Brownfield Senior Program Specialist
Mike Gietzen, Development Finance Manager

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

Request

The City of Battle Creek Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of $892,740.

Background

The school taxes will be utilized to redevelop four parcels on approximately 11.1 acres of property located at 170 Angell Street and 200 Grand Trunk Avenue in the City of Battle Creek. The property is currently owned by ReConserve of Michigan, Inc., a business that manufactures a registered feed ingredient from non-meat food by-products which include production waste and outdated wrapped returned products, and creates innovative collection equipment that collects, stores, monitors and tracks food manufacturer's waste.

The project will include renovating two 100-year old processing buildings and an office building on a property that is currently underutilized, primarily as a semi-truck storage lot. ReConserve will install processing equipment, grain bins, and a rail spur that will go directly into a building specially designed to accommodate loading and unloading of rail cars. The redeveloped property will have concrete and paved areas, storm drainage and updated lighting. Eligible activities include partial and whole building demolition, lead and asbestos abatement, and site preparation.

Approximately nine permanent full-time jobs are anticipated to be created by the commercial operations of the project at an average hourly wage of $19.86, and 20 full time jobs will be retained. The total capital investment will be approximately $8 million.

Property Eligibility

The project is located within the boundaries of the City of Battle Creek, which is a Qualified Local Governmental Unit, and has been determined to be a facility as verified by Michigan Department of Environmental Quality (DEQ) on October 29, 2014. The property is the subject of a Brownfield Plan, duly approved by the City of Battle Creek on December 2, 2014.

Other State and Local Assistance to the Project

ReConserve has requested $1,406,775 in school tax capture from DEQ for Due Care activities. The company has also requested a 12 year PA 198 tax abatement from Battle Creek with an estimated value of $873,000.

Tax Capture Breakdown

There are 59.0266 non-homestead mills available for capture, with school millage equaling 24 mills (40.66%) and local millage equaling 35.0266 mills (59.34%). However, a PA 198 tax abatement that reduces local taxes by half for 12 years reduces the local contribution to the tax increment revenue for that time, and increases the state contribution accordingly, for an actual ratio of 46.4% and 53.6%. Tax increment capture will begin in 2015 and is estimated to continue for 26 years. The requested tax capture for MSF eligible activities with the PA 198 included breaks down as follows:

School tax capture (46.4%)	$ 414,231
Local tax capture (53.6%)	$ 478,509
TOTAL	**$ 892,740**

Cost of MSF Eligible Activities

Demolition	$ 394,400
Lead or Asbestos Abatement	24,900
Site Preparation	+ 348,300
Sub-Total	$ 768,600
Contingency (15%)	+ 115,140
Sub-Total	$ 882,740
Brownfield/Work Plan Preparation	+ 10,000
TOTAL	**$ 892,740**

Recommendation

The MEDC recommends approval of the request by City of Battle Creek Brownfield Redevelopment Authority to capture local and school taxes for the MSF eligible activities totaling $892,740 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $414,231.

KEY STATUTORY CRITERIA

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

a) **Overall Benefit to the Public:**
The project will bring an underutilized property back into full use and increase the tax base for the city.

b) **Jobs Created (Excluding Construction and other Indirect Jobs):**
This project is expected to create approximately nine new, full-time jobs in the commercial sector.

c) **Area of High Unemployment:**
The City of Battle Creek unadjusted jobless rate was 6% in October 2014.

d) **Level and Extent of Contamination Alleviated:**
Soil and groundwater samples indicate that arsenic, benzo(k)floranthene, lead, and selenium are present in levels exceeding residential criteria as established by DEQ. Due Care will be undertaken in order to prevent exposure to these contaminants during and after construction.

e) **Reuse of Functionally Obsolete Buildings and/or Redevelopment of Blighted Property:**
The project is not qualifying as functionally obsolete or blighted.

f) **Cost Gap that Exists between the Property and a Similar Greenfield Property:**
The Brownfield TIF is needed to reimburse the costs that would not be present on a green field property, otherwise the project would not be financially feasible.

g) **Whether Project will Create a New Brownfield Property in the State:**
No new Brownfields will be created by this project.

h) **Whether the Project is Financially and Economically Sound:**
From the materials received, the MEDC infers that the Work Plan is financially and economically sound.

i) **Other Factors Considered:**
No additional factors need to be considered for this project.

MAP OF PROJECT AREA

RESOLUTION 2014-
MICHIGAN STRATEGIC FUND

City of Battle Creek Brownfield Redevelopment Authority
170 Angell Street Project
City of Battle Creek

At the meeting of the Michigan Strategic Fund ("MSF") held on December 16, 2014 in Lansing, Michigan.

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

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

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

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

WHEREAS, the City of Battle Creek Brownfield Redevelopment Authority (the "Authority") has submitted a work plan for property located at 170 Angell Street within the City of Battle Creek, known as 170 Angell Street Project (the "Project");

WHEREAS, the City of Battle Creek is a "qualified local governmental unit" and is eligible to provide for a) demolition; b) lead and asbestos abatement; c) site preparation; and d) brownfield work plan preparation as provided under 2007 PA 204 and;

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

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as the 46.4% to 53.6% ratio currently existing between school and local taxes for non-homestead properties with application of a PA 198 tax abatement for 12 years, to reimburse the cost of site preparation, demolition, and lead and asbestos abatement as presented in the revised Work Plan dated November 18, 2014. Any change in millage that increases the capture percentage of school operating taxes by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on a maximum of $882,740 for the principal activity costs of non-environmental activities and a contingency and a maximum of $10,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of $414,231.

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

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

Ayes:

Nays:

Recused:

December 16, 2014
Lansing, Michigan

PURE MICHIGAN®

MEMORANDUM

Date: **November 25, 2014**

To: **Michigan Strategic Fund Board**

From: **Jacob Schroeder, Director, Pure Michigan Business Connect Services**

Subject: ***Manufacturing Support Services Contract Extension***

Action

The MEDC requests that the MSF Board extend the contract and relationship with the Michigan Manufacturing Technology Center (MMTC) to an end date of September 30, 2015 and increase funding in the amount of $2,125,000 to the maintain Manufacturing Support Services for the corresponding timeframe.

Background

The MMTC was selected by the MSF at the March 25, 2014 to provide Manufacturing Support Services to the Michigan manufacturing (and related) industry with the goal of increasing sales, profitability, the Michigan tax base, as well as creating and retaining jobs. At that time, the MMTC was evaluated by a Joint Evaluation Committee ("JEC"), and was selected to receive a grant (with the option to extend up to three years) to provide the following services:

- Matchmaking assistance in support of Pure Michigan Business Connect ("PMBC") initiatives.
- Research and consultation as it relates to the MEDC's Economic Gardening (second stage growth) program.
- Consulting and training related to process improvement and efficiency.
- Provide business outreach and services in support of the MEDC PMBC and Business Development efforts.

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

The MMTC currently provides and seeks to continue to provide services in the four areas requested by the MSF as well as in support of other MEDC business development efforts.

Recommendation

MEDC Staff recommends that the MSF Board award the allocated $2,125,000 for the program to MMTC and extend the contract to September 30, 2015.

MICHIGAN STRATEGIC FUND
RESOLUTION

2014-

MICHIGAN MANUFACTURING TECHNOLOGY CENTER
GRANT EXTENSION AND FUNDING ALLOCATION

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

WHEREAS, MCL 125.2088k created the Strategic Economic Investment and Commercialization Board (“SEIC Board”) for the purposes of awarding grants and loans for basic research, applied research, university technology transfer, and commercialization of products, processes and services to encourage the development of competitive edge technologies to create jobs within the State of Michigan;

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

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

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

WHEREAS, at its February 25, 2014 meeting, the MSF issued a request for proposals in accordance with seeking a Michigan non-profit organization to provide services to companies in the Michigan manufacturing and other related industries (the “Manufacturing Services RFP”);

WHEREAS, on March 25, 2014, the MSF Board awarded $1.38 million to the Michigan Manufacturing Technology Center (“MMTC”) under the Manufacturing Services RFP (the “MMTC Grant”), with the option to extend the term of the MMTC Grant for up to an additional three years and to add additional funding at the sole discretion of the MSF;

WHEREAS, the MSF and MMTC desire to exercise the option for the first additional one year term and to allocate $2.125 million in additional funding for the MMTC Grant (the “MMTC Grant Amendment”);

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
December 16, 2014

PURE MICHIGAN

MEMORANDUM

Date: December 16, 2014
To: Michigan Strategic Fund Board Members
From: Amy Lux, Renaissance Zone Program Specialist
Subject: Green Plains Holdings II, LLC and Airgas Carbonic, Inc. Agricultural Processing Renaissance Zone

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Action

The Michigan Economic Development Corporation ("MEDC") is recommending the Michigan Strategic Fund ("MSF") Board approve an amendment to Green Plains Holdings II, LLC's ("Green Plains") Agricultural Processing Renaissance Zone (the "APRZ") to resolve compliance issues and to authorize the execution of a new Development Agreement with Airgas Carbonic, Inc. ("Airgas") to sanction its receipt of renaissance zone benefits.

Background

Green Plains originally received the APRZ designation from the MSF Board in 2005 to construct and operate an ethanol facility and a CO_2 facility at their site in Riga Township, Lenawee County. Both facilities have been constructed and have been brought in to operation in accordance with the terms of the associated Agricultural Processing Renaissance Zone Development Agreement (the "Original Agreement").

Airgas eventually took over operation of the CO_2 facility and has successfully maintained the seventeen (17) new full-time jobs projected at the facility. However, due to the fact that Green Plains is not directly employing anyone at the CO_2 facility, the company is currently out of compliance with the terms of the Original Agreement. In addition, Airgas is not technically eligible to receive the benefits of the APRZ because the company is not a party to a development agreement with the MSF, as required by statute.

RECOMMENDATION

MEDC Staff recommends the MSF Board approve the following:

1. Authorize the execution of a new Agricultural Processing Renaissance Zone Development Agreement between the Airgas, Green Plains (as the landowner), and the MSF for the portion of the APRZ housing the CO_2 facility, in order to make Airgas eligible to receive renaissance zone benefits.
2. Authorize the execution of an Amended and Restated Development Agreement between Green Plains, Riga Township, and the MSF that accommodates the reassignment of benefits of the CO_2 facility from Green Plains to Airgas, that updates the Original Agreement to the more current Development Agreement template, and that reduces the job creation milestone requirement at the ethanol facility by one full-time job to recognize efficiencies realized by the company.

MICHIGAN STRATEGIC FUND

RESOLUTION
2014-

AMENDMENT TO AGRICULTURAL PROCESSING RENAISSANCE ZONE DEVELOPMENT AGREEMENT
Green Plains Holdings II, LLC

WHEREAS, on September 30, 2005, the State Administrative Board approved Michigan Strategic Fund ("MSF") Resolution 2005-329, establishing the Agricultural Processing Renaissance Zone (the "Zone") for Green Plains Holdings II, LLC (the "Company"), as authorized in Section 8c of Public Act 376 of 1996, the amended Michigan Renaissance Zone Act (the "Act");

WHEREAS, pursuant to the Act, on September 15, 2005, the Company, Riga Township, and the MSF entered in to a development agreement to govern the Zone (the "Original Agreement");

WHEREAS, the Original Agreement outlined various development milestones, including the construction and operation of an ethanol facility and a CO_2 facility, and job creation and capital investment requirements associated with each facility;

WHEREAS, the Company successfully completed the construction of the facilities, but is currently operating only the ethanol facility, while another entity, Airgas Carbonic, Inc. ("Airgas"), is operating the CO_2 facility;

WHEREAS, the Michigan Economic Development Corporation ("MEDC") provides administrative services for the renaissance zone program and has reviewed the Amendment Application submitted by the Company requesting the milestone obligations and the benefits of the renaissance zone be applied to Airgas for the CO_2 facility, and modifies the current job creation milestone for the ethanol facility to bring the company back in to compliance;

WHEREAS, the MEDC, on behalf of the MSF, has negotiated with the Company an amended and restated renaissance zone development agreement in order to resolve compliance issues with the Original Agreement;

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes the MSF Fund Manager, in coordination with MEDC staff, to negotiate the final terms of the amended and restated renaissance zone development agreement to be consistent with this resolution, and additional and other terms so long as the additional and other terms are not otherwise adverse to the MSF, to accommodate the final execution of the amended and restated renaissance zone development agreement;

BE IT FURTHER RESOLVED, that the MSF Board authorizes the Fund Manager to take any action necessary to effectuate the terms of this Resolution; and

BE IT FURTHER RESOLVED, that, except as provided in this Resolution, the terms of the Agreement shall remain unchanged and in full effect.

