

## **MICHIGAN STRATEGIC FUND BOARD MEMBERS**

**Paul Ajegba**

*Director, Michigan Department of  
Transportation*

**Ronald W. Beebe**

*Principal Owner & CEO  
Euclid Industries, Inc.*

**Britany Affolter - Caine, Ph.D.**

*Executive Director  
Michigan's University Research  
Corridor*

**Jeff Donofrio**

*Director, Department of Labor  
& Economic Opportunity*

**Rachael Eubanks**

*State Treasurer, Department of  
Treasury*

**Paul Gentilozzi**

*President, Gentilozzi Real Estate*

**September Hargrove**

*Vice President, Global  
Philanthropy, JP Morgan Chase*

**Mark Burton**

*President and Chairman; CEO:  
Michigan Economic Development  
Corporation*

**Charles Rothstein**

*Founder & Senior Managing Director  
Beringea, LLC*

**Susan Tellier**

*President  
JetCo Packaging Solutions*

**Cindy Warner**

*Global Leader, ProServe Advisory  
Amazon Web Services*

# **MICHIGAN STRATEGIC FUND (MSF) BOARD**

## Meeting Packet

### May 2020

**MICHIGAN STRATEGIC FUND BOARD  
FINAL MEETING AGENDA  
MAY 19, 2020  
10:00 am**

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

**Communications**

**A. Consent Agenda**

Proposed Special Meeting Minutes – April 14, 2020  
Amazon – MBDP Amendment – Julia Veale  
Establishing an Alternate Fund Manager – Mark Morante

**B. Business Investment**

**1. Capital Access**

Metro Community Development – Micro Loan Funding – Chris Cook

**2. Business Growth**

iSource WorldWide, LLC & Skypoint Ventures, LLC – MBDP Amendment – Jeremy Webb  
Packaging Compliance Labs – Jobs Ready Michigan Program Grant – Julia Veale  
ArcelorMittal – MBDP Amendment and State Essential Services Assessment (“SESA”) Exemption –  
Jibran Ahmed

**C. Community Vitality**

601 West LLC – MCRP Amendment – Julius Edwards  
Red Cedar Redevelopment Project – Brownfield Act 381 – Lori Mullins  
City of Ishpeming – CDBG Award – Jen Tucker  
Village of Cassopolis – CDBG Award – Michelle Audette-Bauman  
Bagley Development Group, LLC – MCRP Award – Dominic Romano  
Queen Lillian II LLC/The Woodward at Midtown Redevelopment – MCRP Award and Brownfield Act  
381 Work Plan Amendment – Brittney Hoszkiw

**D. Administrative**

CDBG Program Year 2019 Action Plan – Amendment – Christine Whitz

**E. Entrepreneurship**

Advanced Computing MTRAC Innovation Hub – Grant Amendment – Denise Graves  
Advanced Materials MTRAC Innovation Hub – Grant Amendment – Denise Graves  
Ag Bio MTRAC Innovation Hub – Grant Amendment – Denise Graves  
MTRAC Life Sciences Innovation Hub – Funding Allocation – Denise Graves

**F. International Trade**

International Trade – MI-STEP Eligibility Guideline Change – Natalie Chmiko  
International Trade – MI-PEP Eligibility Guideline Change – Natalie Chmiko

**MICHIGAN STRATEGIC FUND**

**RESOLUTION**

**2020-048**

**APPROVAL OF MAY 2020 CONSENT AGENDA  
FOR THE MICHIGAN STRATEGIC FUND BOARD**

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

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

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

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

Consent Agenda Items:

Proposed Special Meeting Minutes – April 14, 2020  
Amazon – MBDP Amendment  
Establishing an Alternate Fund Manager

Ayes: Britany L. Affolter-Caine, Paul Ajegba, Ronald W. Beebe, Mark Burton, Jeff Donofrio, Paul Gentilozzi, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier

Nays: None

Recused: Cindy Warner

Lansing, Michigan  
May 19, 2020

Cindy L. Warner

---

May 13, 2020

MSF Fund Manager  
MEDC  
300 N. Washington Square Lansing, Michigan

Dear Fund Manager,

This is to advise that I am recusing myself from voting and excuse myself during the discussion of the following items on the Michigan Strategic Fund Board Meeting Agenda on Tuesday, May 19, 2020:

- 1) CONSENT AGENDA MATERIALS: *Amazon.com*
- 2) COMMUNITY VITALITY: *Queen Lillian II LLC/The Woodward at Midtown Redevelopment (MCRP Award and Brownfield Act 381 Work Plan Amendment)*

The reason for my recusal of Agenda Item #1, is due to the fact I am an executive of this company and it would be a direct conflict of interest to vote on any actions pertaining to my employer. The reason for my recusal of Agenda Item #2, is due to the fact that I personally know an investor in this project, Peter D. Cummings. It would be a conflict of interest to vote on any actions pertaining to this investor.

Sincerely,

*Cindy L. Warner*

Cindy L. Warner  
MSF Board Member

**MICHIGAN STRATEGIC FUND  
FINAL SPECIAL SESSION MINUTES  
April 14, 2020**

**Members joined by phone**

Britany L. Affolter-Caine  
Paul Ajegba  
Ronald W. Beebe  
Mark Burton  
Jeff Donofrio  
September Hargrove  
Andrew Lockwood (on behalf of Treasurer Eubanks)  
Charles P. Rothstein  
Susan Tellier  
Cindy Warner

**Member Absent:**

Paul Gentilozzi

Mr. Burton called the meeting to order at 10:03 a.m.

**Public Comments:** Mr. Burton introduced Brian Krantz, Senior IT Project Manager, who provided public comment instructions for individuals participating by telephone. A small developer from Kalamazoo encouraged the Board to support COVID-19 relief resources around the agribusiness industry.

**Communications:** Rhonda Bishop, MSF Board Liaison, advised the Board that the Quarterly Report of the Chief Compliance Officer was provided to them in the briefing packet, along with several program quarterly reports. Members also received updated materials for the Eighth and Boardman Redevelopment Project in Traverse City. She noted that a letter was received from Senator Wayne Schmidt in support of the Eighth and Boardman Redevelopment Project; the letter is attached to the minutes.

**A. CONSENT AGENDA**

**Resolution 2020-036 Approval of Consent Agenda Items**

Mr. Burton asked if there were any questions from the Board regarding items under the Consent Agenda. There being none, Charles P. Rothstein motioned for the approval of the following:

Proposed Meeting Minutes – March 19, 2020

The Original and Only Thompson Block, LLC – MCRP Loan Participation Amendment – **2020-037**  
Capital City Market Redevelopment Project / City of Lansing Brownfield Redevelopment Authority –  
Brownfield Act 381 Work Plan Amendment – **2020-038**

Andrew Lockwood seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused.**

**ROLL CALL VOTE:** Ayes: Britany L. Affolter-Caine, Paul Ajegba, Ronald W. Beebe, Mark Burton, Jeff Donofrio, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner; Nays: None; Recused: None

## **B. ADMINISTRATIVE**

### **Resolutions 2020-039 & 2020-040 - Michigan Strategic Fund Awardee Relief Initiative and Delegation of Authority**

*Michele Wildman, Senior Vice President of Community Development, provided the Board with information regarding these action items.* Following discussion, Mark Burton motioned for the approval of Resolution 2020-039. Jeff Donofrio seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused.**

**ROLL CALL VOTE:** Ayes: Britany L. Affolter-Caine, Paul Ajegba, Ronald W. Beebe, Mark Burton, Jeff Donofrio, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner; Nays: None; Recused: None

Paul Ajegba then motioned for the approval of Resolution 2020-040. Charles P. Rothstein seconded the motion. **The motion carried: 9 ayes; 1 nay; 0 recused.**

**ROLL CALL VOTE:** Ayes: Britany L. Affolter-Caine, Paul Ajegba, Mark Burton, Jeff Donofrio, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner; Nays: Ronald W. Beebe; Recused: None

## **C. BUSINESS INVESTMENT**

### **C1. Capital Access**

#### **Resolution 2020-041 Northern Initiatives – Micro Loan Funding**

*Chris Cook, Director of Capital Access, provided the Board with information regarding this action item.* Following discussion, Ronald W. Beebe motioned for the approval of Resolution 2020-041. September Hargrove seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused.**

**ROLL CALL VOTE:** Ayes: Britany L. Affolter-Caine, Paul Ajegba, Ronald W. Beebe, Mark Burton, Jeff Donofrio, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner; Nays: None; Recused: None

### **C2. Business Growth**

#### **Resolution 2020-042 Federal Mogul-Tenneco – MEGA Retention Tax Credit Amendment and Assignment**

*Trevor Friedeberg, Director of Business Development Projects, provided the Board with information regarding this action item.* Following discussion, Paul Ajegba motioned for the approval of Resolution 2020-042. Jeff Donofrio seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused.**

**ROLL CALL VOTE:** Ayes: Britany L. Affolter-Caine, Paul Ajegba, Ronald W. Beebe, Mark Burton, Jeff Donofrio, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner; Nays: None; Recused: None

## **D. COMMUNITY VITALITY**

### **Resolution 2020-043 Washtenaw County Brownfield Redevelopment Authority / Lower Town Partners, LLC (Broadway Park Project) – Brownfield Act 381 Work Plan**

*Paula Holtz, Community Assistance Team Specialist, provided the Board with information regarding this action item.* Following discussion, Andrew Lockwood motioned for the approval of Resolution 2020-043. Britany L. Affolter-Cain seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused.**

**ROLL CALL VOTE:** Ayes: Britany L. Affolter-Caine, Paul Ajegba, Ronald W. Beebe, Mark Burton, Jeff Donofrio, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner; Nays: None; Recused: None

**Resolution 2020-044 Grand Traverse County Brownfield Redevelopment Authority / The Envision 8th Street Holdings, LLC (Eighth and Boardman Redevelopment Project) – Brownfield Act 381 Work Plan**

*Dan Leonard, Senior Community Assistance Team Specialist, provided the Board with information regarding this action item.* Following discussion, Andrew Lockwood motioned for the approval of Resolution 2020-044. Jeff Donofrio seconded the motion. **The motion carried: 6 ayes; 4 nays; 0 recused.**

**ROLL CALL VOTE:** Ayes: Britany L. Affolter-Caine, Paul Ajegba, Mark Burton, Jeff Donofrio, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein; Nays: Ronald W. Beebe, September Hargrove, Susan Tellier, Cindy Warner; Recused: None

**Resolution 2020-045 Lofts on Alabama, LLC – MCRP Direct Loan Amendment**

*Lori Mullins, Director of Community Development Incentives, provided the Board with information regarding this action item.* Following discussion, Ronald W. Beebe motioned for the approval of Resolution 2020-045. Andrew Lockwood seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused.**

**ROLL CALL VOTE:** Ayes: Britany L. Affolter-Caine, Paul Ajegba, Ronald W. Beebe, Mark Burton, Jeff Donofrio, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner; Nays: None; Recused: None

*Ronald W. Beebe left the call at approximately 11:45 am.*

**Resolution 2020-046 3750 Woodward Avenue, LLC (The Mid at 3750 Woodward Project) – Brownfield Redevelopment MBT Credit Amendment**

*Lori Mullins, Director of Community Development Incentives, provided the Board with information regarding this action item.* Following discussion, Jeff Donofrio motioned for the approval of Resolution 2020-046. Andrew Lockwood seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused.**

**ROLL CALL VOTE:** Ayes: Britany L. Affolter-Caine, Paul Ajegba, Mark Burton, Jeff Donofrio, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner; Nays: None; Recused: None

**E. ENTREPRENEURSHIP**

*Britany Affolter-Caine, recused from the item, left the call; a recusal letter is attached to the minutes.*

**Resolution 2020-047 Pre-Seed III Fund – Award Recommendation**

*Fredrick Molnar, Vice President of Entrepreneurship & Innovation, provided the Board with information regarding this action item.* Following discussion, Charles P. Rothstein motioned for the approval of Resolution 2020-047. Andrew Lockwood seconded the motion. **The motion carried: 8 ayes; 0 nays; 1 recused.**

**ROLL CALL VOTE:** Ayes: Paul Ajegba, Mark Burton, Jeff Donofrio, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner; Nays: None; Recused: Britany L. Affolter-Caine

Mr. Burton adjourned the meeting at 12:07 p.m.



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

January 16, 2020

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

Re: Michigan Strategic Fund Board Meeting Designee for Treasurer Eubanks

Dear Ms. Bishop:

I hereby designate Andrew Lockwood to attend all Michigan Strategic Fund meetings that I am unable to attend in 2020.

If you need anything additional, please contact Kara Kabia at (517) 241-2624.

Sincerely,

A handwritten signature in blue ink that reads "Rachael Eubanks".

Rachael Eubanks  
State Treasurer

Cc: Eric Bussis  
Andrew Lockwood





**WAYNE A. SCHMIDT**  
37TH DISTRICT  
P.O. BOX 30036  
LANSING, MI 48909-7536

**THE SENATE  
STATE OF MICHIGAN**

PHONE: (517) 373-2413  
TOLL-FREE: (855) 347-8037  
FAX: (517) 373-5144  
senwschmidt@senate.michigan.gov

April 14, 2020

Mark Burton  
Michigan Strategic Fund  
300 N Washington Sq.  
Lansing, Michigan 48913

Dear Chairman Burton,

The purpose of this letter is to express my full support of the Grand Traverse County Brownfield Redevelopment Authority's application for funding to provide for a community development project in downtown Traverse City.

This project, planned for the 8<sup>th</sup> Street Corridor, will increase economic activity and enhance the riverfront. The resources they are seeking will support the brownfield activities and ultimately create fifteen jobs and retain twenty-five.