Ayes:

Nays:

Recused:

Lansing, Michigan
December 16, 2014

MICHIGAN STRATEGIC FUND

RESOLUTION
2014-

AMENDMENT TO AGRICULTURAL PROCESSING RENAISSANCE ZONE DEVELOPMENT AGREEMENT
Airgas Carbonic, Inc.

WHEREAS, on September 30, 2005, the State Administrative Board approved Michigan Strategic Fund ("MSF") Resolution 2005-329, establishing the Agricultural Processing Renaissance Zone (the "Zone") for Green Plains Holdings II, LLC ("Green Plains"), as authorized in Section 8c of Public Act 376 of 1996, the amended Michigan Renaissance Zone Act (the "Act");

WHEREAS, pursuant to the Act, on September 15, 2005, the Company, Riga Township, and the MSF entered in to a development agreement to govern the Zone (the "Original Agreement");

WHEREAS, the Original Agreement outlined various development milestones, including the construction and operation of an ethanol facility and a CO_2 facility, and job creation and capital investment requirements associated with each facility;

WHEREAS, Green Plains successfully completed the construction of the facilities, but is currently operating only the ethanol facility, while Airgas Carbonic, Inc. (the "Company") is operating the CO_2 facility;

WHEREAS, the Act requires execution of a development agreement between the MSF and the Company for the Company to be eligible to receive renaissance zone benefits;

WHEREAS, the Michigan Economic Development Corporation ("MEDC") provides administrative services for the renaissance zone program and has reviewed the Amendment Application submitted by the Company requesting the milestone obligations and the benefits of the renaissance zone associated with the CO_2 facility be applied to the Company by entering in to a new development agreement with the MSF;

WHEREAS, the MEDC recommends the MSF authorize the MSF Fund Manager to enter in to a development agreement with the Company to govern the CO_2 facility portion of the Zone;

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes the MSF Fund Manager, in coordination with MEDC staff, to negotiate the final terms of the agricultural processing renaissance zone development agreement to be consistent with this resolution, and additional and other terms so long as the additional and other terms are not otherwise adverse to the MSF, to accommodate the final execution of the agricultural processing renaissance zone development agreement;

BE IT FURTHER RESOLVED, that the MSF Board authorizes the Fund Manager to take any action necessary to effectuate the terms of this Resolution; and

BE IT FURTHER RESOLVED, that, except as provided in this Resolution, the terms of the Agreement shall remain unchanged and in full effect.

Ayes:

Nays:

Recused:

Lansing, Michigan
December 16, 2014

MEMORANDUM

Date: December 16, 2014

To: Michigan Strategic Fund Board

From: Christopher Cook, Business Capital Relationship Manager

Subject: *Private Activity Bond – Bond Authorizing*
The PACE, Inc. – Nonprofit
Not to exceed $4,000,000 – New

Request:
The Cascade PACE, Inc. (the "Borrower") is requesting up to $4.0 million of private activity bond financing for the purpose of financing a portion of the cost of acquiring, renovating and equipping of facilities for the Program of All-Inclusive Care for the Elderly ("PACE") Project in the Charter Township of Blackman, Jackson County.

Background:
The Borrower was created as a joint venture by the United Methodist Retirement Communities, Inc. ("UMRC") and the Region 2 (Jackson) Area Agency on Aging (the "Agency" and, together with UMRC, the "Sponsors") in early 2014 and is a 501(c)(3) corporation. Borrower is approved to serve as the exclusive PACE provider for the counties of Jackson, Lenawee, and Hillsdale with an enrollment capped at 175 participants daily.

PACE is a health care program designed for frail, nursing-home-eligible seniors capable of living in their own homes with supervised care. Participants must be at least 55 years old, live in the PACE service area, and be certified as eligible for nursing home care by the appropriate State agency. The PACE program becomes the sole source of services for Medicare and Medicaid-eligible enrollees.

An interdisciplinary team, consisting of professional and paraprofessional staff, assesses participants' needs, develops care plans, and delivers all services (including acute care services and when necessary, nursing facility services) which are integrated into a seamless care plan. PACE programs provide social and medical services primarily in an adult day health center, supplemented by in-home and referral services in accordance with the participants' needs. At minimum, a PACE center must provide primary care services, social services, restorative therapies, personal care and supportive services, nutritional counseling, recreational therapy, prescription and over-the-counter medications, and meals. PACE programs may also include in-home and clinical services, including medical specialists, laboratory and other diagnostic services, hospital and nursing home care. Under the PACE regulations, a PACE service package must include all Medicare and Medicaid services provided by the state in which the PACE program is located.

PACE providers receive monthly capitated payments (fixed payment per member, per month) for each eligible enrollee, or member. Medicare-eligible participants who are not eligible for Medicaid pay monthly premiums equal to the Medicaid capitation amount, but no deductibles, coinsurance, or other type of Medicare or Medicaid cost-sharing applies. PACE providers assume the full financial risk for participants' care without limits on amount, duration, or scope of services.

Description of Project:
Borrower plans to develop an existing property and enhance an existing building located in Charter Township of Blackman, Jackson County, Michigan. The Project will create approximately 25 short term construction jobs with the lowest hourly wage starting at $29/hr. and an average hourly wage of $40/hr. Additionally, the Project will create 52 full time equivalent (FTE's) once full participant levels are reached in year 5 of operations. The lowest hourly wage will be approximately $13.50/hr. and the average hourly wage will be approximately $30/hr.

Plans of Finance:
UMRC has engaged B.C. Ziegler and Company located in Chicago, Illinois to act as the exclusive placement agent. Borrower has received a commitment from Chelsea State Bank to purchase $4,000,000 Non-Bank Qualified tax-exempt Direct Purchase Bonds. The Borrower's preference is for financing utilizing a 10-15 year maturity.

Recommendation:
Based upon a determination of Miller Canfield and the State of Michigan Attorney General's office that the project complies with state and federal regulations for tax-exempt financing, the staff recommends the adoption of a Bond Authorizing Resolution an amount not to exceed $4,000,000.

RESOLUTION TO AUTHORIZE THE ISSUANCE OF THE MICHIGAN STRATEGIC FUND VARIABLE RATE LIMITED OBLIGATION REVENUE BONDS, (CASCADE PACE PROJECT) SERIES 2014 (THE "BONDS")

Resolution 2014-__

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 described in the Act).

B. The Cascade PACE, Inc., a Michigan non-profit corporation registered in Michigan (the "Obligor"), has requested a loan from the Fund to assist the Obligor in financing (i) the purchase of approximately 4.8 acres of land and three existing buildings thereon located at 2266-2298 Springport Road, Blackman Township, Michigan, (ii) the construction of additions and renovations to one or more of the existing buildings, and the acquisition and installation of fixtures, furnishings and equipment therefor, (iii) the construction of parking and other site improvements, and (iv) to pay the costs of issuance of the Bonds (collectively, the "Project").

C. The Obligor has requested the Fund to issue the Bonds in one or more series in a principal amount not to exceed $4,000,000 pursuant to this resolution (the "Resolution") and a trust indenture (the "Trust Indenture") between the Fund and U.S. Bank National Association, as Trustee (the "Trustee") to obtain funds which will be loaned to the Obligor pursuant to a loan agreement (the "Loan Agreement") between the Fund and the Obligor for the purpose of funding the Project.

D. The Bonds will be issued as a fully registered bonds in the denominations provided for in the Trust Indenture.

E. The Bonds will be purchased by Chelsea State Bank (the "Bank"), pursuant to a bond purchase and continuing covenant agreement among the Bank and the Obligor (the "Bond Purchase and Continuing Covenant 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 Trust Indenture, with the changes permitted or required by action of the Fund or the Trust 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 Bonds 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 limited obligations of the Fund payable solely from the revenues derived from the Loan Agreement and otherwise as provided in the Trust Indenture.

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

a. Loan Agreement
b. Trust Indenture

Any Member and Authorized Officer are authorized to execute and deliver the Trust Indenture 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, which shall not be more than 10.0% per annum, and the principal amount of the Bonds, which shall not be greater than $4,000,000. Approval of those terms shall be evidenced by the Member's execution of the Trust Indenture.

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 Bonds 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 Bonds 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 Trust 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 Trust 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 or the Trust Indenture 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.

SECTION 7. Acknowledgement of Collateral Documents. The form of the [Bonds Purchase Agreement] between the Obligor and the Bank on file with the staff of the Fund and on which has been endorsed by the staff of the Fund the date of the adoption of this Resolution, is acknowledged with the changes made by the parties as are permitted by the Act or otherwise by law, and not materially adverse to the Fund.

SECTION 8. 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 purchaser on or before February 28, 2015 the authority granted by this Resolution shall lapse.

Adopted.

Ayes:

Nays:

December 16, 2014 Meeting
Lansing, Michigan

PURE MICHIGAN®

MEMORANDUM

DATE: December 16, 2014

TO: Michigan Strategic Fund Board

FROM: Christopher Cook, Business Capital Relationship Manager

SUBJECT: Private Activity Bond – Bond Authorizing
Detroit Renewable Energy LLC – Solid Waste
Not to Exceed $20,035,000

REQUEST:

Detroit Renewable Energy LLC ("DRE") is requesting private activity bond financing for the purpose of issuing bonds (the "Series 2014 Bonds").

BACKGROUND:

DRE is a privately held Delaware limited liability company. DRE indicates it was formed to own the equity of the entities that own and operate both the Greater Detroit Resource Recovery Facility ("GDRRF") and the local district heating facilities that currently supply thermal energy in downtown and midtown Detroit via a 39 mile underground stem pipeline loop. DRE reports that the acquisition was completed in November 2010. DRE indicates that since 1989, GDRRF has disposed of nearly 18 million tons of Municipal Solid waste, provided approximately 9 billion kWh of electricity. It is reported that DRE and its subsidiaries operate one of the largest waste-to energy facilities in the United States. DRE reports that GDRRF operates under several long-term contracts, including a long-term disposal agreement with the Greater Detroit Resource Recovery Authority through a minimum of year 2021 which requires the City of Detroit to dispose of its municipal solid waste at the GDDRF; and a long-term power purchase agreement with DTE Energy for approximately 100% of DRE's electric power production.

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

DRE has requested the issuance of the Series 2014 Bonds in order to provide additional financing for improvements to the Facility (the "Project"). The bond proceeds will be loaned to DRE, Detroit Renewable Power LLC, a Delaware limited liability company, Resource Recovery Business Trust 1991-A, a Delaware business trust, and Resource Recovery Business Trust 1991-B, a Delaware business trust, and used for the Project.

PROJECT DESCRIPTION

The Project involves assisting in financing of the costs associated with renovating, improving and equipping an approximately 3,300 ton per day waste-to-energy plant and related facilities, installing an odor control system, implementing a refuse derived fuel control plan and acquiring related equipment including, but not limited to, lime slakers, located at 5700 Russell Street, Detroit, Wayne County (the "Facility").

It is anticipated that this project will create one sustainable job at DRP on an ongoing basis. The job created will be the plant engineer who will oversee the bond funded project and after completion of the project will oversee additional tasks.

The term sheet for the Series 2014 Bonds provides that such bonds will bear interest at 9%.

RECOMMENDATION

Based upon a determination by Lewis & Munday, A Professional Corporation, and the State of Michigan Attorney General's Office that the project complies with state and federal law requirements, for tax exempt financing, staff recommends the adoption of a Bond Authorizing Resolution in the amount of not to exceed $20,035,000.

RESOLUTION TO AUTHORIZE THE ISSUANCE OF THE MICHIGAN STRATEGIC FUND LIMITED OBLIGATION REVENUE BONDS (DETROIT RENEWABLE POWER PROJECT), SERIES 2014 (THE "BONDS")

Resolution 2014-___

Background

A. The Michigan Strategic Fund (the "Fund") is authorized by 1984 PA 270, as amended (the "Act"), to issue bonds for the purpose of making loans to pay the costs of a project (as defined in the Act).

B. Detroit Renewable Energy LLC, a Delaware limited liability company ("DRE"), Detroit Renewable Power LLC, a Delaware limited liability company ("DRP"), Resource Recovery Business Trust 1991-A, a Delaware business trust ("RRA"), and Resource Recovery Business Trust 1991-B, a Delaware business trust ("RRB" and, together with DRE, DRP and RRA, the "2014 Borrowers"), have requested a loan from the Fund to (i) assist in financing the costs of renovating, improving and equipping an approximately 3,300 ton per day waste-to-energy plant and related facilities, installing an odor control system, implementing a refuse derived fuel control plan and acquiring related equipment, including, but not limited to, lime slakers, located at 5700 Russell Street, Detroit, Wayne County(the "Project"); and (ii) pay certain expenses incurred in connection with the issuance of the Bonds. The 2014 Borrowers are affiliated entities.