Please include my letter of support in your applications materials to the Michigan Economic Development Corporation. If there are other ways I can encourage a positive outcome, please let me know.

Sincerely,

A handwritten signature in blue ink, consisting of several fluid, connected strokes.

Wayne Schmidt  
State Senator  
37<sup>th</sup> District

cc: Gloria Carnicom



April 7, 2020

MSF Fund Manager  
MEDC  
300 N. Washington Square  
Lansing, Michigan

Dear Fund Manager,

This is to advise that I am recusing myself from voting and excuse myself during the discussion of the following items on the Michigan Strategic Fund Board Meeting Agenda on Tuesday, April 14, 2020.

- Entrepreneurship and Innovation: Pre-Seed III Fund – Award Recommendation

The reason for my recusal is that I have a potential conflict of interest with respect to recommended awardee, MSU Foundation.

Sincerely,

A handwritten signature in cursive script that reads 'Britany Affolter-Caine'.

Britany Affolter-Caine  
Executive Director  
Michigan's University Research Corridor

**MEMORANDUM**

**Date:** May 19, 2020

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

**From:** Julia Veale, Business Development Project Manager

**Subject:** Grant Amendment Request  
Michigan Business Development Program (“MBDP”)  
Amazon.com Services, LLC (f/k/a Amazon.com Services, Inc.) (“Company”)

---

**Request**

- Request to extend milestones for the Gaines Township project 1.5 years due to construction delays; and
- Request to extend term of the Agreement from February 28, 2022 to September 30, 2023.

**Background**

On May 22, 2018, the Michigan Strategic Fund (MSF) approved a MBDP performance-based grant in the amount of \$4,000,000 for the Company. The project involved the creation of 1,000 jobs and \$150,000,000 in new investment to construct a new distribution center in Gaines Township, Kent County. On December 20, 2016, the Company was awarded a \$7.5 million MBDP performance-based grant for the creation of 1,000 jobs and investment of \$89,870,145 to build a new fulfillment center in the City of Livonia, Wayne County.

On June 27, 2017, the Company received a second MBDP Grant award of \$5 million for the creation of 1,600 jobs and investment of \$140 million to build a new fulfillment center in the City of Romulus, Wayne County.

On September 26, 2017, the Company received a third MBDP performance-based grant of \$4.5 million for the creation of 1,025 jobs and investment of up to \$40 million for a new fulfillment center in the Charter Township of Shelby, Macomb County (collectively, “the Amazon Grants”).

At the January 22, 2019 MSF Board Meeting, a reauthorization of this award was approved in order to allow a finalized agreement to be executed.

Effective January 1, 2019, the Company merged into ASI. As a result of the merger, the Company requested to assign the Amazon Grants to ASI, its successor entity, and ASI assumed the terms of the existing MBDP Grant Agreements governing the awards on January 22, 2019.

The Company has successfully completed construction of the new distribution warehouse in Gaines Township and has started the hiring process. Hiring has begun and is going well; however, due to construction delays, hiring started later than the Company had anticipated. This caused the Company to reevaluate its launch timeline for the Gaines Township facility and is requesting that the disbursement milestones align with the new launch timeline.

**Company Background**

Founded in 1994, Amazon.com is the largest internet-based retailer in the world by total sales and market capitalization. The Company started as an online bookstore, later diversifying to sell DVDs, Blu-rays, CDs, video downloads/streaming, MP3 downloads/streaming, audiobook downloads/streaming, software, video games, electronics, apparel, furniture, food, toys and jewelry. Customer reviews, 1-Click shopping, personalized recommendations, Prime, Fulfillment by Amazon, AWS, Kindle, Fire tablets and TVs, Amazon Echo, and Alexa are some of the products pioneered by Amazon.

**Recommendation**

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

MICHIGAN ECONOMIC  
DEVELOPMENT CORPORATION

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

The following is a summary of the highlights of the amendment 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 Amendment is presented by the Michigan Economic Development Corporation ("MEDC") to the MSF.

**Date:** May 1, 2020

**Company Name:** Amazon.com Services LLC ("Company")

**Company Address:** Gaines Township

**MBDP Incentive Type:** Performance Based Grant

**Current Status of the MBDP Incentive, as set forth in the final MBDP Incentive Award Agreement ("Agreement"):**

- **Maximum Amount of MBDP Incentive:** Up to \$4,000,000 ("MBDP Incentive Award")
- **Base Employment Level** 1706
- **Total Qualified New Job Creation:** 1,000  
*(above Base Employment Level)*
- **Company Investment:** The Company anticipates investment of up to \$150,000,000 for new construction and machinery and equipment or any combination thereof, for the Project.
- **Municipality supporting the Project:** Gaines Township
- **Disbursement Milestones:** The terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award are outlined in Exhibit B of the Agreement, and include:
  - **Disbursement Milestone 1:** Up to \$1,900,000 Upon demonstrated creation of 475 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than August 31, 2019.
  - **Disbursement Milestone 2:** Up to \$200,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 50 additional Qualified New Jobs (for a total of 525 Qualified New Jobs) above the Base Employment Level, by no later than March 31, 2022.
  - **Disbursement Milestone 3:** Up to \$1,900,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 475 additional Qualified New Jobs (for a total of



1,000 Qualified New Jobs) above the Base Employment Level, by no later than March 31, 2023.

- **Term of Agreement:** Execution of Agreement to February 28, 2022.

#### Proposed MBDP Incentive Amendment

- **Company Name:** Amazon.com Services LLC (“Company”)
- **MBDP Incentive Type:** Performance Based Grant
- **Disbursement Milestones:** The terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award will be amended as follows:
  - **Disbursement Milestone 1:** Up to \$1,900,000 Upon demonstrated creation of 475 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than March 31, 2021.
  - **Disbursement Milestone 2:** Up to \$200,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 50 additional Qualified New Jobs (for a total of 525 Qualified New Jobs) above the Base Employment Level, by no later than March 31, 2022.
  - **Disbursement Milestone 3:** Up to \$1,900,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 475 additional Qualified New Jobs (for a total of 1,000 Qualified New Jobs) above the Base Employment Level, by no later than March 31, 2023.
- **Term of Agreement:** Execution of Agreement to September 30, 2023

Any final MBDP Incentive Amendment is contingent upon several factors, including: (i) submission by the Company of a completed amendment application and all other documentation required under the MBDP (ii) satisfactory municipality support, if applicable (iii) available MSF funding (iv) completion of financial review, business integrity review, required background checks, and other business and legal review and due diligence as required, and the results of which must be satisfactory to the MEDC, the MSF, and as applicable, the Chief Compliance Officer, (v) approval of an award by the MSF, and (vi) execution of a final Amendment 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 Amendment 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 May 8, 2020, the MEDC may not be able to proceed with any recommendation to the MSF.

**Acknowledged as received by:**

Amazon.com Services LLC



Amazon.com Services LLC

DocuSigned by:

*Holly Sullivan*

C049593F2FA7404...

By:

\_\_\_\_\_

Printed Name:

Holly Sullivan

\_\_\_\_\_

Its:

Director, Economic Development, Public Policy BDPM

\_\_\_\_\_

Dated:

May 4, 2020

\_\_\_\_\_

Michigan Economic Development Corporation

By:

*Julia Veale*

\_\_\_\_\_

Printed Name:

Julia Veale

\_\_\_\_\_

Its:

05/04/2020

\_\_\_\_\_



**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2020-049**

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT  
PROGRAM GRANT/LOAN/OTHER ECONOMIC ASSISTANCE  
AMENDMENT FOR  
AMAZON SERVICES.COM, LLC (F/K/A AMAZON  
SERVICES.COM, INC.)**

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

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

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

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

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

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

**WHEREAS**, the MSF Board approved a \$4,000,000 MBDP performance-based grant on May 22, 2018 for Amazon Services.com, LLC, formerly organized as Amazon Services.com, Inc., (the “Company”) the creation of 1,000 qualified new jobs and a capital investment of up to \$150,000,000 in Gaines Charter Township, Kent County;

**WHEREAS**, subsequently, the MSF entered into an agreement with the Company to memorialize the grant terms and conditions (the “MBDP Agreement”), which included performance milestones (“Disbursement Milestones”);

**WHEREAS**, the Company requests that the MSF Board approve an amendment to the MBDP Agreement to extend Disbursement Milestone due dates as outlined in the attached Term Sheet and to extend the term of MBDP Agreement from February 28, 2022 to September 30, 2023. (the “MBDP Amendment Request”);

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



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

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

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

Ayes: Britany L. Affolter-Caine, Paul Ajegba, Ronald W. Beebe, Mark Burton, Jeff Donofrio, Paul Gentilozzi, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier

Nays: None

Recused: Cindy Warner

Lansing, Michigan  
May 19, 2020

MICHIGAN ECONOMIC  
DEVELOPMENT CORPORATION

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

The following is a summary of the highlights of the amendment 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 Amendment is presented by the Michigan Economic Development Corporation ("MEDC") to the MSF.

**Date:** May 1, 2020

**Company Name:** Amazon.com Services LLC ("Company")

**Company Address:** Gaines Township

**MBDP Incentive Type:** Performance Based Grant

**Current Status of the MBDP Incentive, as set forth in the final MBDP Incentive Award Agreement ("Agreement"):**

- **Maximum Amount of MBDP Incentive:** Up to \$4,000,000 ("MBDP Incentive Award")
- **Base Employment Level** 1706
- **Total Qualified New Job Creation:** 1,000  
*(above Base Employment Level)*
- **Company Investment:** The Company anticipates investment of up to \$150,000,000 for new construction and machinery and equipment or any combination thereof, for the Project.
- **Municipality supporting the Project:** Gaines Township
- **Disbursement Milestones:** The terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award are outlined in Exhibit B of the Agreement, and include:
  - **Disbursement Milestone 1:** Up to \$1,900,000 Upon demonstrated creation of 475 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than August 31, 2019.
  - **Disbursement Milestone 2:** Up to \$200,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 50 additional Qualified New Jobs (for a total of 525 Qualified New Jobs) above the Base Employment Level, by no later than March 31, 2022.
  - **Disbursement Milestone 3:** Up to \$1,900,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 475 additional Qualified New Jobs (for a total of



1,000 Qualified New Jobs) above the Base Employment Level, by no later than March 31, 2023.

- **Term of Agreement:** Execution of Agreement to February 28, 2022.

#### Proposed MBDP Incentive Amendment

- **Company Name:** Amazon.com Services LLC (“Company”)
- **MBDP Incentive Type:** Performance Based Grant
- **Disbursement Milestones:** The terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award will be amended as follows:
  - **Disbursement Milestone 1:** Up to \$1,900,000 Upon demonstrated creation of 475 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than March 31, 2021.
  - **Disbursement Milestone 2:** Up to \$200,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 50 additional Qualified New Jobs (for a total of 525 Qualified New Jobs) above the Base Employment Level, by no later than March 31, 2022.
  - **Disbursement Milestone 3:** Up to \$1,900,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 475 additional Qualified New Jobs (for a total of 1,000 Qualified New Jobs) above the Base Employment Level, by no later than March 31, 2023.
- **Term of Agreement:** Execution of Agreement to September 30, 2023

Any final MBDP Incentive Amendment is contingent upon several factors, including: (i) submission by the Company of a completed amendment application and all other documentation required under the MBDP (ii) satisfactory municipality support, if applicable (iii) available MSF funding (iv) completion of financial review, business integrity review, required background checks, and other business and legal review and due diligence as required, and the results of which must be satisfactory to the MEDC, the MSF, and as applicable, the Chief Compliance Officer, (v) approval of an award by the MSF, and (vi) execution of a final Amendment 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 Amendment 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 May 8, 2020, the MEDC may not be able to proceed with any recommendation to the MSF.

**Acknowledged as received by:**

Amazon.com Services LLC



Amazon.com Services LLC

DocuSigned by:

*Holly Sullivan*

C049593F2FA7404...

By:

\_\_\_\_\_

Printed Name:

Holly Sullivan

\_\_\_\_\_

Its:

Director, Economic Development, Public Policy BDPM

\_\_\_\_\_

Dated:

May 4, 2020

\_\_\_\_\_

Michigan Economic Development Corporation

By:

*Julia Veale*

\_\_\_\_\_

Printed Name:

Julia Veale

\_\_\_\_\_

Its:

05/04/2020

\_\_\_\_\_





STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

January 16, 2020

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

Re: Michigan Strategic Fund Board Meeting Designee for Treasurer Eubanks

Dear Ms. Bishop:

I hereby designate Andrew Lockwood to attend all Michigan Strategic Fund meetings that I am unable to attend in 2020.

If you need anything additional, please contact Kara Kabia at (517) 241-2624.

Sincerely,

A handwritten signature in blue ink that reads "Rachael Eubanks".

Rachael Eubanks  
State Treasurer

Cc: Eric Bussis  
Andrew Lockwood

Cindy L. Warner

---

May 13, 2020

MSF Fund Manager  
MEDC  
300 N. Washington Square Lansing, Michigan

Dear Fund Manager,

This is to advise that I am recusing myself from voting and excuse myself during the discussion of the following items on the Michigan Strategic Fund Board Meeting Agenda on Tuesday, May 19, 2020:

- 1) CONSENT AGENDA MATERIALS: *Amazon.com*
- 2) COMMUNITY VITALITY: *Queen Lillian II LLC/The Woodward at Midtown Redevelopment (MCRP Award and Brownfield Act 381 Work Plan Amendment)*

The reason for my recusal of Agenda Item #1, is due to the fact I am an executive of this company and it would be a direct conflict of interest to vote on any actions pertaining to my employer. The reason for my recusal of Agenda Item #2, is due to the fact that I personally know an investor in this project, Peter D. Cummings. It would be a conflict of interest to vote on any actions pertaining to this investor.

Sincerely,

*Cindy L. Warner*

Cindy L. Warner  
MSF Board Member

## MEMORANDUM

**To:** Michigan Strategic Fund Board

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

**Date:** May 19, 2020

**Subject:** Designation of Alternate MSF Fund Manager

---

### **Request**

This is to request Valerie Hoag, Managing Director of Business Initiatives and Customer Support, be designated as the alternate fund manager for the Michigan Strategic Fund (MSF).

### **Background**

This position is intended to serve as a cross-training and succession planning role for a critical position within the organization, MSF Fund Manager, currently occupied by Mark Morante. The Fund Manager position requires extensive knowledge of the full breadth of economic development tools and programs supported through the MSF as well as the compliance and administrative requirements for all program operated under the authority of the MSF Board. The role is also unique within the organization, without a current succession plan or secondary approver.

Ms. Hoag has extensive experience in economic development with the state. Her experience has included administration of nearly every major program operated by the MSF as well as experience with project evaluation, program development and implementation, and compliance support.

With her designation as alternate fund manager, Ms. Hoag will begin working directly with Mr. Morante to train on all aspects of MSF Fund Manager duties, including delegated authority approvals, project and incentive evaluation, and compliance in May 2020.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2020-050**

**DESIGNATION OF ALTERNATE FUND MANAGER**

**WHEREAS**, it is the responsibility of the Michigan Strategic Fund (“MSF”) Board to provide for the management and control of the affairs of the MSF;

**WHEREAS**, it is necessary and appropriate that the MSF Board designate an Alternate Fund Manager to assist with the management and control of the affairs of the MSF;

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

**WHEREAS**, the MEDC recommends that the MSF Board designate Valerie Hoag as the Alternate Fund Manager, effective as of the date of this Resolution.

**NOW, THEREFORE, BE IT HEREBY RESOLVED**, the MSF Board designates Valerie Hoag as the Alternate Fund Manager, effective as of the date of this Resolution; and

**BE IT FURTHER RESOLVED**, that previous designations for an Alternate Fund Manager are hereby rescinded.

Ayes: Britany L. Affolter-Caine, Paul Ajegba, Ronald W. Beebe, Mark Burton, Jeff Donofrio, Paul Gentilozzi, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier

Nays: None

Recused: Cindy Warner

Lansing, Michigan  
May 19, 2020



# **Valerie J. Hoag**

## **Professional Resume**

### **CORE COMPETENCIES**

- allocation of resources
- budgeting/execution
- teambuilding and collaboration
- reinforcing culture
- strategy development

### **SUMMARY OF EXPERIENCE**

#### **Michigan Economic Development Corporation**

##### **Senior Policy Advisor for Business Incentives and Partner Services**

- Advised senior leadership, regarding the allocation and structure of awards to companies under various Business Incentives Programs.
- Coordinated and managed all external regional partner relationships including key economic development groups, site consultants and other key state department partners.
- Directed the Talent Resources Network Team.
- Primary point person for economic development efforts in the City of Flint. The initiative requires close collaboration with various state and local officials (including the Governor, Lt. Governor and the Mayor of the City of Flint) in matters related to job creation and investment in Flint.
- Developed and implemented the Michigan Build Ready Sites Industrial Development program.

##### **Senior Vice President for Business Development**

- Managed a team of 100 business professionals responsible for business retention and attraction efforts around the State of Michigan. Leadership efforts resulted in the creation of 37,000 new jobs and \$4.2 billion in new investment.
- Reorganized group structure and developed enhanced reporting allowing for early identification of issues within the business unit including deal closing
- Led a statewide cross functional team (including the Governor of the State of Michigan) consisting of public and private sector entities to attract a major aerospace company to Michigan. Efforts resulted in the State of Michigan being among 2 North American finalists for the project.
- Managed a \$166 million budget
- Architect of an incentive package that resulted in the retention/creation of 40,000 jobs and \$2 billion investment by a major automotive company in Michigan

##### **Managing Director for Business Incentive Tax Credits And Technology Development Investments**

- Oversaw the implementation of the \$137 million 21<sup>st</sup> Century Jobs Fund including contract negotiations for 78 investments.
- Established and staffed a five person Portfolio Management Team. The team was a new endeavor and was responsible for managing investments (both grants and loans) made on behalf of the 21<sup>st</sup> Century Jobs Fund.

### **Education**

Michigan State University, East Lansing, Michigan  
Bachelor of Science – dual degree: Food Systems Economics and Packaging



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

January 16, 2020

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

Re: Michigan Strategic Fund Board Meeting Designee for Treasurer Eubanks

Dear Ms. Bishop:

I hereby designate Andrew Lockwood to attend all Michigan Strategic Fund meetings that I am unable to attend in 2020.

If you need anything additional, please contact Kara Kabia at (517) 241-2624.

Sincerely,

A handwritten signature in blue ink that reads "Rachael Eubanks".

Rachael Eubanks  
State Treasurer

Cc: Eric Bussis  
Andrew Lockwood

## MEMORANDUM

**To:** Michigan Strategic Fund Board

**From:** Chris Cook, Director – Capital Access

**Date:** May 19, 2020

**Subject:** Loan Request – Metro Community Development, Inc. (and/or related borrower)

---

### **Request**

This request is to approve a loan of up to \$2,000,000 to Metro Community Development, Inc. (“MCD”), a Community Development Finance Institution (“CDFI”) regulated by the US Department of Treasury. The proposed funding would be used by MCD to provide loans to small businesses located within its 13-county service area.

### **Background**

MCD is a non-profit 501(c)(3) originally formed in 1992 as Metro Housing Partnership. Formed with the assistance of the C.S. Mott Foundation, MCD was formed with a focus on providing technical and financial services, creating public and private partnerships, and leading and creating stable neighborhoods and communities. In 2009 the name of the organization was changed to MCD in order to better reflect its three areas of focus including housing, community development, and coalition building. The community development focus of MCD includes loans to projects which are anticipated to add to the standard of living in the community. Since its inception, MCD has provided more than \$5 million in small business loans to operating companies with an average loan size of just over \$80,000 at origination. MCD has demonstrated a focus on providing lending to women and minority owned businesses. Since its inception 23% of loan volume provided by MCD has been to women owned businesses and 34% has been to minority owned businesses.

MCD will use the loan capital to provide micro and small business loans to qualified borrowers located in its Michigan service area, which is comprised of 13 counties in the state. MCD’s service area includes the following counties: Bay, Genesee, Huron, Lapeer, Livingston, Macomb, Midland, Oakland, Saginaw, St. Clair, Shiawassee, Sanilac, and Tuscola. As a condition of providing and maintaining the proposed financing to MCD, MSF will require that at least 70% of the projects funded using the MSF loan proceeds will be provided to small businesses located in an economically disadvantaged area.

Loans to be provided by MCD to small businesses which utilize the proposed MSF funding will meet the following structural guidelines

- Loans generally ranging from \$5,000 to \$250,000 and in no case exceeding \$500,000.
- Loan proceeds to be used for working capital, acquisition of machinery and equipment, real estate acquisition and/or improvement, and inventory.

- Collateral is required in some form for all loans.
- Guarantees of owners having 20% or greater of the small business acting as the borrower is required in all cases.
- End loans provided by MCD will be priced at an interest rate of not more than 7%.

**Loan Facility**

MSF Incentive:	Non-Revolver Draw Facility
Borrower(s):	Metro Community Development, Inc. (and/or related borrowers)
Loan Amount:	\$2,000,000
Interest Rate:	1% per annum
Draw Period:	24 months following loan closing.
Term:	Interest only for 60 months following loan closing followed by a fully amortizing 60-month term

**MCD Management**

Brian Glowiak (President/CEO) Mr. Glowiak’s prior corporate experience includes serving as a tax attorney, auditor and a corporate lobbyist. He served as Director of State and Local Government Relations for Fiat Chrysler Automobiles and Vice President of The FCA Foundation. He is a member of the Michigan State Bar and American Bar Association. He has served on numerous nonprofit and civic boards including the Detroit Regional Chamber, Forgotten Harvest, Traffic Safety Association of Michigan, Detroit Executive Service Corps, Sterling Heights Community Foundation, Auburn Hills Chamber of Commerce and the Association of Corporate Contributions Professionals. He received a J.D. from Michigan State University and a B.S. from Oakland University.

Emily Doerr (VP of Housing Development) Ms. Doerr previously worked at the City of Flint as a Community and Economic Development Program Manager focused on HOME-assisted and housing programs/projects. Prior to that, she worked in community and economic development and real estate focused roles for Consumers Energy, Michigan Economic Development Corporation (MEDC), the City of Oak Park, Detroit Regional Chamber, Wayne Metro Community Action Agency, and Community Economic Development Association of Michigan (CEDAM). She received a B.S. in Economics from Central Michigan University and an MBA from Detroit Mercy.

Marcus Rankins (VP of Asset Development) Mr. Rankins has been directly responsible for Metro Community Development’s commercial lending program since 2016. He was recently promoted to Vice President of Asset Development in December 2019. Prior to joining Metro’s team, he spent time in retail and banking. In retail, he served in multiple management positions in Marketing and Operations totaling 10 years. His experience in banking included front line retail banking and lending experience and concluded with a position on the leadership team as Marketing Director.

Marcus received a B.B.A from the University of Michigan-Flint and an MBA from Cleary University in Howell, MI.

### **Financial Evaluation**

Financial performance of MCD was evaluated for 2017 through 2019.

	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Loans Receivable</b>	\$ 2,159,925	\$ 2,561,894	\$ 3,811,262
<b>Notes Receivable Advanced</b>	\$ 589,000	\$ 1,473,000	\$ 1,749,262
<b>Charge Offs</b>	\$ 106,500	\$ 63,750	\$ 83,825
<b>Charge Off %</b>	4.93%	2.49%	2.20%

The ratio of both charge offs has decreased despite a marked increase in total loans outstanding and new loan funding provided. A loan loss reserve is maintained at all times at an amount equal to not less than 2% of total loans outstanding, though LLR may be increased for specific loans based on a downgrading of those assets.

### **Recommendations**

Staff has independently reviewed various aspects of MCD's operational performance including financial performance and recommends the following:

- Approval of funding from existing recycled funds of the Michigan Supplier Diversification Program, and a loan, of up to \$2 million from the MSF to Metro Community Development, Inc. and/or related borrower.
- The loan agreement shall have its final terms and conditions negotiated by the MSF Fund Manager or the MSF President, with only one required to act, and shall be compliant with all MSF requirements.
- This approval shall expire in 180 days and may be extended for an additional 60 days by the MSF Fund Manager, or the MSF President, with only one required to act.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2020-051**

**APPROVAL OF FUNDING AN INVESTMENT FUND LOAN  
TO METRO COMMUNITY DEVELOPMENT, INC. (AND/OR RELATED BORROWERS)**

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

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

**WHEREAS**, as part of the 21<sup>st</sup> Century Jobs Trust Fund initiative, and pursuant to MCL 125.2088h(1), the Jobs for Michigan investment fund was created as a permanent fund authorized by the state constitution (“Investment Fund”);

**WHEREAS**, pursuant to MCL 125.2088(h)(5)(b), the Investment Fund consists of, among other things, return on investments, return on principal, payments made, or other money received by or payable to the MSF under agreements related to grants, loans or investments made by the MSF under Chapter 8A or Chapter 8C;

**WHEREAS**, by Resolution No. 2009-046, the MSF Board approved the creation and operation of the Michigan Supplier Diversification Fund (“MSDF”), a Chapter 8A loan enhancement program under MCL 125.2088d(1);

**WHEREAS**, by Resolution No. 2009-046, the MSF Board approved funding MSDF programs with Investment Fund monies, and further approved that repayments to the MSF from any of the MSDF programs be recycled to fund the MSDF;

**WHEREAS**, pursuant to Chapter 8A, specifically, MCL 125.2088(b)(2)(c), MSDF monies are authorized to be invested for programs or activities authorized under the MSF Act as long as the programs or activities provide for repayment for breach of the written agreement or the failure to meet measurable outcomes;

**WHEREAS**, pursuant to the MSF Act, specifically, MCL 125.2007(c), the MSF has, among other things, the power to make loans;

**WHEREAS**, Metro Community Development, Inc. has requested a loan of up to \$2 million to provide loan funding to certain small business operating companies toward among other things, maintaining and growing the operation of those companies, along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”) (the, foregoing, collectively, “MCD Investment”);

**WHEREAS**, the MEDC recommends that the MSF approve funding of up to \$2 million from MSDF to fund the MCD Investment (“Funding”);

**WHEREAS**, the MEDC recommends that the MSF approve the MCD Investment in accordance with the Term Sheet, subject to: (i) available Funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of transaction documents within 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 or the MSF President, with only one required to act, the Time Period may be extended for up to an additional 60 days (the foregoing, collectively, the “Recommendation for the MCD Investment”).

**WHEREAS**, the MEDC recommends that the MSF Board delegate to the MSF Fund Manager or the MSF President, with only one required to act, the authority to negotiate the final terms and conditions of, and sign, all documents necessary to effectuate the MCD Investment in accordance with the terms stated in Exhibit A (“Delegation to Finalize the MCD Investment”).

**NOW THEREFORE, BE IT RESOLVED**, the MSF approves the Funding;

**BE IT FURTHER RESOLVED**, the MSF approves the Recommendation for the MCD Investment; and

**BE IT FURTHER RESOLVED**, the MSF approves the Delegation to Finalize the MCD Investment.

Ayes: Britany L. Affolter-Caine, Ronald W. Beebe, Mark Burton, Jeff Donofrio, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner

Nays: Paul Ajegba, Paul Gentilozzi

Recused: None

Lansing, Michigan  
May 19, 2020

**EXHIBIT A**  
**“TERM SHEET”**

**LOAN FACILITY**

**MSF Incentive:**

Non-Revolving Draw Facility

**Borrower(s):**

Metro Community Development, Inc. (and/or related borrowers) (“MCD”)

**Loan Amount:**

\$2,000,000

**Interest Rate:**

1% per annum

**Draw Period:**

24 months following loan closing.