C. DRE has advised the Fund that it and DRP, RRA, and RRB, its wholly owned subsidiaries, will own and operate the Project, as described in Inducement Resolution 2014-213 adopted November 25, 2014.

D. The 2014 Borrowers have requested the Fund to issue the Bonds in an aggregate principal amount not to exceed $6,900,000 pursuant to this resolution (the "Resolution") and a trust indenture between the Fund and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") dated as of July 1, 2013, as amended and supplemented by the First Supplemental Trust Indenture dated as of December 1, 2014 (the "Indenture"), to obtain funds which will be loaned to the 2014 Borrowers pursuant to a loan agreement, dated as of July 1, 2013, as amended and supplemented by the First Supplemental Loan Agreement dated as of December 1, 2014, between the Fund and the 2014 Borrowers (the "Loan Agreement") for the purposes of paying costs of the Project.

E. The Bonds will be purchased by AllianceBernstein LLP (the "Original Purchaser") pursuant to a Bond Purchase Agreement with the Fund and the 2014 Borrowers (the "Bond Purchase Agreement").

F. The Bonds will be secured by the Guaranty Agreement in favor of the Trustee from the 2014 Borrowers and certain other affiliated entities, dated as of July 1, 2013, as amended and supplemented by the Amended Guaranty Agreement dated as of December 1, 2014 (the "Amended Guaranty Agreement").

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

SECTION 1. Issuance of Bonds; Limited Obligation. For the purpose of making the loan requested by the 2014 Borrowers, the issuance of the Bonds is authorized.

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

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

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

a. Loan Agreement,
b. Indenture, and
c. Bond Purchase Agreement
.

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

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

a. The interest rate applicable to the Bonds shall not be more than 9% per annum;

b. The purchase price of the Bonds, which shall be the face amount of the Bonds;

c. The final maturity date on the Bonds which shall not be later than July 1, 2034; and

d. The aggregate principal amount which shall not exceed $6,900,000.

SECTION 4. Acknowledgement of Collateral Document. The form of the Amended Guaranty Agreement applicable to the Bonds on file with the staff of the Fund and on which has been endorsed by the staff of the Fund the date of adoption of this Resolution, is acknowledged, with any changes made by the parties as are permitted by the Act or otherwise by law, and not materially adverse to the Fund.

SECTION 5. Sale and Delivery of the Bonds. The Bonds shall be sold to the Original Purchaser in accordance with the terms of the Bond Purchase Agreement. A Member or an

Authorized Officer shall execute and seal the Bonds, if necessary, and deliver the Bonds upon receipt of the following documents and payment of the purchase price for the Bonds by the Original Purchaser:

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 2014 Borrowers and necessary certificates and representations of the 2014 Borrowers acceptable to the Fund, the Attorney General, and bond counsel, and

c. an approving opinion of the Attorney General.

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

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

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

SECTION 8. Amendment to Inducement Resolution. Inducement Resolution 2014-213 is amended to reflect DRP, RRA, and RRB (along with DRE) as additional "Borrowers".

SECTION 9. Conflict and Effectiveness. This Resolution shall become effective upon adoption. If the Indenture, the Bonds, the Loan Agreement and Bond Purchase Agreement are not delivered on or before January 23, 2015, the authority granted by this Resolution shall lapse.

Adopted.

Ayes:

Nays:

Recused:

December 16, 2014 Meeting
Lansing, Michigan

PURE MICHIGAN®

MEMORANDUM

Date:	**December 16, 2014**
To:	**Michigan Strategic Fund Board**
From:	**Christopher Cook, Business Capital Relationship Manager**
Subject:	***Private Activity Bond – Bond Authorizing*** ***BMT Aerospace USA, Inc. – Manufacturing*** ***Not to Exceed 2,600,000 – Refinancing (the "Refinancing Bonds")***

<u>Request</u>:
BMT Aerospace USA, Inc. ("Borrower") is requesting private activity bond financing for the purpose of refinancing the Michigan Strategic Fund's (the "MSF") outstanding Limited Obligation Revenue Bond, Series 2007 Bonds issued in the original principal amount of $6,500,000 (the "2007 Bonds").

<u>Background</u>:
Borrower is a manufacturer of gears and gearbox assemblies, primarily for the aerospace industry.

The proceeds of the 2007 Bonds were used by Borrower in financing the acquisition of an approximately 56,638 square foot existing manufacturing facility, the renovation and rehabilitation of the facility, and the acquisition and installation of machinery and equipment, furnishings and fixtures located at 18559 Malyn Road, City of Fraser, Macomb County, Michigan.

Since the 2007 Bonds were issued, the number of employees has increased from 96 to 135 in Fraser, Michigan specifically related to this project.

<u>Request for Change in Documents</u>:
GE Government Finance, Inc. has indicated the refinancing of the prior bonds will reduce the current interest rate from 5.50% to a market tax-exempt rate of 4.50%, which will result in savings of approximately $1,300 per month, $15,500 per year, and over $200,000 over the life of the loan. The term of the loan will be approximately 157 months, (co-terminous with the prior bond).

Through a review of the bond documents, Bond Counsel and the Attorney General have determined that the MSF Board approval is required to amend the Loan Agreement to revise the interest rate calculations and certain repayment provisions.

<u>Recommendation</u>:
Based upon a determination by Dykema Gossett PLLC and the State of Michigan Attorney General's office that the refinancing complies with state and federal law requirements for tax-exempt financing, the staff recommends

the adoption of a Bond Authorizing Resolution in an amount not to exceed $2,600,000. The MSF will charge an issuance fee of $3,250.00.

MICHIGAN STRATEGIC FUND

RESOLUTION AUTHORIZING THE FIRST AMENDMENT TO THE LOAN AGREEMENT AND MODIFICATION TO THE BOND

2014-___

At a meeting of the Michigan Strategic Fund (the "MSF") held on December 16, 2014, in Lansing, Michigan, the following motion was moved and supported:

WHEREAS, in September 2007, the MSF entered into that certain Loan Agreement (Real Estate) dated as of September 1, 2007 (the "Loan Agreement") among GE Government Finance, Inc. ("GEGF"), a Delaware corporation, for itself and as collateral agent ("Collateral Agent"), and BMT Aerospace USA, Inc., a Michigan corporation, as borrower ("Borrower") to provide for the issuance by the MSF of its $3,425,000 Michigan Strategic Fund Limited Obligation Revenue Bond, Series 2007A (BMT Aerospace USA, Inc. Project) (the "Bond") for the benefit of the Borrower;

WHEREAS, GEGF has assigned to one of its affiliates, as Lender ("Lender"), all of GEGF's rights, title and interest in the Bond and the Loan Agreement, and Lender has appointed GEGF as its attorney-in-fact and subservicer with respect to all matters relating to the Bond;

WHEREAS, Lender, Collateral Agent and Borrower desire to amend certain provisions of the Loan Agreement and Bond pursuant to this First Amendment for the purpose of lowering the interest rate of the Bond and thereby refinancing the Bond (the "First Amendment"); and

WHEREAS, Section 12.07 of the Loan Agreement permits the MSF, the Lender, the Collateral Agent and the Borrower to amend the Loan Agreement by written instrument;

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF THE MSF:

1. The MSF consents to the First Amendment to the Loan Agreement and modification to the Bond in substantially the form on file with the MSF.

2. Any authorized officer is authorized to execute and deliver the First Amendment to the Loan Agreement, the modified Bond in an amount not to exceed $2,600,000, and any other documents as may be necessary or desirable to carry out the matters approved by this resolution.

3. This resolution shall become effective upon adoption. If the First Amendment and modified Bond are not executed and delivered by October 24, 2014, together with all other documentation executed pursuant to this resolution, the authority granted by this resolution shall lapse.

Adopted.

Ayes: ____

Nays: ____

Recusals: ____

September 17, 2014 Meeting
Lansing, Michigan

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ID\BVB - 038584\0999

PURE MICHIGAN

MEMORANDUM

Date: December 16, 2014

To: Michigan Strategic Fund Board

From: Chris Cook, Business Capital Relationship Manager

Subject: *Private Activity Bond – Authorizing*
Michigan Senate
$70,000,000 – New

Request:
The Michigan Senate (the "Senate") is requesting the Michigan Strategic Fund (the "MSF") issue up to $70,000,000 million dollars of tax-exempt bond financing to purchase the basement through seventh floor of the Capitol View Building (south of the Capitol at 201 Townsend Street) and furnish and equip the space for Senate offices (the "Senate Condo") and to lease the Senate Condo to the Senate.

Background:
In selecting the Capitol View Building as the new location for the Senate an RFP was sent out and five bids were submitted. From those five bids, four were considered true contenders and each was judged independently by the Secretary of the Senate, two Purchasing Agents from the Senate, the Physical Properties Director, and an individual from Senate Fiscal Agency on a 100-point scoring system that looked at such things as price per square foot and how well a bidder met certain needs. All of the scores were then given to Senate Majority Leader Randy Richardville, and he made the ultimate decision.

The Senate is requesting the assistance of the MSF because the MSF has the ability to issue tax exempt bonds and to own and lease office facilities. The MSF will acquire title to the Senate Condo and lease it to the Senate. This transactions financing structure is identical to the structure used to refinance the Michigan House of Representative building and to finance the State of Michigan Cadillac Place office building in Detroit. The Senate payments under the lease with the MSF will be sufficient to pay the principal and interest on the bonds. The MSF will not be responsible for paying any of the maintenance costs related to the Senate Condo or the bonds.

The MSF has received evidence of a satisfactory resolution regarding the current tenant of the Capitol View Building and a letter of support from DTMB on future appropriations must be presented to the MSF Fund Manager.

Plans of Finance:
The Senate would like to finance the Project with fixed rate tax-exempt bonds. The MSF will be issuing bonds in an approximate amount of $70 million. The exact bond sizing and structure will be determined at

the time of bond pricing. An initial $7 million has been appropriated for 2015 in order to satisfy the debt service obligation related to the bond issuance.

The MSF bonds issued will be payable solely from Senate lease payments. The MSF will acquire title to the Senate Condo. The MSF and the Senate will sign a lease. The lease payments will be sufficient to pay the principal of and the interest on the MSF bonds.

Robert W. Baird is acting as Financial Advisor. Miller, Canfield, Paddock and Stone is acting as bond counsel. J.P. Morgan Securities LLC is the proposed Senior Managing Underwriter. Carol Viventi, the Secretary of the Senate is representing the Senate in this lease transaction.

Recommendation:
Based upon a determination by Miller Canfield and the State of Michigan Attorney General's office that this transaction complies with state and federal law requirements, the staff recommends the adoption of a Bond Authorizing Resolution in an amount not to exceed $70,000,000.

RESOLUTION TO AUTHORIZE THE ISSUANCE OF THE
MICHIGAN STRATEGIC FUND
LIMITED OBLIGATION REVENUE BONDS
(MICHIGAN SENATE OFFICES PROJECT)
SERIES 2015 (THE "BONDS")

MICHIGAN STRATEGIC FUND

Resolution 2014 — ___

Background

A. The Michigan Strategic Fund (the "Fund") is authorized by 1984 PA 270, as amended (the "Act"), to acquire real or personal property and to own, hold and lease real or personal property, and to borrow money and issue bonds for the purpose of paying the costs of expenditures of the Fund incident to and necessary or convenient to carry out the Fund's purposes, objectives, and powers.

B. The Michigan Senate, established and existing pursuant to Article IV, Section 2 of the Constitution of the State of Michigan of 1963 (the "Senate"), has requested that the Fund acquire title to the basement through the seventh floor of the Capitol View Building located at 201 Townsend Street, Lansing, Michigan (the "Facilities"), renovate the Facilities, and lease the Facilities to the Senate.

C. The Capitol View Building is presently owned by Boji Group of Lansing, LLC, a Michigan limited liability company (the "Boji Group"), which has agreed to sell and renovate the Facilities.

D. The Senate is currently negotiating an Agreement of Purchase and Sale (the "Sales Agreement") for the Facilities with Boji Group of Lansing, LLC which the Senate intends to assign to the Fund. The Fund must approve the final version of the Sales Agreement before its execution, as the Fund will be the assignee of the Sales Agreement.

E. The Senate has further requested the Fund to issue the Bonds, in one or more series, in a principal amount not to exceed $70,000,000 pursuant to this resolution (the "Resolution") and a trust indenture (the "Indenture") between the Fund and the Trustee (as defined in the Indenture), in order to obtain funds which will be used to acquire title to the Facilities, renovate the Facilities, pay certain relocation costs, finance reserves and capitalized interest, if any, pay costs of issuing the Bonds, and pay costs of bond insurance, if any.

F. The Fund will lease the Facilities to the Senate pursuant to a lease agreement between the Fund and the Senate (the "Lease Agreement").