**Term:**

Interest only for 60 months following loan closing followed by a fully amortizing 60-month term

**Repayment Terms:**

Anticipated to be monthly interest only payments for the first 60 months following closing. Payments made in excess of interest due will be applied to principal. Once principal is repaid, it may not be redrawn. Payments of principal and interest will begin at 61 months following closing and will be paid monthly with all principal due to be repaid no later than 120 months following closing.

**Collateral:**

Anticipated to be assignment/pledge by MCD of a controlled deposit account setup to invest in projects financed and an assignment/pledge of payments from MCD related to individual project loans.

**Guarantee:**

N/A

**Funding:**

Individual advances will be subject to MEDC staff review and approval by the MSF Fund Manager, the MSF President, or the MSF Financial Officer, with only one required to act.



**Other Requirements:**

Anticipated to consist of the following with final terms to be negotiated:

- Individual draws under the term loan should not be for an amount less than \$400,000 or greater than \$1,000,000.
- Each advance will be subject to funding availability.
- Not less than 70% of the projects funded using proceeds of the loan will be to companies located in a Geographically Disadvantaged Area as defined by MEDC.
- Borrower will provide a full reporting of all loans provided using loans proceeds on a quarterly basis.

**MEMORANDUM**

**Date:** May 19, 2020

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

**From:** Jeremy Webb, Senior Business Development Project Manager

**Subject:** Loan Amendment Request  
Michigan Business Development Program (“MBDP”)  
iSourceWorldwide, LLC and SkyPoint Ventures, LLC

---

**Request**

iSourceWorldwide, LLC (“iSource”) and SkyPoint Ventures, LLC (“SkyPoint”) request that the MSF Board approve an amendment to the MBDP Performance-based Loan Agreement (“Loan Agreement”) as outlined below (collectively, the “MBDP Amendment Request”):

- Add the Repayment Amount to the balance owing under the Loan Agreement;
- Extend the due date for submission of the Loan Forgiveness Claim Form from May 15, 2020 to August 1, 2020; and
- Remove the provision requiring the Company to maintain a minimum of 25 Qualified New Jobs (“QNJ”) from the date of satisfaction of Key Milestone Two through the date the Company submits the Loan Forgiveness Claim Form

**Company Background**

iSource and SkyPoint were co-applicants for the MBDP Agreements. iSource was the entity creating QNJ) related to the Project, and SkyPoint is the building owner, building developer, and will be seeking additional tenants for the building to increase the job creation potential in the renovated Dryden Building.

iSource was formed in 2008 and grew into a highly skilled web application development company with an expertise in eCommerce applications. iSource continued to develop an online web-to-print (W2P) eCommerce solution, commonly known as PrintSites, a cloud-based platform accessed by customers under a subscription model, allowing iSource to maintain control of its intellectual property.

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

**Background**

On April 26, 2016, the MSF approved a \$2,500,000 performance-based loan, with the ability to convert to a grant based on job creation milestones, and a \$500,000 performance-based grant. The Project involved the creation of 25 QNJ) with the potential of up to 100 QNJ) and a capital investment of up to \$2,650,000 in the City of Flint, Genesee County.

The intent of the Project as it was approved was to bring increased investment, tax revenue, business development and job creation to downtown Flint. The Project was not only bringing a technology company

to Flint and helping to grow Michigan's technology footprint, it was also breathing new life into a historic building in downtown Flint. In that respect, the Project is a success. With the investments made by the Companies, the Dryden Building is a new hub of activity with six different entities and nearly 200 employees.

Due to the unique nature of the Project being a need to not only broaden Michigan's technology footprint by bringing high-technology jobs to downtown Flint, but also help the restoration of a historic building, MEDC staff and the companies went through several iterations of potential support to ensure the project was able to move forward in Michigan. In April 2016, the MSF Board approved a MBDP Grant for iSource for the creation of 25 QNJs. The MSF Board also approved a MBDP Loan for iSource to assist with the building redevelopment costs. The Loan included a forgiveness component that was based on the number of jobs created at the time of the Loan Forgiveness request, which was to be submitted no later than May 15, 2020. The Loan forgiveness was based on jobs created at the project calculated at \$20,000 per job for Flint residents and \$10,000 per job for non-Flint residents. As part of the approval, SkyPoint executed a guaranty of the loan, in favor of the MSF.

This is not a common structure that the MEDC brings before the MSF and has only been done in this instance. Typically, this type of project would be supported in two stages addressing first, the restoration of a historic building in downtown Flint followed by attracting an IT company, among others, to the historic building. Considering the two stages were happening simultaneously with an IT company positioned to commit to locating in downtown Flint and a developer poised to renovate a historic building, this structure was developed to support the project under one approval. The Grant was focused on attracting iSource to downtown Flint and the Loan was focused on the restoration of the historic building. With the need to not only provide a safe space to allow opportunities for job growth in downtown Flint, but provide new opportunities for Flint residents, staff approached this unique project with the intent of repaying the Loan via job creation and/or traditional repayment.

Since MSF approval, the Companies have invested approximately \$2,640,000 in the Dryden Building, bringing the total investment in the building to approximately \$7,902,000. With six entities, including the Companies, the Dryden Building is home to nearly 200 employees. In January of 2017, the Grant funds were approved for disbursement to iSource after verification of 25 QNJs were created. The Project is located in a geographically disadvantaged area and has provided a substantial amount of jobs to be created in an area that has been hard hit over the years.

After receiving notification from iSource that it had eliminated jobs and was below the incented level of 57 in July of 2017, MEDC staff issued a default notice and provided iSource a cure period of 60 days to re-meet the required headcount by September 12, 2017. A repayment default of the Grant Agreement triggered a partial repayment based upon a formula within the Grant Agreement that requires \$20,000 per eliminated QNJ. In addition, the repayment default of the Grant Agreement triggered a repayment default of the Loan Agreement, due to cross-default language that is included in all of our agreements, allowing the ability of the MSF to reclaim the entire balance of the Loan.

iSource was not able to cure the default by September 12, 2017. As a result, iSource requested the MEDC make a recommendation to the MSF to forbear on exercising its rights to repayment under the Grant Agreement and Loan Agreement until the earlier of 1) June 30, 2018 or 2) the Company's cure of the underlying event of default (the "Forbearance Request"). In consideration for the Forbearance Request, the Company agreed to pay a fee of \$30,000. The forbearance was never finalized.

The Grant for iSource ended on June 30, 2018. Through the months following the submission of headcount verification documentation, it was determined that iSource had maintained 19 of the 25 QNJs, resulting in a repayment requirement of \$120,000.

### **Amendment Request**

A summary of the Amendment Request is included below:

- Add the Repayment Amount of \$120,000 from the Grant to the Loan to be administered in accordance with the terms and conditions of the Amended and Restated Loan Agreement. This will allow iSource to request the entire amount if and only if there is sufficient job creation at the Project to allow such forgiveness. As previously mentioned, the Loan repayment is based on jobs created at the Project and calculated at \$20,000 per job for Flint residents and \$10,000 per job for non-Flint residents. MEDC Compliance will verify the information provided in the Loan Forgiveness Claim Form prior to approving forgiveness of any portion of the Loan.
- Extend the due date for submission of the Loan Forgiveness Claim Form from May 15, 2020 to August 1, 2020. This is being requested to allow additional time for iSource to submit the Loan Forgiveness Claim Form
- Remove the provision requiring iSource to maintain a minimum of 25 QNJs from the date of satisfaction of Key Milestone Two through the date iSource submits the Loan Forgiveness Claim Form

In summary, the Amendment Request will allow Skypoint and iSource to move forward with the success of the restoration of the historic Dryden Building and allowing a safe, new space for significant job growth in downtown Flint. Without MSF approval, the MSF, defined as the Lender in the Loan Agreement, has the option to require immediate repayment of the entire indebtedness totaling \$2,620,000. Though iSource was not able to meet the entire requirement of the Grant Agreement, the remainder of the project was successful. The restoration of this building has catalyzed long-term job growth and has diversified Michigan's economy by providing space for a variety of employers ensuring resilience of the economy from downturns. In addition, this project improved the economic outcome in Flint by providing jobs to a geographically disadvantaged area, as well as bringing increased investment, tax revenue, and business development.

### **Recommendation**

MEDC Staff recommends approval of the MBDP Amendment Request.

## **MICHIGAN STRATEGIC FUND**

### **RESOLUTION 2020-**

#### **AMENDMENT TO MICHIGAN BUSINESS DEVELOPMENT PROGRAM LOAN AND TERMINATION OF MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO ISOURCEWORLDWIDE, LLC AND SKYPOINT VENTURES, LLC**

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

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

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

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

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

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

**WHEREAS**, on April 26, 2016, the MSF Board authorized a performance-based MBDP grant incentive of up to \$500,000 and a performance-based, non-revolving MBDP loan of up to \$2,500,000 to iSourceWorldwide, LLC (the “Company”);

**WHEREAS**, on August 10, 2016, the Company and the MSF entered into an MBDP Grant Agreement and an MBDP Loan Agreement under which the Company agreed to create and maintain 25 Qualified New Jobs at the project location (the “Grant Agreement” and “Loan Agreement”);

**WHEREAS**, the Loan Agreement includes loan forgiveness provisions that allow all or a portion of the loan to be forgiven based on jobs created at the project location and calculated at \$20,000 per job for Flint residents and \$10,000 per job for non-Flint resident;

**WHEREAS**, the Company is in default under Section 5.2(b)(i) of the Grant Agreement and Section 5.5(d) of the Loan Agreement for eliminating Qualified New Jobs (the “Event of

Default”) and triggered repayment of \$120,000 under the Grant Agreement (the “Repayment Amount”);

**WHEREAS**, on March 27, 2018, the MSF Board approved a forbearance agreement under which the MSF agreed to forbear on its right to terminate the agreements and seek repayment as a result of the Event of Default until June 30, 2018 in exchange for a forbearance fee of \$30,000 (the “Forbearance”), however, the Forbearance Agreement was not executed;

**WHEREAS**, the Event of Default still exists as of April 30, 2020;

**WHEREAS**, the Company has requested an amendment to the Loan Agreement to include the following terms and conditions:

- Add the Repayment Amount to the balance owing under the Loan Agreement;
- Extend the due date for submission of the Loan Forgiveness Claim Form from May 15, 2020 to August 1, 2020; and
- Remove the provision requiring the Company to maintain a minimum of 25 Qualified New Jobs from the date of satisfaction of Key Milestone Two through the date the Company submits the Loan Forgiveness Claim Form

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

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

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

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan  
May 19, 2020

## MEMORANDUM

**Date:** May 19, 2020  
**To:** Michigan Strategic Fund (“MSF”) Board Members  
**From:** Julia Veale, Business Development Project Manager  
**Subject:** Grant Request  
Jobs Ready Michigan Program (“JRMP”)  
Packaging Compliance Labs, (“Company” or “Applicant”)

---

### **Request Summary**

- This is a request from the Applicant for a \$135,000 JRMP Grant, as outlined in the attached Term Sheet (“JRMP Request”).
- This project involves the creation of 27 Qualified New Jobs, and a capital investment of up to \$2,570,000 in the city of Kentwood, Kent County.

### **Background**

Packaging Compliance Labs (PCL) is a medical device packaging engineering and ISO 17025 accredited testing firm headquartered in Kentwood, Michigan. The Company specializes in assisting global medical device manufacturers in launching new medical devices to market faster while maintaining regulatory compliance to FDA, EU and other international requirements. Main functions are packaging engineering, packaging lab testing, and post-launch solutions to ensure ongoing compliance with regulatory changes. Clients include Stryker, Medtronic, Johnson & Johnson, Zimmer Biomet, Smith and Nephew, Hologic along with many small to medium sized device firms. These companies vary in types of services that are provided for them although the theme is speed to market. The Company offers both engineering and testing under one roof as a turnkey solution whereas competitors offer only standalone testing. Prior to the Company’s inception, 75% of industry testing was performed in Minneapolis or Southern California and there is continuous growth of market share in the future through expansion and increased service offering.

The MEDC has completed civil and criminal background checks in accordance with the MSF Background Review Policy.

### **Project Description**

The Company currently occupies 15,000 square feet of its current leased facility and continues to expand its leased space to accommodate increased work. After the initial expansion, there will be a need for a new facility to accommodate the continued growth; the Company is actively seeking facilities in West Michigan, Florida and Colorado.

If the project should move forward in Michigan, the Company will hire 27 people over the next three years. Onboarding process includes entrance and completion of a 90 day training program that provides training in all of the concepts from proper gowning to clean room etiquette and the company culture. The cost per employee is about \$5,000 in addition to the cost of paying the full salary without the additional work being done.

### **Demonstrated Need**

The Company is operating globally with increasing pressures to provide regional services to its growing client base. Regional pressures paired with other markets that offer a deeper medical device talent pool are

currently being evaluated by the Company. The alternatives to expanding in Michigan include existing offices in Denver, Colorado and Tampa, Florida.

The Denver market offers a strong medical device presence and would provide a regionally located lab to support the Medtech hub of Southern California. Florida is also being evaluated for a potential area of growth providing lower taxes, lower labor rates (\$4/hour less) particularly for operators/technicians and there is a large pool of candidates with industry experience. A neighboring university offers a certification in clean room fundamentals, therefore the talent pool for this type of work is better in Florida.

The Right Place has offered staff time and resources in support of the project.

### **Request**

This incentive offer will support a Company that is expanding in a field that is a focus industry for the MEDC and will continue to promote West Michigan's strong presence in the medical device industry. The project supports the growth of good jobs and fosters high-wage skills growth as it is heavily invested in the training and development of its employees with its implementation of PCL "University". The clean room procedures learned during the training provide skills that are transferrable and put the employees in a position for upward mobility. There is consistent opportunity for entry level operators to move up into mid-level technician positions.

The Company reports that the costs to build out in Tampa would be consistent with the costs to expand in Michigan. The real cost savings exist in the cost of labor and the onboarding process. In Tampa, because access to talent is better, the onboarding process is 30 to 60 days in comparison to 90 to 120 days in Michigan. During the training process, the Company incurs the cost of the employee's full salary and the costs associated to the training.

### **Recommendation**

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





**EXHIBIT A**  
**JOBS READY MICHIGAN PROGRAM**  
**Performance Based Incentive - Term Sheet - Summary**

The following is a summary of the highlights of the project and basic terms for which the Company desires grant support from the Michigan Strategic Fund (“MSF”) under the Jobs Ready Michigan Program (“JRMP”).

**Date:** May 8, 2020

<b>Company Name:</b>	Packaging Compliance Labs, LLC
<b>Project Location:</b>	Kent County
<b>JRMP Incentive Type:</b>	Performance Based Grant
<b>Maximum Amount of JRMP Incentive:</b>	Up to \$135,000
<b>Municipality Supporting Project:</b>	The Right Place
<b>Start Date for Measurement of Eligible Activities:</b>	January 1, 2020
<b>Term of the Agreement:</b>	December 31, 2023
<b>Milestone Based Incentive:</b>	Disbursements will be made over a 3 year period and will be performance based as follows: Milestone 1: Upon demonstration of 27 employees successfully completing PCL University course for certification by June 30, 2023.

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

**Acknowledged as received by:**

Packaging Compliance Corporation

Michigan Economic Development

By: Matthew Lapham  
DocuSigned by: F2CD80A34EBA498...  
 Printed Name: Matthew Lapham  
 Its: President

By: Julia Veale  
DocuSigned by: 1173D828B6234E3...  
 Printed Name: Julia Veale  
 Its: Business Development Project Manager

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2020-052**

**APPROVAL OF A JOBS READY MICHIGAN PROGRAM GRANT TO  
PACKAGING COMPLIANCE LABS, LLC**

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

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

**WHEREAS**, on April 23, 2019, via MSF Resolution 2019-066, the MSF (i) created the Jobs Ready Michigan Program (“JRMP”) by transferring funds from the MBDP to fund grants to eligible business applicants to support talent recruitment or training needs to retain or create jobs, and (ii) adopted the guidelines for the JRMP (the “Guidelines”);

**WHEREAS**, Packaging Compliance Labs, LLC (“Company”) has requested a JRMP grant of up to \$135,000 (“Grant Request”) for attainment of the milestones and other general terms and conditions outlined in the term sheet attached as Exhibit A (“Term Sheet”);

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF; 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 a grant agreement in accordance with the MSF Act and the Guidelines, 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 (“JRMP Award Recommendation”).

**NOW THEREFORE, BE IT RESOLVED**, the MSF Board approves the JRMP Award Recommendation; and

**BE IT FURTHER RESOLVED**, the MSF Fund Manager, or the MSF President, is directed to negotiate the terms and conditions and execute all final documents necessary to effectuate the JRMP Award Recommendation in accordance with the MSF Act and the Guidelines.

Ayes: Britany L. Affolter-Caine, Paul Ajegba, Ronald W. Beebe, Mark Burton, Jeff Donofrio, Paul Gentilozzi, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner

Nays: None

Recused: None

Lansing, Michigan  
May 19, 2020



**EXHIBIT A**  
**JOBS READY MICHIGAN PROGRAM**  
**Performance Based Incentive - Term Sheet - Summary**

The following is a summary of the highlights of the project and basic terms for which the Company desires grant support from the Michigan Strategic Fund (“MSF”) under the Jobs Ready Michigan Program (“JRMP”).

**Date:** May 8, 2020

<b>Company Name:</b>	Packaging Compliance Labs, LLC
<b>Project Location:</b>	Kent County
<b>JRMP Incentive Type:</b>	Performance Based Grant
<b>Maximum Amount of JRMP Incentive:</b>	Up to \$135,000
<b>Municipality Supporting Project:</b>	The Right Place
<b>Start Date for Measurement of Eligible Activities:</b>	January 1, 2020
<b>Term of the Agreement:</b>	December 31, 2023
<b>Milestone Based Incentive:</b>	Disbursements will be made over a 3 year period and will be performance based as follows: Milestone 1: Upon demonstration of 27 employees successfully completing PCL University course for certification by June 30, 2023.

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

**Acknowledged as received by:**

Packaging Compliance Corporation

Michigan Economic Development

By: Matthew Lapham  
DocuSigned by:  
F2CD80A34EBA498...  
Printed Name: Matthew Lapham  
Its: President

By: Julia Veale  
DocuSigned by:  
1173D828B6234E3...  
Printed Name: Julia Veale  
Its: Business Development Project Manager



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

January 16, 2020

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

Re: Michigan Strategic Fund Board Meeting Designee for Treasurer Eubanks

Dear Ms. Bishop:

I hereby designate Andrew Lockwood to attend all Michigan Strategic Fund meetings that I am unable to attend in 2020.

If you need anything additional, please contact Kara Kabia at (517) 241-2624.

Sincerely,

A handwritten signature in blue ink that reads "Rachael Eubanks".

Rachael Eubanks  
State Treasurer

Cc: Eric Bussis  
Andrew Lockwood

## MEMORANDUM

**Date:** May 19, 2020  
**To:** Michigan Strategic Fund (“MSF”) Board Members  
**From:** Jibrán Ahmed, Business Development Project Manager  
**Subject:** Request for Amendment One to Michigan Business Development Program (“MBDP”) Grant Agreement; and  
State Essential Services Assessment (“SESA”) Exemption Request  
ArcelorMittal Tailored Blanks Americas Corporation (“Company” or “Applicant”)

---

### Request Summary

- A request to amend the Company’s MBDP Grant Agreement by increasing the award by \$180,000 for the creation of an additional 30 Qualified New Jobs (“QNJ”).
- A request for a 100% SESA Exemption over five years estimated to be worth up to \$379,200 (“SESA Request”) due to the increase of capital investment of up to \$38,702,500, of which \$34,202,500 is Qualified Investment in Eligible Personal Property.

### Applicant History

The Company is a subsidiary of ArcelorMittal, headquartered in Luxembourg, a world-leading steel producer with annual achievable production capacity of approximately 114 million tons of crude steel globally. ArcelorMittal is the successor to Mittal Steel. ArcelorMittal was created through the merger of Arcelor and Mittal Steel in 2006. ArcelorMittal is a global company serving customers in the automotive industry including all major OEMs (domestic and foreign) and Tier I suppliers.

On November 22, 2016, the MSF approved a \$2,000,000 award for the Company under the MBDP. The Company proposed to establish its first manufacturing facility in Michigan by leasing and renovating a 317,000 square foot building in the City of Detroit where they would install welding equipment used to produce high strength steel laser welded blanks for the OEM automotive industry. The Company committed to creating 120 QNJs and \$83,508,166 in capital investment. The City of Detroit supported the project by providing the Company a property tax abatement.

The Company has been successful in reaching its Milestones and is two years ahead of its original hiring schedule. The Company has completed five of its six Key Milestones, creating 119 of the total required 120 QNJs and has invested \$83,312,404 thus far for the project.

The MEDC has completed civil and criminal background checks in accordance with the MSF Background Review Policy.

### Project Description

The Company has secured new business to begin manufacturing products for two different OEM automotive companies. The new parts produced due to these contracts are different than what is currently produced in the Company’s Detroit facility. This new product line will require the purchase of new machinery and equipment with total investment of over \$38 million and the hiring of 30 additional production staff. The Company is considering adding this production line to its existing facility in Woodstock, Ontario due to existing space available to house the expansion and a lower cost per employee to operate versus Detroit.

### **Demonstrated Need**

The Company has experienced un-budgeted relocation costs associated with on-boarding and attracting new top talent to the Detroit area, primarily as a result of the highly competitive labor market. An increase in MBDP performance-based funds will provide the Company the ability to continue to attract and train employees in jobs that require a high level of technical training. Due to the Company's higher than average wages and 6-month intensive training periods, the Company has been able to keep a low turnover rate and retain highly skilled employees. With the addition of the SESA Exemption, the Company will be able to save on the capital intensive and high-tech nature of its machinery and equipment investment, making the project more feasible to be located in Michigan instead of Canada.

This project would be an expansion to the Company's first and only Michigan facility. This expansion represents the Company's desire to continue its growth in the state. With the addition of this project, Michigan can further strengthen its standing as a great place to grow manufacturing businesses. The project site is in a Geographically Disadvantaged Area and is committed to developing highly skilled talent. The Company's willingness to invest heavily into job training will greatly benefit the skillset of these employees.

### **Considerations for SESA Exemption**

- a) The Applicant is an "Eligible Claimant," as defined in MCL 211.1053(d), which will claim an exemption for Eligible Personal Property, as defined in MCL 211.1053(e).
- b) The Applicant is eligible for a five-year SESA Exemption based on the following:
  - a. The Project will be in the city of Detroit, which is an Eligible Distressed Area; and
  - b. The Project will result in Qualified Investments of up to \$34,202,500 in Eligible Personal Property.
- c) The Qualified Investments will be made after MSF approval and completed within three years of May 19, 2020. ("Commencement of the Project").
- d) The Company has agreed to pay a SESA Exemption administrative fee of \$3,792 (1% of the estimated exemption value) payable to the Michigan Economic Development Corporation upon successful completion of the first performance milestone.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: The project will result in significant investment; the project will result in a net-positive return to this state; the investment will be placed in an existing facility; level of investment is high; the project has strong links to Michigan suppliers; out-of-state competition for this investment.
- f) The SESA Exemption is estimated to be worth \$379,200 over five years.

### **Request**

The proposed project will be the Company's first expansion since establishing its first facility in Michigan. Expansion of this facility will result in the creation of 30 new jobs and \$38,702,500 in investment in the City of Detroit, Wayne County. In order to secure the project, the Applicant is requesting an additional \$180,000 in MBDP funding and an estimated \$379,200 SESA Exemption. Without support under both the MBDP and the SESA Exemption programs, Michigan stands to lose this project to a competing state.

### **Recommendation**

MEDC Staff recommends approval of the following:

- Approval of the MBDP Grant Amendment as outlined in the attached resolution;
- Approval of the SESA Request for up to 5 years for up to \$379,200 in Eligible Investments in Eligible Personal Property

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

The following is a summary of the highlights of the amendment 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 Amendment is presented by the Michigan Economic Development Corporation (“MEDC”) to the MSF.

**Date:** May 5, 2020

**Company Name:** ArcelorMittal Tailored Blanks Americas Corporation  
 (“Company”)

**Company Address:** 400 Galleria Office Centre  
 Southfield, Michigan 48034

**Project Address (“Project”):** 8650 Mount Elliot Street  
 Detroit, Michigan 48221

**MBDP Incentive Type:** Performance Based Grant

**Current Status of the MBDP Incentive, as set forth in the final MBDP Incentive Award Agreement (“Agreement”):**

- **Maximum Amount of MBDP Incentive:** Up to \$2,000,000 (“MBDP Incentive Award”)
- **Base Employment Level** 13
- **Total Qualified New Job Creation:** 120  
 (*above Base Employment Level*)
- **Company Investment:** \$83,508,166 in machinery and equipment, private infrastructure, leasehold improvements, annual lease costs, or any combination thereof, for the Project.
- **Municipality supporting the Project:** The City of Detroit previously approved a property tax abatement under PA 198.
- **Disbursement Milestones:** The terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award are outlined in Exhibit B of the Agreement, and include:
  - **Disbursement Milestone 1:** Up to \$744,00 Upon demonstrated creation of 31 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than April 30, 2017.
  - **Disbursement Milestone 2:** Up to \$672,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 28 additional Qualified New Jobs (for a total of 59 Qualified New Jobs) above the Base Employment Level, by no later than August 31, 2017.

- **Disbursement Milestone 3:** Up to \$144,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 6 additional Qualified New Jobs (for a total of 65 Qualified New Jobs) above the Base Employment Level, by no later than December 15, 2017.
- **Disbursement Milestone 4:** Up to \$366,000 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, Disbursement Milestone 3, and upon demonstrated creation of 14 additional Qualified New Jobs (for a total of 79 Qualified New Jobs) above the Base Employment Level, by no later than April 30, 2018.
- **Disbursement Milestone 5:** Up to \$52,000 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, Disbursement Milestone 3, Disbursement Milestone 4 and upon demonstrated creation of 20 additional Qualified New Jobs (for a total of 99 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2019.
- **Disbursement Milestone 6:** Up to \$52,000 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, Disbursement Milestone 3, Disbursement Milestone 4, Disbursement Milestone 5 and upon demonstrated creation of 21 additional Qualified New Jobs (for a total of 120 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2021.
- **Term of Agreement:** Execution of Agreement to June 30, 2022.