G. The Bonds will be purchased by J.P. Morgan Securities LLC as underwriter (the "Underwriter"), pursuant to a bond purchase contract between the Underwriter and the Fund (the "Bond Purchase Contract").

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

SECTION 1. Issuance of Bonds; Limited Obligation. Subject to the Fund's approval of the terms of the Sales Agreement and its approval of the assignment to the Fund, the issuance of the Bonds, in one or more series, is authorized for the purposes of acquiring and renovating the Facilities, paying certain relocation costs, financing reserves and capitalized interest, if any, paying the costs of issuing the Bonds, and paying costs of bond insurance, if any.

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 rentals payable by the Senate under the Lease Agreement and otherwise as provided in the Indenture.

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

a. Indenture;
b. Bond Purchase Contract;
c. Lease Agreement.

Any Member and Authorized Officer are authorized to execute and deliver the Bond Purchase Contract 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 principal amount of the Bonds, which shall not exceed $70,000,000, and the interest rates for the Bonds, which shall not be more than 5.50% per annum for any series issued as tax-exempt bonds, and not be more than 8.00% per annum for any series issued as federally taxable bonds. Approval of these terms shall be evidenced by the Member's execution of the Bond Purchase Contract.

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 Senate and necessary certificates and representations of the Senate acceptable to the Fund, the Attorney General, and bond counsel, and

c. an approving bond 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. The Trustee's acceptance of duties as trustee shall be evidenced by its execution of the Indenture.

SECTION 6. Preliminary Official Statement and Official Statement. The use and distribution by the Underwriter of a Preliminary Official Statement to solicit offers to purchase the Bonds, in substantially the form on file with the Fund and on which an Authorized Officer shall endorse the date of adoption of this Resolution, is approved. The use and distribution of an Official Statement in substantially the same form as the Preliminary Official Statement is approved. Any Member or Authorized Officer is authorized to approve changes in the Preliminary Official Statement or the Official Statement as may be necessary or desirable, permitted by the Act or otherwise by law, and not materially adverse to the Fund.

SECTION 7. Federally Taxable Bonds. If an Authorized Officer, after consultation with the Attorney General and bond counsel to the Fund, determines to issue a portion of the Bonds as federally taxable bonds, such Bonds shall be issued in one or more separate series and an Authorized Officer shall designate all Bonds of such series of Bonds as federally taxable. The designation of such Bonds shall include the words "Federally Taxable." Any Authorized Officer may approve revisions to the forms of documents approved by this Resolution as are determined to be necessary or appropriate in connection with the issuance of such series of federally taxable Bonds.

SECTION 8. 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 Indenture, the Lease Agreement or the Bond Purchase Contract or as may be necessary to effectuate the valid issuance, sale and delivery of the Bonds, effectuate the issuance of any tax-exempt series of the Bonds as tax-exempt bonds, and otherwise as contemplated by those documents.

SECTION 9. 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 purchaser on or before March 31, 2015, the authority granted by this Resolution shall lapse.

Adopted.

Ayes: ____
____
____

Nays: ____

Lansing, Michigan
December___, 2014

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PURE MICHIGAN®

MEMORANDUM

Date: **December 16, 2014**

To: **Michigan Strategic Fund Board**

From: **Marilyn Crowley, Community Assistance Team Specialist**
Brent Morgan, Manager, Brownfield and MCRP
Julius Edwards, Capital Services
Dan Wells, Brownfield Senior Program Specialist

Subject: **Outfield Partners, LLC Request for $2,455,000 Michigan Community Revitalization Program Performance-Based Equity Investment; and City of Lansing Brownfield Redevelopment Authority Request for Approval of an Act 381 Work Plan**

Request

The project requests to use both the Brownfield Act 381 Program and the Michigan Community Revitalization Program (MCRP) for the project located at 310 & 312 North Cedar Street, Lansing.

Outfield Partners, LLC is requesting approval of a performance-based equity investment in the amount of $2,455,000. The Applicant anticipates that the project will result in eligible investment of $9,823,000 and total capital investment in the amount of $11,201,213 in the city of Lansing and the creation of three jobs (Appendix A).

The Lansing Brownfield Redevelopment Authority has submitted an Act 381 Work Plan (hereinafter Work Plan) request for the approval of local and school tax capture for eligible activities in the amount of $3,530,973. Eligible activities that will be undertaken to alleviate Brownfield conditions on the property and complete the project include demolition, site preparation, infrastructure improvements and unique and special activities (Appendix B).

Background

Outfield Partners, LLC's sole purpose is to develop, construct, and manage the residential development located in the outfield of Cooley Law School Stadium. The entity is made up of Gillespie Group and Take Me Out to the Ballgame, LLC, doing business as the Lansing Lugnuts.

The Gillespie Group was founded in 1995. Since then, their portfolio has grown to over $160,000,000 in Real Estate Assets, including over 1,600 multi-family residential units and over 500,000 square feet of commercial/office space. Projects recently completed that included MEDC and local incentives include: Prudden Place Apartments, Stadium District Mixed-Use Development, the Midtown Redevelopment, and Armory Historic Redevelopment.

The Applicant, Outfield Partners, LLC, has not received any incentives from the MSF previously.

The Applicant plans to construct a new four-story building directly over the existing outfield of the Lansing Lugnuts. This project is truly a public-private partnership with The Outfield Partners, LLC and the city of Lansing. The city has a condominium agreement in place with the private development group for the air rights of the outfield of the stadium. The City will retain ownership beneath the condo area. The city will complete the brownfield activities for the site. This includes demolition and remediation of the former city of Lansing maintenance garages, construction of a public parking lot that will be leased by the new development, site preparation and infrastructure improvements specifically and solely to support the Development. The first floor of the new development will be owned by the city of Lansing and leased to the Lansing Lugnuts for expanded food and event capacity. The upper three floors will contain 79,494 square feet of residential space, making up 84 new units. This project will occur on approximately 2.80 acres of property located at 310 & 312 North Cedar Street in the city of Lansing. The properties are currently owned by the city of Lansing and The Outfield Partners, LLC. The eligible investment considers the cost of the residential units, but not the build-out of the city owned first floor.

a) The project is located within the boundaries of the city of Lansing, which is a Qualified Local Governmental Unit, and 312 North Cedar Street has been deemed a facility as verified by the Michigan Department of Environmental Quality, while 310 North Cedar Street is contiguous. The property is the subject of a Brownfield Plan, duly approved by the city of Lansing on June 9, 2014.
b) The project is located in a downtown and qualifies for an MCRP award because it is a facility.

The project's statutory requirements are addressed in Appendix A and a project map is provided in Appendix B.

Deal Structure

Market conditions within the Lansing market limits the rents that can be charged for the proposed high quality rental units. Additionally, the condominimizing of the retail space to the City of Lansing further limits the projects income earning potential while adding to the overall cost of the project. It is for these reasons MEDC staff is recommending the MCRP incentive for the project be structured as an equity investment into the project.

It is anticipated that the project will be utilizing construction and permanent financing from First National Bank of Michigan. The owner will be contributing equity into the project at a minimum level of 10% of the total development cost and deferring 100% of developer fees. The remaining gap will be filled by a MCRP incentive not exceed the lesser of 25% of eligible investment or $2,455,000.

Summary of Development Sources:

First National Bank Mortgage Loan	$	6,310,000	56.33%
Deferred Developer Fees	$	486,000	4.34%
Owner Equity Investment	$	1,950,213	17.41%
MSF Equity Investment	$	2,455,000	21.92%
TOTAL	**$**	**11,201,213**	**100.00%**

MCRP EQUITY INVESTMENT

Applicant(s): Outfield Partners, LLC ("Company" or "Applicant")

Investor Investment Amount: Cash contributions of not less than 10% of the total development costs, plus $486,000 in deferred developer fees.

MSF Investment Amount: Up to the lesser of 25% of eligible investment or $2,455,000

Interest Purchased:	MSF will acquire an equity interest into Outfield Partners, LLC or an entity to be determined. The MSF will provide no guarantees on debt or accept any recourse obligation.
"Put" Right:	The MSF will receive a "Put" right for among other things failure to adhere to MSF statutory requirements. If exercised, Outfield Partners, LLC or another entity to be determined shall repay in full the entire contribution provided to the partnership and any earned but unpaid profits available at the time of the notice to exercise the Put on terms and conditions acceptable to the MSF.

Split of Net Cash Flows:

1. 80/20 split Investors to MSF, until the Investors receive a cumulative annual cash-on-cash return equal to 10% of Investors Equity.
2. 70/30 split Investors to MSF, until the Investors receive a cumulative annual cash-on-cash return equal to 14% of Investors Equity.
3. Thereafter, a 50/50 split Investors to MSF.

Split of Proceeds from Sale or Refinance:

1. Repayment of 50% of the Investor's Equity.
2. Repayment of MSF's original investment less $1,000,000.
3. Repayment of the balance of the Investor's Equity
4. 90/10 split Investors to MSF, until a 14% internal rate of return (IRR) has been achieved by the Investors.
5. 50/50 split Investors to MSF, until the MSF has received the remaining amount of its original investment.
6. Thereafter, 90% of net proceeds to Investors, with remaining 10% going to MSF.

Membership Change:	The MSF will have certain rights to block or consent to any material change in the membership of the project owner entity.
Sale/Liquidation:	The MSF will have certain rights to block or consent to any material liquidation or sale event (e.g., sale to a non-qualified third party).
Timing of Funding:	The MSF investment would be made after (a) all of the Investors' equity has been contributed to and used to fund approved and budgeted for Project expenses and (b) the Senior Lender has waived all conditions precedent to funding (but for any conditions or obligations required of the Fund to make the Investment). For the avoidance of doubt, the MSF investment will be funded prior to the Senior Lender advancing any amounts under its loan.

Recommendation
MEDC Staff recommends the following:

a) Approval of local and school tax capture for the Act 381 eligible activities totaling $3,530,973 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $1,267,619.
b) Approval of an MCRP performance-based equity investment in the amount of $2,455,000 for Outfield Partners, LLC, contingent upon the following:

- MEDC staff receiving copies of all executed loan agreements, notes and mortgages, evidencing that the Applicant has financing in place in the minimum amount of $6,300,000 and for a term of not less than 60 months.
- MEDC staff receiving a final executed version of the “Comprehensive Development Agreement and the “Master Deed of Outfield Place” and any amendments, between the City of Lansing and Outfield Partners, LLC.
- MEDC staff receiving copies of “construction ready” plans and specifications.
- MEDC staff receiving an acceptable “Guaranteed Maximum Price” construction contract not to exceed $9.9 million.
- MEDC staff receiving any other documents or materials deemed necessary to close the transaction.

APPENDIX A

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.

As required under the program, the following statutory 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 Outfield development builds off what the ballpark started in 1996 by bringing more energy, residents, and year-around economic activity to downtown Lansing. The Outfield will feature 84 residential dwellings, leading to an estimated 100-125 additional people to call downtown Lansing "home". This will undoubtedly enhance and increase the "after five" energy and activity, ultimately building on the continued revitalization of the downtown Lansing community.

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

This project is one of many happening in the "Stadium District" in downtown Lansing. The completion of the mixed-use stadium district, Phase I of the Marketplace Lofts, the Lansing City Market have begun to create density of residents and amenities that a walkable, urban district requires. This project will add to this momentum and continue the development of this exciting district in downtown Lansing.

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

The city has pledged over $1.3MM to cover the majority of the site preparation and infrastructure improvement cost to the ballpark to allow for the apartment building to be incorporated into the existing outfield, as well as $600,000 from their Brownfield fund to prepare a parking lot on 312 North Cedar which will be leased to the residential development.

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

This is truly a unique project that builds off of and is incorporated into an existing development (the ballpark). As such, there are higher costs in both design and construction than an average residential development would incur. This development must be strategically designed to work into existing space restraints and ballpark needs. Additionally, there are special measures that need to be taken to ensure the stability and overall architectural integrity of the development due to the fact that it will be constructed above existing facilities in the ballpark outfield. These elements create a particularly unique and exciting project but also generate a gap in financial resources needed to fund the development. The project is working to secure financing equal to $6.3 million (56.33% of total development costs). This is below traditional lending levels of between 70-75% of total development cost due primarily to the unique structure of the partnership between the city and the developer, which limits the project's revenue potential and adds additional non-traditional costs. The developer will also be contributing a minimum of 10% of the total development cost. The remaining gap will be filled by the MCRP incentive.

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

There is no reuse of existing buildings. Vacant garages will be demolished as part of this project.

F. Creation of jobs and areas of high unemployment:

Unemployment statistics provided by the Michigan Department of Technology, Management, and Budget indicate the City of Lansing has experienced higher unemployment than the State average every month reported since at least 2007. The most recent unemployment data was for September 2014 in the City of Lansing was reported with an unemployment rate (not seasonally adjusted) of 7.3% compared to the State average of 6.7%. Therefore, the Eligible Property is an area of high unemployment. The project is estimated to create 3 jobs. The average hourly wage is estimated to be $16.00.