**Proposed MBDP Incentive Amendment**

- **Maximum Amount of MBDP Incentive:** Up to \$2,180,000 (“MBDP Incentive Award”)
- **Total Qualified New Job Creation:** 150 Increase the Qualified New Job Creation from 120  
(above Base Employment Level) to 150.
- **Company Investment:** \$122,210,666 in machinery and equipment, private infrastructure, leasehold improvements, annual lease costs, or any combination thereof, for the Project.
- **Disbursement Milestones:** The terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award will be amended as follows:
  - **Disbursement Milestone 7:** Up to \$90,000 Upon completion of Disbursement Milestone 1 Disbursement Milestone 2, and Disbursement Milestone 3, Disbursement Milestone 4, Disbursement Milestone 5, Milestone 6 and upon demonstrated creation of 15 additional Qualified New Jobs (for a total of 135 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2021.




- **Disbursement Milestone 8:** Up to \$90,000 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, and Disbursement Milestone 3, Disbursement Milestone 4, Disbursement Milestone 5, Milestone 6, Milestone 7 and upon demonstrated creation of 15 additional Qualified New Jobs (for a total of 150 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2022.
  
- **Term of Agreement:** Execution of Agreement to June 30, 2023.

Any final MBDP Incentive Amendment is contingent upon several factors, including: (i) submission by the Company of a completed amendment application and all other documentation required under the MBDP (ii) satisfactory municipality support, if applicable (iii) available MSF funding (iv) completion of financial review, business integrity review, required background checks, and other business and legal review and due diligence as required, and the results of which must be satisfactory to the MEDC, the MSF, and as applicable, the Chief Compliance Officer, (v) approval of an award by the MSF, and (vi) execution of a final Amendment 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 Amendment 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 March 20, 2020, the MEDC may not be able to proceed with any recommendation to the MSF.

**Acknowledged as received by:**

ArcelorMittal Tailored Blanks Americas Corporation

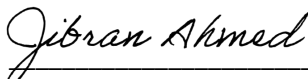
By: 

Printed Name: Robert Benjamin Orlor

Its: Chief Operating Officer

Dated: May 6, 2020

Michigan Economic Development Corporation

By: 

Printed Name: Jibrán Ahmed

Its: Business Development Project Manager

Dated: May 7, 2020

**MICHIGAN STRATEGIC FUND**

**RESOLUTION**

**2020-053**

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT  
AMENDMENT TO  
ARCELORMITTAL TAILORED BLANKS AMERICAS CORPORATION**

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

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

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

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

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

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

**WHEREAS**, the MSF Board approved a \$2,000,000 Michigan Business Development Program performance based grant on November 22, 2016 for the establishment of ArcelorMittal Tailored Blanks Americas Corporation’s (the “Company”) first manufacturing facility in Michigan (the “Project”);

**WHEREAS**, the Company requests that the MSF Board approve an amendment to the Michigan Business Development Program performance-based grant to increase the total MBDP grant award from \$2,000,000 for the creation of 120 Qualified New Jobs (“QNJ”) to \$2,180,000 for the creation of 150 QNJ, as outlined in the attached term sheet (the “Grant Amendment Request”);

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

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

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

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

Ayes: Britany L. Affolter-Caine, Paul Ajegba, Ronald W. Beebe, Mark Burton, Jeff Donofrio, Paul Gentilozzi, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner

Nays: None

Recused: None

Lansing, Michigan  
May 19, 2020

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

The following is a summary of the highlights of the amendment 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 Amendment is presented by the Michigan Economic Development Corporation (“MEDC”) to the MSF.

**Date:** May 5, 2020

**Company Name:** ArcelorMittal Tailored Blanks Americas Corporation  
 (“Company”)

**Company Address:** 400 Galleria Office Centre  
 Southfield, Michigan 48034

**Project Address (“Project”):** 8650 Mount Elliot Street  
 Detroit, Michigan 48221

**MBDP Incentive Type:** Performance Based Grant

**Current Status of the MBDP Incentive, as set forth in the final MBDP Incentive Award Agreement (“Agreement”):**

- **Maximum Amount of MBDP Incentive:** Up to \$2,000,000 (“MBDP Incentive Award”)
- **Base Employment Level** 13
- **Total Qualified New Job Creation:** 120  
 (*above Base Employment Level*)
- **Company Investment:** \$83,508,166 in machinery and equipment, private infrastructure, leasehold improvements, annual lease costs, or any combination thereof, for the Project.
- **Municipality supporting the Project:** The City of Detroit previously approved a property tax abatement under PA 198.
- **Disbursement Milestones:** The terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award are outlined in Exhibit B of the Agreement, and include:
  - **Disbursement Milestone 1:** Up to \$744,00 Upon demonstrated creation of 31 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than April 30, 2017.
  - **Disbursement Milestone 2:** Up to \$672,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 28 additional Qualified New Jobs (for a total of 59 Qualified New Jobs) above the Base Employment Level, by no later than August 31, 2017.

- **Disbursement Milestone 3:** Up to \$144,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 6 additional Qualified New Jobs (for a total of 65 Qualified New Jobs) above the Base Employment Level, by no later than December 15, 2017.
- **Disbursement Milestone 4:** Up to \$366,000 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, Disbursement Milestone 3, and upon demonstrated creation of 14 additional Qualified New Jobs (for a total of 79 Qualified New Jobs) above the Base Employment Level, by no later than April 30, 2018.
- **Disbursement Milestone 5:** Up to \$52,000 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, Disbursement Milestone 3, Disbursement Milestone 4 and upon demonstrated creation of 20 additional Qualified New Jobs (for a total of 99 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2019.
- **Disbursement Milestone 6:** Up to \$52,000 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, Disbursement Milestone 3, Disbursement Milestone 4, Disbursement Milestone 5 and upon demonstrated creation of 21 additional Qualified New Jobs (for a total of 120 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2021.
- **Term of Agreement:** Execution of Agreement to June 30, 2022.

**Proposed MBDP Incentive Amendment**

- **Maximum Amount of MBDP Incentive:** Up to \$2,180,000 (“MBDP Incentive Award”)
- **Total Qualified New Job Creation:** 150 Increase the Qualified New Job Creation from 120  
*(above Base Employment Level)* to 150.
- **Company Investment:** \$122,210,666 in machinery and equipment, private infrastructure, leasehold improvements, annual lease costs, or any combination thereof, for the Project.
- **Disbursement Milestones:** The terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award will be amended as follows:
  - **Disbursement Milestone 7:** Up to \$90,000 Upon completion of Disbursement Milestone 1 Disbursement Milestone 2, and Disbursement Milestone 3, Disbursement Milestone 4, Disbursement Milestone 5, Milestone 6 and upon demonstrated creation of 15 additional Qualified New Jobs (for a total of 135 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2021.


- **Disbursement Milestone 8:** Up to \$90,000 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, and Disbursement Milestone 3, Disbursement Milestone 4, Disbursement Milestone 5, Milestone 6, Milestone 7 and upon demonstrated creation of 15 additional Qualified New Jobs (for a total of 150 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2022.
  
- **Term of Agreement:** Execution of Agreement to June 30, 2023.

Any final MBDP Incentive Amendment is contingent upon several factors, including: (i) submission by the Company of a completed amendment application and all other documentation required under the MBDP (ii) satisfactory municipality support, if applicable (iii) available MSF funding (iv) completion of financial review, business integrity review, required background checks, and other business and legal review and due diligence as required, and the results of which must be satisfactory to the MEDC, the MSF, and as applicable, the Chief Compliance Officer, (v) approval of an award by the MSF, and (vi) execution of a final Amendment 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 Amendment 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 March 20, 2020, the MEDC may not be able to proceed with any recommendation to the MSF.

**Acknowledged as received by:**

ArcelorMittal Tailored Blanks Americas Corporation

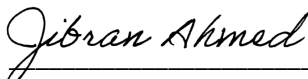
By: 

Printed Name: Robert Benjamin Orlor

Its: Chief Operating Officer

Dated: May 6, 2020

Michigan Economic Development Corporation

By: 

Printed Name: Jibran Ahmed

Its: Business Development Project Manager

Dated: May 7, 2020



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

January 16, 2020

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

Re: Michigan Strategic Fund Board Meeting Designee for Treasurer Eubanks

Dear Ms. Bishop:

I hereby designate Andrew Lockwood to attend all Michigan Strategic Fund meetings that I am unable to attend in 2020.

If you need anything additional, please contact Kara Kabia at (517) 241-2624.

Sincerely,

A handwritten signature in blue ink that reads "Rachael Eubanks".

Rachael Eubanks  
State Treasurer

Cc: Eric Bussis  
Andrew Lockwood

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2020-054**

**STATE ESSENTIAL SERVICES ASSESSMENT EXEMPTION  
ARCELORMITTAL TAILORED BLANKS AMERICAS  
CORPORATION**

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

**WHEREAS**, on August 5, 2014, the qualified electors of the State of Michigan approved the legislation to revise the personal property tax system. The approval enacted 2014 PA 92 and 2014 PA 93, the State Essential Services Assessment Act (“SESA”) and the Alternative State Essential Services Assessment Act (“Alternative SESA”);

**WHEREAS**, SESA and Alternative SESA authorized the creation and operation of the SESA and the Alternative SESA Exemption Program by the MSF pursuant to MCL 211.1059;

**WHEREAS**, on October 28, 2014, the MSF Board approved the SESA and Alternative SESA Exemption Program Guidelines (“SESA and Alternative SESA Guidelines”).

**WHEREAS**, the Company has requested that the MSF Board approve a SESA exemption of up to 5 years for up to \$379,200 in Eligible Investment in Eligible Personal Property, as defined in the SESA and Alternative SESA Exemption Guidelines, in the City of Detroit (“SESA Exemption Recommendation”);

**WHEREAS**, the MEDC recommends the MSF Board approve the SESA Exemption Recommendation and require a one-time administrative fee in the amount of \$3,792 payable to the MEDC upon completion of the first performance milestone;

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board approves the SESA Exemption Recommendation.

Ayes: Britany L. Affolter-Caine, Paul Ajegba, Ronald W. Beebe, Mark Burton, Jeff Donofrio, Paul Gentilozzi, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner

Nays: None

Recused: None

Lansing, Michigan  
May 19, 2020



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

January 16, 2020

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

Re: Michigan Strategic Fund Board Meeting Designee for Treasurer Eubanks

Dear Ms. Bishop:

I hereby designate Andrew Lockwood to attend all Michigan Strategic Fund meetings that I am unable to attend in 2020.

If you need anything additional, please contact Kara Kabia at (517) 241-2624.

Sincerely,

A handwritten signature in blue ink that reads "Rachael Eubanks".

Rachael Eubanks  
State Treasurer

Cc: Eric Bussis  
Andrew Lockwood



## MEMORANDUM

**Date:** May 19, 2020

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

**From:** Julius L. Edwards, Commercial Real Estate Investment Manager

**Subject:** Request for Approval of a Michigan Community Revitalization Program  
Other Economic Assistance Loan Participation Agreement Amendment #1  
601 West LLC

---

### Request

601 West LLC (“Company”) and Chemical Bank (“Lender”) are requesting approval of an amendment to the Michigan Community Revitalization Program Other Economic Assistance Loan Participation Agreement and any related ancillary agreements (“Agreement”). The request is related to a mixed-use Community Development project completed by Cherry Street Capital, which was awarded a \$2,900,000 Other Economic Assistance Loan Participation by the MSF on July 26, 2016. The project includes two mixed-use buildings on 0.75 acres of property in the City of Grand Rapids. The project consists of 63 market rate residential apartment units, approximately 8,200 square feet of commercial space, and 70 spaces of private underground parking. The commercial portion of the project is fully leased and the residential units are 72% leased.

The amendment request dated March 23, 2020 includes requests to reduce the interest rate from 5.00% to 1.00% on the MSF Share of the financing and convert payments to monthly interest only payments with annual principal payments based on a debt service coverage ratio (DSCR). Additionally, there is a request to allow a \$1,000,000 principal pay down on the senior financing from the Lender, which would require a pro-rata pay down of the MSF debt per the terms of the Agreement. That pro-rata pay down would have been \$175,000, as part of the requested amendment this amount will be required to be paid prior to any distributions being allowed to the project owners.

MEDC staff has been working with the Company and Lender since September 2019 to come up with a collective solution for the project. The negotiations have required collective compromise and contributions from all parties that include the following:

- A \$1,000,000 capital contribution from the development team to pay down the senior loan. This capital contribution is in addition to prior capital contributions of approximately \$3,650,000 and \$600,000 of deferred fees, for a total capital contribution of \$5,250,000 (including deferred fees). Additionally, the ownership team is agreeing to defer any distributions until the MSF has received a minimum of \$175,000 in principal repayment and the project is able to achieve an overall DSCR of 1.25 to 1.00 on the combined debt, based on a 25-year amortization on the MCRP loan.

- Chemical Bank has agreed to re-amortize its loan following the \$1,000,000 pay down on their loan. It is anticipated that re-amortizing the loan will provide an annual savings of approximately \$63,300 to the project. The \$1,000,000 pay down is a reduction from the \$2,000,000 originally anticipated to be required to be paid down by the Lender. Traditionally, lenders do not re-amortize their debt following a required principal pay down, so this is a significant concession on their part.
- MEDC staff is requesting the following changes to the MCRP Loan: 1) reduce the interest rate from 5.00% to 1.00%; 2) convert payments to interest only, with an annual principal payment based on the project maintaining a 1.25 to 1.00 DSCR; 3) waive the requirement of any principal pay down being applied on a pro-rata basis to the MCRP loan and the Lender's loan. In lieu of this requirement, MEDC is requiring deferment of any owner distributions until a minimum of \$175,000 in principal has been paid down on the MCRP loan. The \$175,000 is equivalent to what would have been a pro-rata share of the \$1,000,000 principal pay down.