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

The project is working to secure senior financing in an amount not less than $6,300,000. In addition, the developer will be contributing a minimum of 10% of the total development cost towards the project in the form of cash equity.

H. Whether the project is financially and economically sound:

The development team is working to secure financing from First National Bank of Michigan in an amount not less than $6,300,000. Based on projections the project will be able to produce cash flow to service debt more than 1.20 times. Additionally, the project will be financially supported by Pat Gillespie and the Gillespie Group. Lastly, the MCRP incentive has been structured as an equity contribution to allow for additionally financial flexibility.

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

The project adds significant density to downtown Lansing. An area that is currently an outfield to a ballpark and vacant garages will be transformed into 84 residential dwellings, leading to an estimated 100-125 additional people living in the area.

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

While the eligible investment reflects the cost of the residential units, the total project is a mixed-use development. The improvements being made to the ballpark will improve user's experience, including expanded food and event space. This project capitalizes on the mixture of uses being offered in this district.

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

The project will redevelop city garages into a public parking lot which will be leased by the private development group.

L. Whether the project promotes sustainable development:

The development will feature many energy efficient amenities such as low flow showerheads, faucets and toilets as well as high efficiency HVAC units and energy star appliances.

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

The project does not rehabilitate a historic resource.

N. Whether the project addresses area-wide redevelopment:

This development is located within the urban core of the city of Lansing and will increase the current density by increasing the number of residential dwellers within the area. The project will continuing to build on the energy of 'life after five' in the core and promote walkability. Furthermore, this project will completely transform the north side of the Stadium site and possibly act as a catalyst for further development north of the ballpark.

O. Whether the project addresses underserved markets of commerce:

There is an existing and growing need for more urban rental housing, so this development will feed a currently underserved market.

P. The level and extent of environmental contamination:

The parking for this development will reside on the existing city garage lot located at 312 North Cedar. In order to accommodate, the existing garage will need to be demolished and site cleaned and prepped for parking. The contaminated areas will be covered with impervious surfaces and the utilities will be constructed in a manner that will prevent exacerbation of contamination.

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

The project does not rehabilitate a historic resource.

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

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

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

There is no other additional criteria.

APPENDIX B

ADDITIONAL STATUTORY CRITERIA UNDER ACT 381:

a) Reuse of functionally obsolete buildings and/or redevelopment of blighted property:

Buildings present on the property will be completely demolished to enable new construction.

b) Cost gap that exists between the property and a similar greenfield property:

The Brownfield Tax Increment Financing is needed to demolish buildings, prepare the site and add necessary infrastructure to enable the development. None of these costs would be present on a green field site, and would otherwise inhibit development of the site.

c) Whether project will create a new brownfield property in the State:

No new Brownfields will be created by this project.

d) Other Factors Considered

The remainder of the ballpark that does not support the Outfield Development will be upgraded and modernized by the city of Lansing. The improvements funded by the city will bring the ballpark up to current standards and are important to maintain its status as a "place-to-be" in the city. The public investment is anticipated to include approximately $11,020,105 in improvements. No local or state tax increments captured by the LBRA will be used on this portion of the project.

Act 381 TIF: There are 66.6323 non-homestead mills available for capture, with school millage equaling 23.9262 mills (35.9%) and local millage equaling 42.7061 mills (64.1%). The requested tax capture for eligible activities breaks down as follows:

School tax capture (35.9%)	$1,267,619
Local tax capture (64.1%)	$2,263,354
TOTAL	**$ 3,530,973**

COST OF ELIGIBLE ACTIVITIES

Demolition	$ 253,351
Infrastructure Improvements	264,968
Site Preparation	+1,765,301
Sub-Total	$2,283,620
Contingency (15%)	+ 159,733
Sub-Total	$2,443,353
Interest (5%)	+1,087,620
TOTAL	**$ 3,530,973**

APPENDIX C


Project Area
E Shiawassee St
N Larch St
N Cedar St
Cooley Law School Stadium
Google

MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM EQUITY CONTRIBUTION AWARD TO OUTFIELD PARTNERS, LLC (OR SUCH OTHER CO-APPLICANTS)
(OUTFIELD PROJECT)

WHEREAS, the Michigan legislature amended the Michigan Strategic Fund Act, MCL 125.2011 et. seq., to add Chapter 8C (being MCL 125.2090a – MCL 125.2090d, as later amended) to enable the 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, Outfield Partners, LLC, or such other entities formed or to be formed in furtherance of the of the Foundation Hotel project ("Applicant" or "Co-Applicants") have requested a performance based equity contribution to one or more of the Co-Applicants in furtherance of up to $2,455,000 ("Equity 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 Equity 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 for the Equity Award Request within 240 days of the date of this Resolution ("Time Period"), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 120 days ("MCRP Award Recommendation"); and

BE IT FURTHER RESOLVED, the MSF Board approves the MCRP Award Recommendation; and

BE IT FURTHER RESOLVED, the MSF Board directs that the following conditions are met; (i) the MSF Investment Amount is not exceeded, (ii) the "Put" right is substantially preserved and (iii) the final terms comply with the MCRP Guidelines and MSF Act.

Ayes:

Nays:

Recusals:

Lansing, Michigan
December 16, 2014

Exhibit A

Term Sheet

MCRP EQUITY INVESTMENT

Applicant(s): Outfield Partners, LLC (“Company” or “Applicant”)

Investor Investment Amount: Cash contributions of not less than 10% of the total development costs, plus $486,000 in deferred developer fees.

MSF Investment Amount: Up to the lesser of 25% of eligible investment or $2,455,000

Interest Purchased: MSF will acquire an equity interest into Outfield Partners, LLC or an entity to be determined. The MSF will provide no guarantees on debt or accept any recourse obligation.

“Put” Right: The MSF will receive a “Put” right for among other things failure to adhere to MSF statutory requirements. If exercised, Outfield Partners, LLC or another entity to be determined shall repay in full the entire contribution provided to the partnership and any earned but unpaid profits available at the time of the notice to exercise the Put on terms and conditions acceptable to the MSF.

Split of Net Cash Flows:

1. 80/20 split Investors to MSF, until the Investors receive a cumulative annual cash-on-cash return equal to 10% of Investors Equity.
2. 70/30 split Investors to MSF, until the Investors receive a cumulative annual cash-on-cash return equal to 14% of Investors Equity.
3. Thereafter, a 50/50 split Investors to MSF.

Split of Proceeds from Sale or Refinance:

1. Repayment of 50% of the Investor’s Equity.
2. Repayment of MSF’s original investment less $1,000,000.
3. Repayment of the balance of the Investor’s Equity
4. 90/10 split Investors to MSF, until a 14% internal rate of return (IRR) has been achieved by the Investors.
5. 50/50 split Investors to MSF, until the MSF has received the remaining amount of its original investment.
6. Thereafter, 90% of net proceeds to Investors, with remaining 10% going to MSF.

Membership Change: The MSF will have certain rights to block or consent to any material change in the membership of the project owner entity.

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

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

MSF Additional Required Final Terms and Conditions: The final terms and conditions must include:

- The MSF Investment Amount is not exceeded
- The "Put" right is substantially preserved
- The final terms comply with the MCRP Guidelines and MSF Act

RESOLUTION 2014-
MICHIGAN STRATEGIC FUND

City of Lansing Brownfield Redevelopment Authority
Outfield Project
City of Lansing

At the meeting of the Michigan Strategic Fund ("MSF") held on December 16, 2014 in Lansing, Michigan.

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

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

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

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

WHEREAS, the City of Lansing Brownfield Redevelopment Authority (the "Authority") has submitted a work plan for property located at 312 North Cedar Street within the City of Lansing, known as the Outfield Project (the "Project");

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

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

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as the 35.9% to 64.1% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, and infrastructure improvements as presented in the revised Work Plan dated December 4, 2014.

Any change in millage that increases the capture percentage of school operating taxes by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on a maximum of $2,443,353 for the principal activity costs of non-environmental activities and a contingency, and a a maximum of $1,087,620 in interest, and with the capture of taxes levied for school operating purposes being limited to a maximum of $1,267,619.

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

BE IT FURTHER RESOLVED, that the MSF Board is authorizing that capture of taxes levied for school operating purposes for the payment of interest, up to a maximum of $1,087,620 related to the eligible activities for the Project.

Ayes:

Nays:

Recused:

December 16, 2014
Lansing, Michigan

PURE MICHIGAN®

MEMORANDUM

Date: **December 16, 2014**

To: **Michigan Strategic Fund Board**

From: **Marilyn Crowley, Community Assistance Team Specialist**
Brent Morgan, Manager, Brownfield and MCRP
Joe Martin, Structured Financial Projects Manager
Dan Wells, Senior Brownfield Program Specialist

Subject: **The Metro Place Project**

- **Y Site, LLC - Request for Approval of a Michigan Community Revitalization Program Equity Investment**
- **Y-Site, LLC - Request to Amend a Brownfield MBT Credit**
- **City of Lansing BRA - Request to Amend Act 381 Work Plan**

Request

The project is requesting approval of a Michigan Community Revitalization Program (MCRP) equity investment of $3,000,000 (under MCRP Other Economic Assistance) to construct 156 residential apartments located at 301 West Lenawee Street and 524-526 Townsend Street, Lansing (Appendix C). The previously approved qualified taxpayer under the Brownfield Small MBT Credit, Y Site, LLC ("Applicant") also requests the following amendments be made to the project which was originally approved for the credit by the MEGA Board Chairperson on November 21, 2011; additional time to be able compete project by November 21, 2017, and a change of scope (Appendix B). The City of Lansing BRA also requests an amendment to the approval of the work plan for an additional three years to complete eligible activities.

Developer (Applicant) Background

As his primary occupation, Dan Essa has owned and operated a large commercial real estate appraisal company for nearly 20 years. His previous development experience includes a 360 unit mini-storage facility and, with Julie Lawton-Essa, owns and operates a 178 unit apartment complex and a 44 unit hotel/lodge. In addition, Jack Johns was included as part of the development team to enhance the teams' multifamily development credentials. Mr. Johns has developed multifamily and student housing projects in the past including the Village at Chandler Crossings in East Lansing, the Village at Bluegrass in Mt. Pleasant, and Hunter's Ridge Apartments in East Lansing.

The ownership structure is a single purpose development entity that consists of the following principal investors: Julie Lawton-Essa- 32.5%, Rich Feaster- 25%, and Jack Johns- 25%. Dan Essa will serve as the Managing Member. Dan Essa and Julie Lawton-Essa are husband and wife.

Project Description

The Applicant plans to demolish the vacant and contaminated former YMCA building and a small commercial building to construct a new, four-story mixed-use development totaling approximately 99,337 square-feet on approximately 2.23 acres of property. The property is currently owned by Y Site, LLC. The first floor will contain 7,425 square feet of retail space (7%) and the rest of the building will be 91,912 square feet of residential (93%) making up 156 residential units. It is anticipated the project could result in eligible investment of $17,322,003 and total capital investment in the amount of $22,983,290 and the creation of 25 full-time equivalent jobs. The project qualifies as it is located in downtown Lansing and is classified as a facility due to environmental contamination.

Transaction Overview

Market access to traditional forms of debt remain difficult to obtain in Lansing for high density residential that does not directly target students. For this reason, a development such as Metro Place will utilize government backed financing to activate the project. The financial structure can be separated into four components: HUD secured debt, Lansing Brownfield RLF, private equity, and MCRP equity.

On the debt component, The Metro Place project is utilizing the HUD 221(d)4 mortgage insurance program for residential housing, which will provide insurance to the loan originator Prudential Huntoon Paige. The City of Lansing will administer an EPA RLF loan for the initial remediation. HUD has strict and highly adverse rules related to subordinated debt. Therefore, MEDC staff is recommending the project be structured as an equity investment supported via the MCRP. The transaction will be outlined in greater detail, including key rights, obligations, cash flow distribution and sale provisions in the Summary of MCRP Terms in Appendix D.

A summary of anticipated sources to the project

	Amount	**% Costs**
Prudential Huntoon – Senior Loan	$13,435,200	58.46%
Brownfield Tax Credit	$1,125,000	4.89%
EPA RLF	532,318	2.32%
Private Equity*	$4,890,771	21.28%
MCRP Equity	$3,000,000	13.05%
TOTAL DEVELOPMENT SOURCES	**$22,983,290**	**100.00%**

*Includes $1,534,498 in deferred developer fees and $1,324,438 in construction contingency. Cash into the deal at closing equals $1,431,835 plus $600,000 in land contributed.

Management Structure

Y Site, LLC will be the property owner and is the entity responsible for undertaking the redevelopment of the property, making the eligible investment and providing the cash flow to service all debt payments arising from the transaction. Y Site, LLC is comprised of a Managing Member, with Dan Essa as the controlling entity. The Managing Member is expected to carry out all ordinary business and affairs of the company. The current proposal is that MSF equity contribution will flow directly into the property owner and not through a newly created special purpose entity.

Financial Need

The project evidences need because it has maximized debt on a loan to value basis, has maximized available private equity for the market given reasonable hurdle rates, and still evidences a significant gap which without the proposed assistance no market capital can close to advance the project. Expected hurdle rates on private equity for projects within the MSF portfolio have ranged from 10 to 25% internal rate of return (IRR), with potential for upside should the market allow for growth. Return projections through year 20, given an annual 2% growth rate, give the project between 8% and 13% return to the private equity. However, it should be noted that no developer fee is being taken as part of the project. It is common to "promote" the developer through a sharing of cash flow to compensate for their risk and project guarantees. No developer promote is given on this project.

Financial and Economic Analysis

The overall rental rates for the residential units for the Y-Site project are currently projected at $1.48 per square foot, which will be on the higher end of rental properties. A market study was conducted for the project as required by any project receiving HUD 221(d)4 mortgage insurance. The study contacted over 14 apartments (864 units) and found an overall vacancy rate of less than 5% within the market area. The overall central business district market is expected to bring online 430 residential units in the near term. The projected demand not being met currently is 512 renter households within the same geography. The study concluded that between 20 and 29 units could be absorbed per month and would achieve stabilization within six months.

Recommendation

MEDC Staff recommends the following:

a) Approval of an MCRP performance-based Other Economic Assistance (Equity Investment) not to exceed $3,000,000 for Y Site, LLC. The commitment will remain valid until June 14, 2015 (180 days after approval) with approval for the MSF Fund Manager to extend the commitment an additional 180 days.

b) Approval of the Brownfield Small MBT Credit Amendment request to project number S11-0034, to reflect the current project scope as detailed under the Project Description above and to add an additional year to complete the project by November 16, 2017. This consideration will be made by the chairperson of the MSF Board under the delegated process as it is a Small MBT Credit.

c) Approval of the request by the City of Lansing Brownfield Redevelopment Authority for an additional three years to complete eligible activities.

APPENDIX A

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.

As required under the program, the following statutory 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 city of Lansing's Master plan currently identifies mixed-use redevelopment as a high priority for the downtown district. This is a high priority project in the city of Lansing, and will add substantial residential density to the south end of downtown.

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

The project is a downtown revitalization project. It will replace a vacant building with high-quality residential and retail development. This will increase residential density, and promote a walkable community. The site is within three blocks of the Ingham County Courts complex, the Thomas M. Cooley Law School facilities, and the State of Michigan Capitol Building, as well as many professional offices. Residents will be directly served by the municipal bus system, with three bus stops located within one block of the site. In addition, the addition of new residences downtown will provide new support for existing businesses and act as a catalyst for new commercial development.

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

The City of Lansing approved an Act 381 Brownfield plan for a total of $3,177,742 and MEGA approved capture of for $1,400,500 in non-environmental eligible activities on November 16, 2011. In addition, the Lansing Brownfield Redevelopment Authority has approved a $535,000 loan to assist with environmental remediation.

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

The former YMCA building, which is the principal existing structure, has been vacant for the past 10 years due to obsolescence and infeasibility of renovation. Demolition costs are atypically high for the project, because of the volume of asbestos-containing materials in the building and the presence of a substantial amount of water which has accumulated in the sub-basement. Other Brownfield conditions on the site (e.g., contamination in soils and accumulated water, and higher cost foundations due to the presence of non-native soils) add substantial construction costs to the project. Due to both Brownfield conditions and market risk, there is a financing gap. As a result, assistance is needed to bring down the gap and complete the project.

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

The current building will be demolished.

F. Creation of jobs and areas of high unemployment:

The project is expected to create 25 permanent, full-time equivalent retail jobs, with an average hourly wage of $15.50.

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

The project will add 7,425 square feet of retail space and 91,912 square feet of residential making up 156 residential units where there is currently a vacant, contaminated building.

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

The project will be mixed-use and promote a walkable community.

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

The current building will be demolished.

J. Whether the project promotes sustainable development:

The project includes the following sustainable elements: location on bus route promotes transit and reduced reliance on personal automobile; urban storm water management system; water efficient landscaping via native plants green building practices; energy efficient lighting and appliances; low-emitting materials for all adhesives, sealants, paints, flooring and composite wood.

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

The current building will be demolished.

L. Whether the project addresses area-wide redevelopment:

The Metro Place apartments will attract new residents to downtown, supporting businesses and entertainment venues, and increasing the density of the area. Furthermore, increased population and new commercial development will help to maintain a safe, clean, and attractive downtown, and will encourage economic growth. These benefits can be expected to have a ripple effect area-wide.

M. Whether the project addresses underserved markets of commerce:

The project creates 156 new residential units in downtown Lansing. Building a residential density will contribute to the health of downtown retail and overall vitality of downtown Lansing.

N. The level and extent of environmental contamination:

A February 2008 Phase II investigation identified the presence of chromium, mercury, selenium, silver, 2-methylnaphthalene, and naphthalene in soil at concentrations exceeding MDEQ Residential Drinking Water Protection (DWP), and/or Groundwater Surface Water Interface Protection (GSIP) criteria. Chromium, lead, mercury, and silver were detected in groundwater at concentrations exceeding MDEQ Residential DW and/or GSI criteria.

In addition, there is extensive water damage in the building on all floors, which has contributed to irreparable loss of previous amenities and finishes. There is extensive water damage in the building on all floors, which has contributed to loss of aesthetic qualities. Mold growth is prevalent throughout the building walls and ceilings. The lathe is exposed and rusted in many areas and the plaster surfaces are heavily damaged. The basement is flooded to the extent that entry is not possible.

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 will not rehabilitate a historic resource.

P. 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.

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:

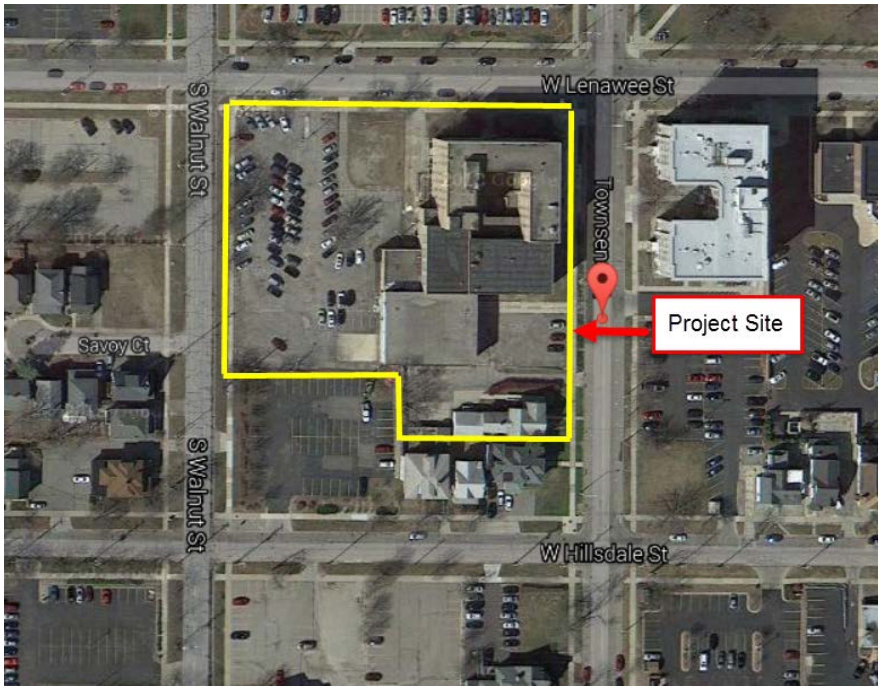
No other additional criteria

APPENDIX B

The original project approval was for demolition of existing structures and construction of a four-story, 151,400 square-foot mixed-use development at the property located at 301 West Lenawee and 524-526 Townsend Street in the City of Lansing. The new building was to include 228 residential units, commercial space, underground parking (85 spaces) and surface parking (100 spaces). The residential unit breakdown consisted of 24 two-bedroom and 214 one-bedroom units. The development also planned to include approximately 20,000 square-feet of retail space on the first floor consisting of a coffee shop and small market or grocery store.

MBT Brownfield Credit Summary	**Previous Approval**	**Amendment**
Project Eligible Investment:	$10,000,000	$12,472,966
Requested Credit Amount:	$1,250,000	$1,250,000 (capped)
Requested Credit Percentage:	12.5%	12.5%

APPENDIX C



W Lenawee St
S Walnut St
Townsen
Project Site
Savoy Ct
S Walnut St
W Hillsdale St

Allstate

APPENDIX D

<u>EQUITY PURCHASE</u>

Applicant:	Y Site, LLC
Qualification:	Facility
Eligible Investment:	$17,322,003
MSF Investment:	Not to exceed $3,000,000 in MCRP Equity
Private Equity:	Estimated at $2,031,835
Interest Purchased:	MSF will acquire an equity interest into Y Site, LLC.
“Put” Right:	The MSF will receive a “Put” right for among other things failure to adhere to MSF statutory requirements or any material misrepresentation or project failure that would have an impact on the MSF Cash Flow Distributions, Proceeds on Sale. If exercised, Y Site, LLC shall repay in full the entire contribution provided to the partnership and any earned but unpaid profits available at the time of the notice to exercise the Put on terms and conditions acceptable to the MSF.
Cash Flow Distributions:	1. Up to 15% cash on cash return on Private Equity (– 70/30 split Private Equity to MCRP Equity*) *To the extent the 70% of cash flow does not pay the 15% annual preferred investor return in any one year, the unpaid portion is accumulative for next year's payment. 2. Above 15% cash on cash to Private Equity - 50/50 Private Equity to MCRP
Proceeds on Sale:	1. Return of Private Equity 2. Return of MSF Equity 3. To Investors any unpaid annual return 4. 50/50 split Private Equity and MCRP Equity
Membership Change:	The MSF will have certain rights to block or consent to any material change in the membership of the project owner entity.
Sale/Liquidation:	The MSF will have certain rights to block or consent to any material liquidation or sale event.

Timing of Funding: The investment is authorized to fund on or about the date of the closing of the other project financing which shall include at a minimum the funding provided by the Investors to complete the capitalization of Y Site, LLC.

Final Terms and Conditions: The final terms and conditions must include:

- The MSF Investment Amount is not exceeded
- The “Put” right is substantially preserved
- The final terms comply with the MCRP Guidelines and MSF Act

MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM EQUITY CONTRIBUTION AWARD TO Y SITE, LLC (OR SUCH OTHER CO-APPLICANTS) (THE PARK PLACE PROJECT)

WHEREAS, the Michigan legislature amended the Michigan Strategic Fund Act, MCL 125.2011 et. seq., to add Chapter 8C (being MCL 125.2090a – MCL 125.2090d, as later amended) to enable the 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, Y SITE, LLC, or such other entities formed or to be formed in furtherance of the of The Metro Place Project ("Applicant" or "Co-Applicants") have requested a performance based equity contribution to one or more of the Co-Applicants in furtherance of up to $3,000,000 ("Equity 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 Equity 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 for the Equity Award Request 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 180 days ("MCRP Award Recommendation"); and

BE IT FURTHER RESOLVED, the MSF Board approves the MCRP Award Recommendation; and

BE IT FURTHER RESOLVED, the MSF Board directs that the following conditions are met; (i) the MSF Investment Amount is not exceeded, (ii) the "Put" right is substantially preserved and (iii) the final terms comply with the MCRP Guidelines and MSF Act.

Ayes:

Nays:

Recusals:

Lansing, Michigan
December 16, 2014

Exhibit A

Term Sheet

<u>EQUITY PURCHASE</u>

Applicant: Y Site, LLC

Qualification: Facility

Eligible Investment: $17,322,003

MSF Investment: Not to exceed $3,000,000 in MCRP Equity

Private Equity: Estimated at $2,031,835

Interest Purchased: MSF will acquire an equity interest into Y Site, LLC.

"Put" Right: The MSF will receive a "Put" right for among other things failure to adhere to MSF statutory requirements or any material misrepresentation or project failure that would have an impact on the MSF Cash Flow Distributions, Proceeds on Sale.

If exercised, Y Site, LLC shall repay in full the entire contribution provided to the partnership and any earned but unpaid profits available at the time of the notice to exercise the Put on terms and conditions acceptable to the MSF.