### **Background**

The Michigan Strategic Fund Board approved a \$2,900,000 Other Economic Assistance Loan Participation Award on July 26, 2016 to the Company for the purpose of constructing two mixed-use buildings on 0.75 acres of property in the City of Grand Rapids. The project consists of 63 market rate residential apartment units, approximately 8,200 square feet of commercial space, and 70 spaces of private underground parking. To date approximately \$360,000 in principal and interest has been paid to the MSF on this loan.

The project was developed by Cherry Street Capital, a small real estate development and brokerage service corporation based in Grand Rapids, MI.

The project was approved for a six-month payment deferral on the MCRP financing under the Awardee Relief Initiative, which matches the payment deferral period being offered by the senior lender Chemical Bank. Staff elected to complete this request prior to the proposed request in order to provide immediate relief to the project and not have it be delayed by the time needed to document the current request.

The project was placed in service in July of 2018. To date, approximately 72% of the residential units have been leased up and 100% of the commercial space is occupied. The commercial lease rent payments were scheduled to commence in the first quarter 2020. Lease up on the commercial and residential side of things has been slower than anticipated. Much of the residential vacancy has been in the 2 bedroom/1 bath units. The ownership has taken the following steps to combat the challenges experienced in the leasing of the property:

- Ownership group injected additional capital into the project to complete the tenant buildouts for the commercial space (approximately \$450,000);
- ownership group is leasing a portion of the commercial space;
- the ownership team brought on KMG Prestige (KMG) to manage the project. KMG manages 8 other projects in the area, with an overall residential vacancy rate of approximately 1.2%. The management company is confident that they will be able to lease up the remaining residential

units, as well as reduce operating expenses. KMG is or has taken the following steps to improve marketing efforts and fill the residential units.

- enacted an active community outreach plan
- increased social media marketing presence
- improved the internet leasing system
- increased onsite advertising
- implemented a resident referral and offered concessions
- adjusted leasing office hours

MEDC staff is requesting that authority be delegated to the MSF Fund Manager to effectuate the following changes: 1) a reduction in the interest rate on the MSF Share of the financing from 5.00% to 1.00%, which is currently above the Lender's interest rates (4.00% and 3.50%) on their financing; 2) 100% of the \$1,000,000 pay down being required by Senior Lender be applied to their share of the financing. As part of the waiver for pay down on the MSF Share of the financing, the Senior Lender would need to agree to re-amortize their debt based on the new outstanding principal amount. Also, the ownership team would have to agree to defer any distributions until the MSF has received a minimum of \$175,000 in principal repayment and the project is able to achieve an overall DSCR of 1.25 to 1.00 on the combined debt based on a 25 year amortization on the MCRP loan; and 3) convert payments on the MCRP financing to interest only with annual principal payment, set at a level to maintain an overall 1.25 to 1.00 DSCR on the project, for the remaining term of the loan. Staff believes these changes will improve the financial viability of the project by reducing the annual debt service requirements by up to approximately \$135,000.

See **Appendix A** for proposed changes to the original structure of the MCRP financing with changes detailed through strikethrough font and BOLD CAPS.

The project is current with all reporting requirements and payments have been made in accordance with the Agreement. As of end of February 2020, the Company has made over \$360,000 in principal and interest payments to the MSF.

### **Recommendation**

MEDC staff is requesting that authority be delegated to the MSF Fund Manager to effectuate the following changes to the MCRP Agreement:

- a reduction in interest rate on the MSF Share of the financing from 5.00% to 1.00%, which is currently above the Lender's interest rates (4.00% and 3.50%) on their financing;
- waive the principal pay down requirement, allowing for 100% of the \$1,000,000 pay down being required by Senior Lender be applied to their share of the financing. As part of the waiver for pay down on the MSF Share of the financing, the Senior Lender would need to agree to re-amortize their debt based on the new outstanding principal amount. Also, the ownership team would have to agree to defer any distributions until the MSF has received a minimum of \$175,000 in principal repayment and the project is able to achieve an overall DSCR of 1.25 to 1.00 on the combined debt based on a 25 year amortization on the MCRP loan; and

- amend payment requirements on the MCRP financing to monthly interest only payments with annual principal payments, set at a level to maintain an overall 1.25 to 1.00 DSCR on the project, for the remaining term of the loan.

## APPENDIX A

### LOAN FACILITY

#### MSF Facility

<b>Borrower:</b>	601 West LLC
<b>Lender:</b>	Chemical Bank
<b>Total Amount of Loans:</b>	Currently estimated at \$16,525,000
<b>Lender Share:</b>	Currently estimated at \$13,625,000
<b>MSF Share:</b>	Up to the lesser of 22% of “Eligible Investment” or \$2,900,000 <i>Note: This project was accepted for processing by MEDC staff prior to the adoption of the incentive structuring parameters therefore the staff is requesting a deviation from the 20% maximum.</i>
<b>Term:</b>	To match that of Lender, anticipated to be 10 year term
<b>Amortization:</b>	<del>To match that of Lender, anticipated to be 25 year amortization</del>
<b>Interest Rate:</b>	Fixed <del>5%</del> 1%
<b>Repayment Terms:</b>	Interest only for 36 months, <del>followed by principal and interest, monthly payments. Payments will be restricted on this loan should the 1.25x debt service.</del> <b>MONTHLY INTEREST ONLY PAYMENTS WITH ANNUAL PRINCIPAL PAYMENTS RESTRICTED TO A LEVEL TO MAINTAIN A 1.25 TO 1.00 DSCR</b>
<b>Collateral:</b>	To match that of Lender, currently anticipated being a mortgage lien on the property, assignment of leases and rents, and security interest in the TIF reimbursements. MSF share of collateral will be subordinated to that of the Lender.
<b>Guarantee:</b>	To match that of Lender, currently anticipated to be the limited unsecured personal guarantees of the members of 601 West LLC. The MSF share of guarantees will be subordinated to the Lender.
<b>Fee:</b>	The MSF shall be paid a one-time fee equal to one percent of the MSF’s share of the loan. The lender may charge the borrower for this fee.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2020-055**

**APPROVAL OF AN AMENDMENT TO A  
MICHIGAN COMMUNITY REVITALIZATION PROGRAM  
OTHER ECONOMIC ASSISTANCE LOAN PARTICIPATION AWARD FOR  
601 WEST LLC  
(601 WEST PROJECT)**

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

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

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

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

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

**WHEREAS**, by Resolution 2016-128 on July 26, 2016, the MSF Board awarded a MCRP Other Economic Assistance – Loan Participation Award to 601 West LLC in furtherance of the 601 West Project of up to \$2,900,000 (“Award”);

**WHEREAS**, the MSF Fund Manager and MSF Board Chairperson approved the project for a six month payment deferral on the Award under the Awardee Relief Initiative;

**WHEREAS**, the MEDC is recommending approval to amend the Transaction Documents to: 1) reduce the interest rate of the Award from 5.00% to 1.00%; 2) waiver of the pro rata principal pay down requirement, allowing for a \$1,000,000 principal pay down on the senior lender’s financing, with the ownership team deferring any distributions until the MSF has received a minimum of \$175,000 in principal repayment; and 3) convert payment on the award to monthly interest only payments with annual principal payments, set at a level to maintain an overall 1.25 to 1.00 DSCR. Additionally, the MEDC is requesting that authority be delegated to the MSF Fund Manager to make other necessary changes to the Transaction Documents to effectuate the requested amendments (“MCRP Amendment Recommendation”).

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

Ayes: Britany L. Affolter-Caine, Paul Ajegba, Ronald W. Beebe, Mark Burton, Jeff Donofrio, Paul Gentilozzi, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner

Nays: None

Recused: None

Lansing, Michigan  
May 19, 2020



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

January 16, 2020

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

Re: Michigan Strategic Fund Board Meeting Designee for Treasurer Eubanks

Dear Ms. Bishop:

I hereby designate Andrew Lockwood to attend all Michigan Strategic Fund meetings that I am unable to attend in 2020.

If you need anything additional, please contact Kara Kabia at (517) 241-2624.

Sincerely,

A handwritten signature in blue ink that reads "Rachael Eubanks".

Rachael Eubanks  
State Treasurer

Cc: Eric Bussis  
Andrew Lockwood

**MEMORANDUM**

**Date:** May 19, 2020

**To:** Michigan Strategic Fund Board

**From:** Adam Cummins, Community Assistance Team Specialist  
Lisa Edmonds, Brownfield and MCRP Program Specialist

**Subject:** Request for Approval of an Act 381 Work Plan  
City of Lansing – Red Cedar Development Project

**PROJECT SUMMARY**

The Work Plan request will support a community development project that will prepare a brownfield site to accommodate a mixed-use, in-fill development with several components, including two hotels, an assisted living facility, multi-family housing, student housing, retail, restaurants, public infrastructure and placemaking improvements. The project is located on the former Red Cedar Golf Course site at 203 S. Clippert Street, Lansing, Michigan. The development team anticipates that the project will result in a capital investment in the amount of \$255,650,134 and is requesting MSF approval for \$19,844,895 in state tax capture reimbursement over 22 years.

The proposed project has been contemplated in various configurations by the City and the Developer for several years. It will be located on a currently vacant 35.57 acre portion of a 60 acre riverfront site that was previously used as a city-owned golf course. The remainder of the 60 acre site will be transformed through an Ingham County Drain Commission project into a public park with trails and wetlands. Project activities occurring on the brownfield property include privately owned and operated uses on 21.23 acres, or 59.69%, of the site and public facilities and infrastructure on approximately 14.34 acres, or 40.31% of the site. The overall redevelopment will include asbestos abatement, demolition, site preparation and infrastructure improvements. The project developer will prepare a variety of pads to sell to related entities for vertical construction of a variety of uses summarized below:

- |   |                     |
|---|---------------------|
| • Five-story Hotel Buildings (293 Keys)                               | 188,606 square feet |
| • Multifamily Housing (181 Market Rate Units)                         | 173,866 square feet |
| • Student Housing: Building A (86 units, 299 beds)                    | 177,252 square feet |
| • Student Housing: Building B (149 units, 493 beds)                   | 234,925 square feet |
| • Five-story Assisted Living/Memory Care (127 units)                  | 136,774 square feet |
| • Single-story Restaurant   | 6,000 square feet   |
| • Public Space Improvements (sidewalks, roads, trails, and utilities) | 543,629 square feet |

The estimated cost to complete the development is approximately \$281 per square foot, which is in line with other projects in the Lansing area. Additionally, the analysis of developer returns showed a projected return of approximately 12% of operations, which has been determined by staff to be reasonable given the risk associated with the size and scope of the project.



A financing gap exists due to the extensive site preparation and infrastructure requirements of this site including soil conditions that made the site previously unbuildable. The proposed rental structure is in line with other projects in the area and it is anticipated that the project will be able to generate adequate cash flow to service projected future debt service requirements. Given the extended development timeline for the project, actual financing to complete the full buildout has not been secured, but proposed financing assumptions are acceptable given current market conditions. Additionally, the project is being developed by a team with significant development experience.

#### **REQUEST**

The City of Lansing Brownfield Redevelopment Authority (LBRA) is requesting approval of a Brownfield Act 381 Work Plan including state tax capture in the amount of \$19,844,895 for the reimbursement of MSF eligible activities. The Applicant anticipates that the project will result in a total capital investment in the amount of \$255,650,134.

#### **PROGRAM SUMMARY**

The request for Brownfield support is consistent with program requirements as the proposed project will redevelop and allow for reuse of a currently contaminated site on a high impact corridor. The project qualifies for the Brownfield 381 program because the site is a facility.

#### **BACKGROUND**

After several years of predevelopment work and local approvals, construction began on the site in September of 2019 and is expected to be complete by the end of 2023. A brownfield Act 381 Work Plan request was brought to the MSF with a recommendation of denial at the special meeting held on March 19, 2020. The revised Work Plan request, dated May 01, 2020, addresses many of the concerns identified in the previously submitted Work Plan and provides information necessary for staff to appropriately evaluate the project against statutory requirements, the MEDC Strategic Plan and Community Development priorities. Six key concerns from the previous submission are outlined below along with an update regarding how those concerns are addressed in the current request.

#### ***Place Considerations***

1. Previous concern: The project developer is building a variety of pads to sell to related entities leaving some ambiguity as to the future development to occur on the site.

Update: The new plan provides more detail about the proposed redevelopment and adds some clarity as to the future ownership being intended to be related entities.

2. Previous concern: The delineation between public and privately owned space has not yet been finalized.

Update: The new work plan provides clear delineation of the public and private space with privately owned and operated uses on 21.23 acres, or 59.69%, of the site and public facilities and infrastructure on approximately 14.34 acres, or 40.31% of the site.

3. Previous concern: The locally approved Brownfield Plan, attached to the Work Plan states, "With prior written approval of the Authority, any change in the proposed developer or proposed use of the Eligible Property shall not necessitate an amendment to the Plan, affect the application of the Plan to the Eligible Property or impair the rights available to the Authority under this Plan." This also means that the MSF would not have any approval authority if there are any future changes in use of the eligible property.

Update: The development agreement requires that any change in use or project scope requires both an amendment to the Development Agreement as well as a project change and line item amendment to the Brownfield Plan by the Brownfield Redevelopment Authority and the City Council. A change in project scope or an increase in reimbursement would be required to come back to the MSF for consideration.

### ***Financial Considerations***

4. Previous concern: Although building uses are subject to change, the Work Plan anticipates 1,100 student housing “beds” in 325 apartment units and a 120 unit assisted living/memory care senior facility. These proposed uses will occupy over 664,000 square feet or about 62% of the total vertical construction. These uses do not typically have a financing gap. The incomplete proforma lacks financial information for the end uses, which makes it impossible to determine developer’s return on investment and the project’s financial need.