Cash Flow Distributions:

1. Up to 15% cash on cash return on Private Equity – 70/30 split Private Equity to MCRP Equity*
   *To the extent the 70% of cash flow does not pay the 15% annual preferred investor return in any one year, the unpaid portion is accumulative for next year's payment.
2. Above 15% cash on cash to Private Equity - 50/50 Private Equity to MCRP Equity

Proceeds on Sale:

1. Return of Private Equity
2. Return of MSF Equity
3. To Investors any unpaid annual return
4. 50/50 split Private Equity and MCRP Equity

Membership Change: The MSF will have certain rights to block or consent to any material change in the membership of the project owner entity.

Sale/Liquidation: The MSF will have certain rights to block or consent to any material liquidation or sale event.

Timing of Funding: The investment is authorized to fund on or about the date of the closing of the other project financing which shall include at a minimum the funding provided by the Investors to complete the capitalization of Y Site, LLC.

Final Terms and Conditions: The final terms and conditions must include:

- The MSF Investment Amount is not exceeded
- The “Put” right is substantially preserved
- The final terms comply with the MCRP Guidelines and MSF Act

MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

City of Lansing Brownfield Redevelopment Authority
Y Site, LLC Project
(Amendment #1)
City of Lansing

At the meeting of the Michigan Strategic Fund ("MSF") held on December 16, 2014 in Lansing, Michigan.

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

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

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

WHEREAS, the MEGA Board approved a Work Plan request for the Y Site, LLC Project (the "Project"), by Resolution 2011-162 on December 13, 2011, authorizing the Authority to capture taxes levied for school operating purposes based on a maximum of $1,400,500 in eligible activities;

WHEREAS, the City of Lansing Brownfield Redevelopment Authority is requesting MSF approval to allow an additional three years to complete the eligible activities on an eligible property; and

WHEREAS, the Michigan Economic Development Corporation (the "MEDC") provides administrative services to the MSF, and has reviewed the application and recommends MSF Board approval of the extended time to complete the eligible activities.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes an extension of time to complete the eligible activities authorized by three (3) years of the date this Resolution is adopted.

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2011-162 are reaffirmed and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

Ayes:

Nays:

Recused:

December 16, 2014
Lansing, Michigan

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MEMORANDUM

Date: **December 16, 2014**

To: **Michigan Strategic Fund Board**

From: **Brent Morgan, Manager, Brownfield and Community Revitalization Programs**
Marilyn Crowley, Community Assistance Team Specialist
Rob Garza, Brownfield and CRP Program Analyst

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

Request

The City of East Lansing Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of $ 1,858,668.

Background

The school taxes will be utilized to redevelop approximately 4.53 acres of property located at 920, 950, 962, 990 Trowbridge Road in the City of East Lansing. The project will redevelop an unattractive, contaminated parcel in a key entry-way to East Lansing by construction a mixed-use building and rehabilitating the existing commercial structure. The property is currently owned by Trowbridge Village, LLC. The new construction of the project will be owned by Trowbridge Village I, LLC. Both entities are single purpose LLCs that manage the development.

The project includes the rehabilitation of one existing 46,226 square feet retail building and the construction of a mixed use building containing 12,366 square feet of new retail (18% of new building square footage) and 56,779 square feet of residential (82% of new building square footage). The new four story mixed-use building at the front of the parcel will contain retail and fifty-seven residential units. Eligible activities that will be undertaken to alleviate Brownfield conditions on the property and complete the project include: demolition of a former bank branch building and drive through, select interior demolition on existing retail center, asbestos abatement, site preparation, and public infrastructure improvements including upgrading the public water main and storm water improvements.

This project is expected to create approximately 114 new, full-time jobs in retail and retain 52 full time jobs at an average hourly wage of $12.00. The total capital investment is estimated at $17.1 million.

Property Eligibility

The project is located within the boundaries of the City of East Lansing, which is a Qualified Local Governmental Unit, and has been determined to be a facility as verified by Michigan Department of Environmental Quality (DEQ) on July 23, 2014.

The property is the subject of a Brownfield Plan, duly approved by the City of East Lansing on October 7, 2014.

Other State and Local Assistance to the Project

The applicant has also requested $115,938 in environmental eligible activity costs from the DEQ. The developer will be reimbursed for interest totaling $669,890 via local-only tax increment revenue.

Tax Capture Breakdown

There are 69.7792 non-homestead mills available for capture, with school millage equaling 24 mills (34.39%) and local millage equaling 45.7792 mills (65.61%). Tax increment capture will begin in 2016 and is estimated to continue for 15 years. Reimbursement under the brownfield plan has been set to a 65% share to the developer and 35% to the taxing jurisdictions throughout the duration of this plan. The requested tax capture for MSF eligible activities breaks down as follows:

School tax capture (34.39%)	$ 639,196
Local tax capture (65.61%)	$1,219,472
TOTAL	**$1,858,668**

Cost of MSF Eligible Activities

Demolition	$ 337,050
Asbestos Abatement	65,800
Infrastructure Improvements	603,750
Site Preparation	+ 680,825
Sub-Total	$1,687,425
Contingency (10%)	+ 168,743
Sub-Total	$1,856,168
Brownfield/Work Plan Preparation	+ 2,500
TOTAL	**$1,858,668**

Recommendation

The MEDC recommends approval of the request by City of East Lansing Brownfield Redevelopment Authority to capture local and school taxes for the MSF eligible activities totaling $1,858,668 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $639,196.

KEY STATUTORY CRITERIA

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

a) **Overall Benefit to the Public:**
The completion of this redevelopment will increase the taxable value of the property by an estimated $2,963,463 and promote additional private investment in the Trowbridge area. In the long term, the proposed development will increase the density in this portion of the City with the addition of approximately 99 new residents (57 units with a total of 99 beds). An increase in density will result in additional spending in the region and immediate Trowbridge Village. The job creation associated with the development will also result in increased tax revenue.

b) **Jobs Created (Excluding Construction and other Indirect Jobs):**
This project is expected to create approximately 114 new, full-time jobs in retail and retain approximately 52 full time jobs.

c) **Area of High Unemployment:**
The City of East Lansing unadjusted jobless rate was 6.1% in September 2014.

d) **Level and Extent of Contamination Alleviated:**
The eligible activities will be conducted to address due care obligations in relation to the contamination found on the subject property. All eligible activities are a result of the subject property being contaminated.

Additionally, asbestos abatement will take place as a result of eligible activities associated with this project. All regulated asbestos containing materials will be handled according to the NESHAP and the OSHA Construction Standard for Asbestos (29 CFR 1926.1101).

e) **Reuse of Functionally Obsolete Buildings and/or Redevelopment of Blighted Property:**
The project is not qualifying as functionally obsolete or blighted.

f) **Cost Gap that Exists between the Property and a Similar Greenfield Property:**
A Greenfield site was not considered for this project.

g) **Whether Project will Create a New Brownfield Property in the State:**
No new Brownfields will be created by this project.

h) **Whether the Project is Financially and Economically Sound:**
From the materials received, the MEDC infers that the work plan is financially and economically sound.

i) **Other Factors Considered:**
No additional factors need to be considered for this project.

MAP OF PROJECT AREA

RESOLUTION 2014-
MICHIGAN STRATEGIC FUND

City of East Lansing Brownfield Redevelopment Authority
Trowbridge Village Project
City of East Lansing

At the meeting of the Michigan Strategic Fund ("MSF") held on December 16, 2014 in Lansing, Michigan.

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

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

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

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

WHEREAS, the City of East Lansing Brownfield Redevelopment Authority (the "Authority") has submitted a work plan for property located at 920, 950, 962, and 990 Trowbridge Road within the City of East Lansing, known as Trowbridge Village Project (the "Project");

[PICK ONE] WHEREAS, the City of East Lansing is a "qualified local governmental unit" and is eligible to provide for a) demolition; b) lead and asbestos abatement; c) public infrastructure improvements; d) site preparation; e) brownfield work plan preparation and review costs and f) interest as provided under 2007 PA 204 and;

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

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as the 34.39% to 65.61% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, asbestos abatement and infrastructure improvements as presented in the revised Work Plan dated October 27, 2014. Any change in millage that increases the capture percentage of school operating taxes by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on a maximum of $1,856,168 for the principal activity costs of non-environmental activities and a contingency and a maximum of $2,500 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of $639,196.

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

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

Ayes:

Nays:

Recused:

December 16, 2014
Lansing, Michigan

PURE MICHIGAN

MEMORANDUM

Date: **December 16, 2014**

To: **Michigan Strategic Fund Board**

From: **Brent Morgan, Manager, Brownfield and MCRP**
Mary Kramer, Community Development Incentives Specialist
Dan Wells, Brownfield Senior Program Specialist
Ryan Kilpatrick, Community Assistance Team Specialist

Subject: **TC 555 Michigan LLC**
Request for Approval of an Act 381 Work Plan and a $1,000,000 Michigan Community Revitalization Program Performance-Based Grant

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Request

The project requests to use both the Brownfield Act 381 Program and the Michigan Community Revitalization Program (MCRP) for the project located at 555 and 601 Michigan Street, Grand Rapids.

The City of Grand Rapids Brownfield Redevelopment Authority has submitted an Act 381 Work Plan (Work Plan) request for the approval of local and school tax capture for eligible activities in the amount of $465,750. Eligible activities that will be undertaken to alleviate Brownfield conditions on the property and complete the project include demolition of an existing structure, site preparation, and infrastructure improvements.

TC 555 Michigan LLC (Applicant) is requesting approval of a performance-based grant in the amount of $1,000,000. The Applicant anticipates that the project will result in eligible investment of $5,385,996 and total capital investment in the amount of $7,399,671 in the City of Grand Rapids and the creation of 15 full time equivalent jobs.

Background

TC 555 Michigan LLC will be managed by Third Coast Development Partners LLC. Third Coast Development Partners LLC is also the managing partner of Mid Towne Village LLC. The Mid Towne Village project is now home to the West Michigan's Women's Health Center, Park Row Condos and the 545 Michigan Street mixed use building. Third Coast also completed the redevelopment of the Miller Zeilstra Lumberyard at 833 Michigan Street that includes a combination of medical office, retail, and residential space. In addition to these projects, Third Coast has completed numerous build-to-suit buildings for companies such as Spectrum Health, Hart & Cooley, various doctor groups and other retail businesses along the Michigan Street Corridor. The third phase of Mid Towne Village – a multi-story hotel – is currently under construction and continues to be managed by Third Coast. This phase received a $3,000,000 CRP loan participation in 2013. The previous two phases of the Mid Towne development, which included the six-story Women's Health Center and a block of residential townhouse condominiums completed in 2009, received a $2,000,000 MBT large Brownfield credit.

TC 555 Michigan LLC (TC) proposes to redevelop the properties on the northern two corners of Michigan Street and Union Ave in Grand Rapids, Michigan. The Northwest corner, 555 Michigan Street NE, is a 7,200 square foot parcel that currently has a vacant, approximately 6,000 square foot, two-story building on it. That building will be demolished and a new, three-story mixed use building will be built in its place. This mixed use building will contain approximately 2,200 square feet of retail space on the first floor, and

8 market rate apartments on the second and third floors comprising roughly 7,300 square feet for a total of approximately 9,500 square feet of rentable space.

The Northeast corner, 601 Michigan Street NE, is currently a 12,000 square foot parcel of vacant land. A four story, mixed use building will be built on this property with approximately 3,100 square feet of retail space on the first floor and 18 market rate apartments on the remaining floors totaling approximately 16,600 square feet for a total of approximately 19,700 square feet of rentable space.

The properties are currently owned by TC 555 Michigan LLC.

a) The project is located within the boundaries of the City of Grand Rapids, which is a Qualified Local Governmental Unit, and has been deemed a facility as verified by the Michigan Department of Environmental Quality (MDEQ). The property is the subject of a Brownfield Plan, duly approved by the City of Grand Rapids on August 7, 2014.

b) The project is located in a traditional commercial center and qualifies for an MCRP award because it is a facility.

The project's statutory requirements are addressed in Appendix A, a project map is provided in Appendix B, and the MCRP Summary of Terms is included in Appendix C.

Recommendation

MEDC Staff recommends the following:

a) Approval of local and school tax capture for the Act 381 eligible activities totaling $465,750 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $245,590.

b) Approval of an MCRP performance-based grant in the amount of $1,000,000 for TC 555 Michigan LLC.

The commitment will remain valid until April 15, 2015 (120 days after approval) with approval for the MSF Fund Manager to extend the commitment an additional 30 days.

APPENDIX A

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.

As required under the program, the following statutory 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 proposed project will replace a long time vacant building and vacant lot along the Michigan Street Corridor. The plans have been supported by the Midtown Neighborhood Association and the Michigan Street Corridor Association as well as the City of Grand Rapids and the City of Grand Rapids Brownfield Authority.

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

The mixed use nature of this development will both increase the demand for local businesses and increase the variety of local businesses that are offered. This development will add 39 new bedrooms (within 26 residential units) to the area and those people will need a place to eat, entertain and everything in between. The increased amenities that the retail spaces bring will increase the demand for more residential units in the area, which will continue the cycle. This project will also serve to show that infill of multiple parcels can be completed in an area where most of the large parcels have already been redeveloped.

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

Local TIF Contribution is being sought in the amount of $220,160 in addition to a Neighborhood Enterprise Zone with an estimated value of $404,000. The project is also supported by the local neighborhood and business associations.

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

The rental rates of this project are determined by market rates. To meet the required debt coverage ratios, debt service expenses must be reduced. Fund assistance is necessary to reduce this debt obligation and provide an acceptable return on investment for the financial institutions and investors. Although extended carrying costs aren't expected, that will always be a risk involved with a new real estate development.

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

A vacant building on the site will demolished and replaced with new construction. No historical or blighted properties will be involved.

F. Creation of jobs and areas of high unemployment:

The project is estimated to create 15 new full time equivalent jobs. The average hourly wage is estimated to be at least $10.

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

Total project cost is estimated to be $7,399,671 with a senior loan in the amount $5,100,000. The project is also supported by a $900,000 equity investment from an investment group.

H. Whether the project is financially and economically sound:

The project is expected to have a debt service coverage ratio of 1.20, meeting the minimum thresholds established by the bank and the MEDC.

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

The project will add 26 market rate dwelling units to property totaling just under .20 acres. The effective density of the project sites will be greater than 50 units per acre, marking a substantial increase above the existing density of the sites and the surrounding neighborhood.

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

Both newly constructed multi-story buildings will contain a mix of uses with retail on the ground floor and constructed close to the street. The project is expected to frame the street wall as required by the City of Grand Rapids form-based code and will contribute to the establishment of a much more walkable environment.

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

The project does not involve abandoned public space.

L. Whether the project promotes sustainable development:

The project will include the recycling of existing materials on site to the extent practical, and will include low impact design stormwater practices and a green roof on the newly constructed sites.

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

The project does not involve rehabilitation of a historic resource.

N. Whether the project addresses area-wide redevelopment:

The project is located along a traditional business corridor currently in a state of significant transition. Several redevelopment projects have been recently completed or are currently underway with many more vacant and underutilized properties still waiting to be redeveloped. The project is expected to increase services and amenities in the neighborhood and to further catalyze area-wide redevelopment.

O. Whether the project addresses underserved markets of commerce:

A recent housing study conducted by Zimmerman Volk & Associates on behalf of the City of Grand Rapids indicated a current demand for up to 5,000 new dwelling units per year for the next 10 years. Downtown Grand Rapids currently has a very limited supply of housing options and the market is currently demanding new, modern amenities in neighborhoods where the supply is falling significantly short.

P. The level and extent of environmental contamination:

Based on the inorganic metallic constituents chemical analysis results for the soil samples collected from the subject site, a concentration of arsenic was encountered above the GRCC as outlined in the MDEQ Cleanup Requirements. Concentrations of barium, chromium (total), copper, lead, mercury, silver and zinc were encountered above the MDL in certain samples, however, less than the GRCC.

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):

A historic resource is not being rehabilitated as part of this project.

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

The project is not expected to 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 factors need to be considered for this project.

ADDITIONAL STATUTORY CRITERIA UNDER ACT 381:

a) Reuse of functionally obsolete buildings and/or redevelopment of blighted property:

No reuse of functionally obsolete buildings and/or redevelopment of blighted property will occur. The eligible property is qualifying as a facility.

b) Cost gap that exists between the property and a similar greenfield property:

The Brownfield tax increment financing is needed to alleviate extraordinary costs incurred due to the following: demolition of existing structures, removal of debris, mass leveling, temporary and permanent earth retention and the modification and replacement of public infrastructure.

c) Whether project will create a new brownfield property in the State:

No new Brownfields will be created by this project.

d) Other Factors Considered

No additional factors need to be considered for this project.

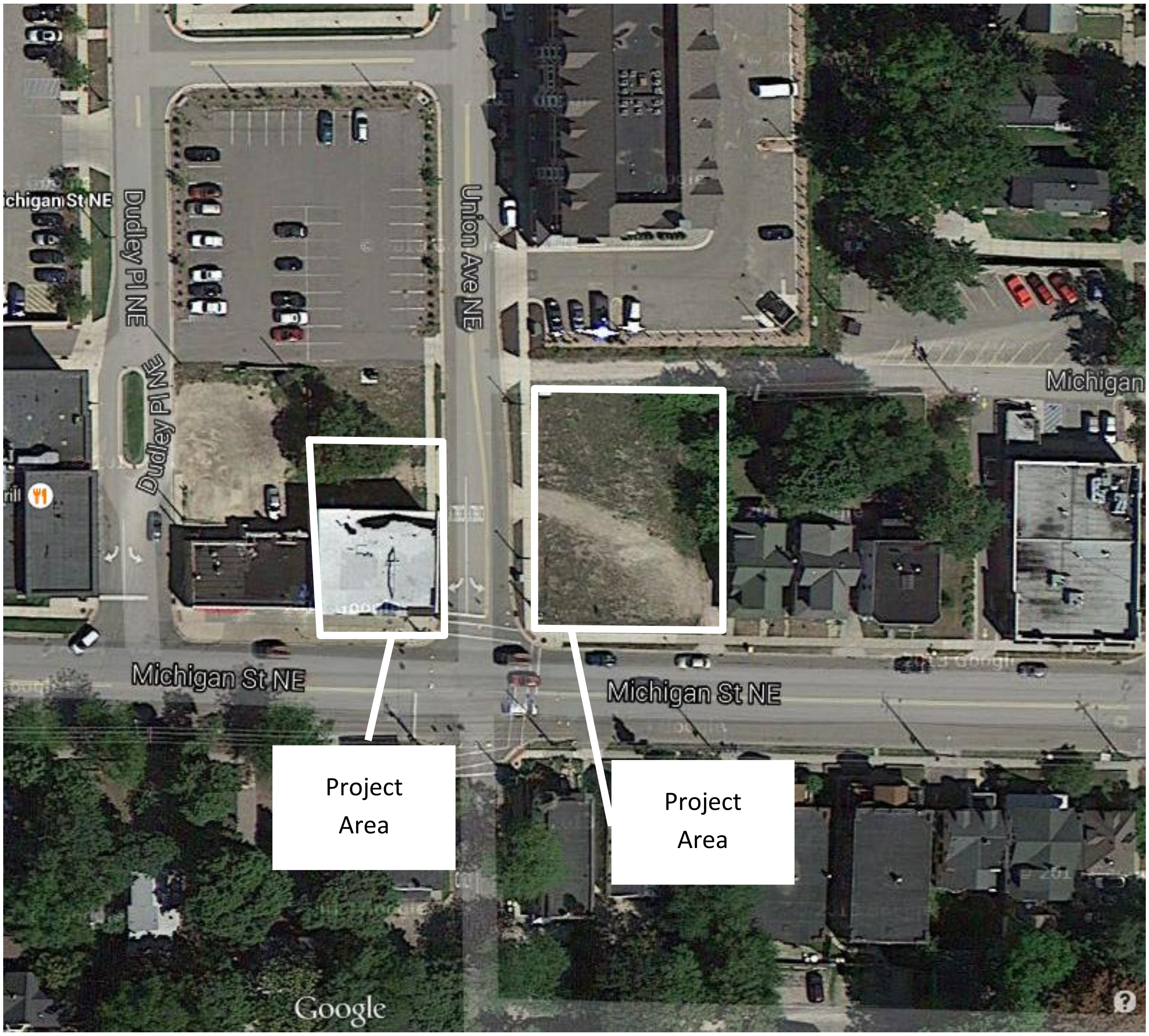
Act 381 TIF: There are 45.5124 non-homestead mills available for capture, with school millage equaling 24 mills (52.73%) and local millage equaling 21.5124 mills (47.27%). A Neighborhood Enterprise Zone Non-Principal Residence Exemption for a new facility has been approved for the residential portions of the property, effectively halving both state and local taxes on the residential parts of the buildings proportionally for twelve years. The requested tax capture for eligible activities breaks down as follows:

School tax capture (52.73%)	$ 245,590
Local tax capture (47.27%)	$ 220,160
TOTAL	**$ 465,750**

COST OF ELIGIBLE ACTIVITIES

Demolition	$ 25,000
Infrastructure Improvements	107,500
Site Preparation	+ 264,000
Sub-Total	$ 396,500
Contingency (15%)	+ 59,250
Sub-Total	$ 455,750
Brownfield/Work Plan Preparation	+ 10,000
TOTAL	**$ 465,750**

APPENDIX B



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APPENDIX C

Summary of Terms

1. Company Name:	TC 555 Michigan LLC	
2. Company Address:	168 Louis Campau Promenade Grand Rapids, Michigan 49503	
3. MCRP Incentive Type:	Performance Based Grant	
4. Maximum Amount of MCRP Incentive:	Lesser of 20% of the Eligible Investment, as defined below, or $1,000,000 (“MCRP Incentive Award”).	
5. Project Description (“Project”):	The project involves the construction of a three-story mixed use building at 555 Michigan Street NE and a four-story mixed use building at 601 Michigan Street NE in the City of Grand Rapids. Upon completion, the 555 Michigan Street NE building will include approximately 2,198 square feet of retail space on the first floor and eight market rate apartments on the second and third floors totaling approximately 7,284 square feet. Upon completion, the 601 Michigan Street NE building will include approximately 3,139 square feet of retail space on the first floor and 18 market rate apartments on the second and third floors totaling approximately 16,590 square feet.	
6. Anticipated Minimum Eligible Investment:	$4,308,797	The minimum is based on 80% of the total Eligible Investment amount requested on the CRP incentive application. The Eligible Investment on the Project is anticipated to include: • New Building Construction • Addition of Machinery, Equipment or Fixtures to the Project • Professional Fees
7. Start Date for Measurement of Eligible Investment:	March 1, 2014	
8. Project Qualifying As:	Facility	

9. **Progress and Milestones & Disbursement:** The final terms and conditions of each of the Progress Milestones shall be included in the final Agreement, including that before any disbursement is made to the Applicant, the Applicant must demonstrate timely completion of all Progress Milestones, as required, and otherwise be in full compliance with all terms and conditions of the final Agreement. The MSF Fund Manager, in coordination with MEDC Staff, is authorized to negotiate the final terms and conditions of

the final Agreement to be used to memorialize MCRP awards on the MSF'S behalf in accordance with the Guidelines and are anticipated to include:

a. Pre-improvement Progress Milestone: Written certification from the Mercantile Bank, or a copy of the executed loan agreement, note and mortgage, evidencing that the applicant has closed on financing in the minimum amount of $5,100,000 and bridge financing in the amount of $1,000,000 and a signed construction contract.

b. Completion of the Project Progress Milestone: Issuance of permanent certificate(s) of occupancy.

10. **Municipality supporting the Project ("Municipal Support"):** The City of Grand Rapids is supporting the project with local tax increment financing in the estimated amount of $223,745 and a Neighborhood Enterprise Zone with an estimated value of $404,000.

11. **Site Plan Approval:** A condition for execution of the final Agreement is that the City of Grand Rapids, or its' designated planning body, has approved the final Site Plan for the Project, and that the form and substance of the Site Plan are acceptable to the MSF.

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

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

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

MICHIGAN STRATEGIC FUND

RESOLUTION 2014-XXX

APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM PERFORMANCE-BASED GRANT AWARD TO TC 555 MICHIGAN 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, TC 555 Michigan LLC ("Company") has requested a performance based grant of up to $1,000,000 ("Award Request");

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 30 days ("MCRP Award Recommendation"); and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
December 16, 2014

RESOLUTION 2014-
MICHIGAN STRATEGIC FUND

City of Grand Rapids Brownfield Redevelopment Authority
The TC 555 Michigan, LLC Project
City of Grand Rapids

At the meeting of the Michigan Strategic Fund ("MSF") held on December 16, 2014, 2014 in Lansing, Michigan.

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

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

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

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

WHEREAS, the City of Grand Rapids Brownfield Redevelopment Authority (the "Authority") has submitted a work plan for property located at 555-601 Michigan Street within the City of Grand Rapids, known as the TC 555 Michigan, LLC Project (the "Project");

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

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

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as the 52.73% to 47.27% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, and infrastructure improvements as presented in the revised Work Plan dated August 7, 2014. Any change in millage that increases the capture percentage of school operating taxes by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on a maximum of $455,750 for the principal activity costs of non-environmental activities and a contingency, a maximum and a maximum of $10,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of $245,590.

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

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

Ayes:

Nays:

Recused:

December 16, 2014
Lansing, Michigan