Update: The revised work plan has eliminated 90 units/300 beds of student housing and added 31 multifamily housing units. The development team has provided a proforma and information necessary to determine an estimated developer return over 20 years. Total development costs have been reduced because of the removal of student apartments and the removal of the integrated parking structure. State tax capture requested in this work plan has been reduced by over \$12,000,000 from the request considered in March to a current request of \$19,844,895. The duration of state tax capture is estimated to be approximately 22 years, with local capture continuing after that to support the eligible activities associated with student housing as well as other local only costs. The revisions described above, combined with the submission of a complete proforma, made it possible for MEDC to determine the owner return on investment and the project’s financial need. Based on the financial analysis, MEDC determined the owner’s return of 12% from operations to be reasonable, based on the risk associated with the size and scope of the project.

5. Previous concern: While the site technically qualifies as a “brownfield,” environmental activities and demolition and lead/asbestos abatement costs are less than \$2,000,000 on a \$274,000,000 project. Additionally, a large portion of MSF eligible activity costs are related to the integrated parking structures being constructed in a designated Special Flood Hazard Area and Regulatory Floodway, which must comply with National Flood Insurance Program design standards and significantly increases the costs associated with brownfield eligible activities.

Update: Removal of the integrated parking structure and phase two of the student housing has reduced the amount of construction in the flood plain and reduced the amount of reimbursement being requested both locally and from the state.

### ***Local and Regional Impact***

6. The Anderson Economic Group study, provided by the development team, focused on the benefit to the City of Lansing and referenced those benefits being pulled from other jurisdictions. State support considers the impact on both the City and the region and a compelling case has not been made to demonstrate a regional benefit.

Update: The project is projected to result in significant financial benefits to the City of Lansing and although some of this will be the result of a relocation of spending from one place in the region to another, the AEG study does also state, “the project will provide a boost in density and

economic activity along an important corridor connecting the Michigan State campus to downtown Lansing, representing a significant step in economic development for the region.” Furthermore, the project is projected to create up to 397 new local direct full-time equivalent jobs with an average hourly wage of \$15.22 per hour. It can also be anticipated that public space improvements along the riverfront, Michigan Avenue and through the site will add to the vibrancy of the area and support the future infill development along Michigan Avenue which is an important commercial corridor connecting downtown Lansing and downtown East Lansing.

The project as currently proposed is consistent with the MEDC Strategic Plan in that it is developing attractive places and activating vacant property on a high impact commercial corridor. It is a high priority for the City of Lansing and meets several local and regional objectives detailed in the Tri-County Regional Planning Commission’s 2018-2023 Comprehensive Economic Development Strategy, The Capitol Corridor “A Regional Vision for Michigan Avenue / Grand River Avenue” plan, and the 2012 Design Lansing comprehensive plan.

**LOCAL SUPPORT**

Local support for the project includes the local portion of the Brownfield TIF estimated at \$39,690,624 for the implementation of necessary eligible activities to facilitate the redevelopment of the subject property. Local support also comes from the Lansing Board of Water and Light, which will be investing \$278,965 to remove an electrical substation. The City of Lansing is certified with the MEDC’s Redevelopment Ready Communities (RRC) program. The project is not located in a Michigan Geographically Disadvantaged Business Location.

**TAX CAPTURE SUMMARY**

In order to alleviate brownfield conditions and prepare the site for redevelopment, the City of Lansing, a Qualified Local Governmental Unit, has duly approved a brownfield plan for this property on April 22, 2019. The property has been determined to be a facility as verified by the Michigan Department of Environment, Great Lakes, and Energy (EGLE) on March 12, 2020.

There are 71.3386 non-homestead mills available for capture, with State mills from school operating and SET millages equaling 23.7792 mills (33.33%) and local millage equaling 47.5594 mills (66.67%). Tax increment capture will begin in 2021 and is estimated to continue for 22 years.

State tax capture	(33.33%) for 22 years	\$	19,844,895
Local tax capture	(66.67%) for up to 30 years	\$	39,690,624
<b>TOTAL</b>		<b>\$</b>	<b>59,535,519</b>

**COST OF MSF ELIGIBLE ACTIVITIES AS REQUESTED IN THE WORK PLAN**

Demolition	\$	\$108,607
Lead, Asbestos, or Mold Abatement		\$25,500
Infrastructure Improvements		\$14,715,810
Site Preparation	+	\$17,230,033
Sub-Total	\$	\$32,079,950
Contingency (15%)	+	\$4,811,992
Sub-Total	\$	\$36,891,942
Interest (5%)	+	\$22,621,077
Sub-Total	\$	<b>\$59,513,019</b>
Brownfield/Work Plan Preparation	+	\$15,000

Brownfield/Work Plan Implementation	\$ 7,500
<b>TOTAL</b>	<b>\$ 59,535,519</b>

In addition, the project is requesting \$508,630 in state TIF from EGLE to assist with \$1,525,910 in environmental eligible activities.

**APPLICANT HISTORY**

Continental/Ferguson Lansing, LLC is a single-purpose Master Developer company led by Joel Ferguson, Franklin Kass and John Lucks Jr. The company was formed to acquire land, finance land and infrastructure improvements, permit and develop land and infrastructure improvements, construct infrastructure improvements, and manage and dispose of building pads for the Red Cedar Development Project. This single purpose entity and its owners have not received previous incentives from MSF. A background check has been completed in accordance with the MSF Background Review Policy, and the project may proceed for MSF consideration.

**Appendix A** includes a project map and renderings, **Appendix B** addresses the programmatic requirements and **Appendix C** contains the organizational chart.

**RECOMMENDATION**

MEDC staff recommends approval of State tax capture for the Act 381 eligible activities and project uses as described in the Work Plan and capped at \$19,844,895, utilizing the current state to local capture ratio.

### APPENDIX A – Project Map and Renderings





## APPENDIX B – Programmatic Requirements

### Key Statutory Criteria

Per section 15 of Act 381, the Michigan Strategic Fund shall consider the following criteria to the extent reasonably applicable to the type of activities proposed as part of that work plan when approving or denying a work plan:

**a) Overall Benefit to the Public:**

The development planned for the Red Cedar site aligns with the City of Lansing, East Lansing and Lansing Township’s Corridor Improvement initiative to revitalize the opportunities and investment along the region’s most important corridor. The avenue connects the Capitol in downtown Lansing to East Lansing, MSU and further east towards Meridian Township, Okemos and Williamston. This project adheres to the stated objectives of the three community-based charrettes and the 2014 Tri-County Regional analysis of future redevelopment of the Michigan Avenue corridor. This Corridor Study identified a vision for the corridor and more specifically recommendations for the “Red Cedar/Frandor District” that the planned Project meets very well.

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

According to documentation submitted by the applicant, this project is expected to create approximately 397 new, full-time jobs in the managerial, professional, and service industry sectors.

**c) Area of High Unemployment:**

According to the Michigan Bureau of Labor Market Information and Strategic Initiatives system, the City of Lansing unemployment rate was 4.3% in March 2020. Comparatively, the March 2020 unemployment rate was 4.2% in the State of Michigan, and 4.5% in the United States. All data is not seasonally adjusted.

**d) Level and Extent of Contamination Alleviated:**

The subject property is considered “Eligible Property” as defined by Act 381, Section 2 because: (a) the subject property was previously utilized or is currently utilized for public and commercial purpose; (b) the parcel comprised by the subject property has been determined to be a “facility”; and, (c) the subject property is located within the City of Lansing, a qualified local governmental unit, or “Core Community” under Act 381. The environmental eligible activities related to this project are estimated to cost \$1,525,910. The subject property will be prepared to make it suitable for the planned development, and appropriate activities will be performed to prevent unacceptable exposure to hazardous substances encountered during subsurface construction. Soil and/or groundwater which may be hazardous to human health, safety, and the environment as identified, measures will be taken to properly manage those identified concerns.

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

The project is not qualifying as functionally obsolete nor as blighted.

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

No new Brownfields will be created by this project.

**g) Whether the Project is Financially and Economically Sound:**

Based on the information provided, staff believes that the project is financially and economically sound. The proposed rental structure is in line with other projects in the area and it is anticipated that the project will be able to generate adequate cash flow to service projected future debt service requirements. Given the extended development timeline for the project, actual financing to complete the full buildout has not been secured, but proposed financing assumptions are acceptable given current market conditions. Additionally, the project is being developed by a team with significant development experience.

**h) Other Factors Considered:**

Factors considered are detailed throughout the memo.



### APPENDIX C - Organizational Chart

<b>Continental/Ferguson Lansing, LLC a Delaware Limited Liability Company</b>				
<b>EIN: 46-4496787</b>				
<b>Continental/Ferguson Lansing, LLC President: Frank E Kass</b>				
<b>Member</b>		<b>Ownership Interest</b>	<b>EIN</b>	<b>State of Organization</b>
<b>Continental Red Cedar, LLC</b>		<b>51.00%</b>	84-2521057	Ohio
Franklin E. Kass	50.00%			
John E. Lucks, Jr.	50.00%			
<b>Red Cedar Investor, LLC</b>		<b>49.00%</b>	46-4705572	Michigan
Joel Ferguson	95.00%			
CS Red Cedar, LLC	5.00%			
CS Red Cedar, LLC owned 100% personally by Christopher Stralkowski				
<b>Key Principals/Guarantors:</b>		<b>Amount of Guarantee</b>		
Franklin E. Kass	Construction Completion of Brownfield Improvements jointly and severally in the estimated amount of \$49 million per the adopted Brownfield Plan Estimate			
John E. Lucks, Jr				
Joel Ferguson				

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2020-056**

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN  
CITY OF LANSING BROWNFIELD REDEVELOPMENT AUTHORITY  
RED CEDAR DEVELOPMENT PROJECT**

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

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

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

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

**WHEREAS**, the City of Lansing Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 203 S. Clippert Street within the City of Lansing, known as Red Cedar Development Project (the “Project”);

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

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

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

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as 33.33% to 66.67% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, lead, asbestos, or mold abatement and infrastructure improvements associated with the project as presented in the Work Plan dated May 1, 2020. Any change in millage that increases the capture percentage of school taxes in the ratio above by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating

purposes is based on costs of MSF eligible activities with a maximum of \$36,891,942 for the principal activity costs of non-environmental activities and a contingency, a maximum of \$22,621,077 in interest, a maximum of \$15,000 for Brownfield/Work Plan preparation, and a maximum of \$7,500 for Brownfield/Work Plan implementation, and with the total capture of state school taxes capped at a maximum of \$19,844,895.

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

**BE IT FURTHER RESOLVED**, that they MSF Board is authorizing that capture of taxes levied for school operating purposes for the payment of interest, up to a maximum of \$7,539,605 related to the eligible activities for the Project.

Ayes: Britany L. Affolter-Caine, Paul Ajegba, Ronald W. Beebe, Mark Burton, Jeff Donofrio, Paul Gentilozzi, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner

Nays: None

Recused: None

Lansing, Michigan  
May 19, 2020



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

January 16, 2020

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

Re: Michigan Strategic Fund Board Meeting Designee for Treasurer Eubanks

Dear Ms. Bishop:

I hereby designate Andrew Lockwood to attend all Michigan Strategic Fund meetings that I am unable to attend in 2020.

If you need anything additional, please contact Kara Kabia at (517) 241-2624.

Sincerely,

A handwritten signature in blue ink that reads "Rachael Eubanks".

Rachael Eubanks  
State Treasurer

Cc: Eric Bussis  
Andrew Lockwood

## MEMORANDUM

**Date:** May 19, 2020

**To:** Michigan Strategic Fund Board

**From:** Jen Tucker, Senior Community Assistance Team Specialist  
Julie Gardner, Senior Program Specialist, Community Development Block Grant

**Subject:** *Community Development Block Grant Program  
City of Ishpeming – Senior Center Public Facilities Development  
City of Ishpeming, County of Marquette*

---

### Request

The City of Ishpeming (“City”) is requesting \$1,896,342 in Community Development Block Grant (“CDBG”) funds for public facilities improvements needed for the Senior Center Public Facilities Development Project (“Project”) located in Marquette County, Michigan. This request includes \$30,300 to provide the City with a CDBG Certified Grant Administrator to assist with grant compliance. The City anticipates that this Project will spur increased private investment within the downtown as a result of the relocation and expansion of the Senior Center. This Project will allow the City of Ishpeming and the Greater Ishpeming Commission on Aging to continue to provide services and opportunities to senior citizens who reside in the City of Ishpeming, and the townships of Ishpeming, Ely, Tilden, Humboldt, Champin, Michigamme and Republic, while expanding services at a newly developed facility.

### Background

Over the past five years the City and the senior center have been planning for facility improvements to address challenges like access, limited parking and shared interior spaces in the City-owned facility that was utilized as a senior center from 1970 through late 2019. After thorough consideration and involvement from professionals and the community at large, it was determined that a new site to accommodate current and expanded services was needed. The state building official deemed the building blighted and constituted a threat to human health, safety, and public welfare, therefore condemning the building. Not only will a new site comprehensively serve the senior citizens of the region, but will also allow for demolition to the previous senior center to be better utilized for higher density downtown development. The construction of a new senior center is also consistent with the long-term planning goals and development of the City, including the City’s goals for Commercial Development and future land use.

The Greater Ishpeming Commission on Aging is a private non-profit corporation that advocates for and provides services to senior citizens in the region, promoting independence, safety, dignity, and well-being. Services are provided to allow them to remain living independently in their homes and avoid or

delay unnecessary placement in long-term care facilities. The development of a new senior center will allow for continued home services, increased health and educational classes, a full commercial-grade kitchen for meal programs, and significant meeting and venue space to accommodate large groups.

The previously occupied senior center vastly limited access and services to seniors in the region based on condition and location of the facility, to which the new senior center will address in design, location, and site plan. The Project scope includes demolition of the blighted and obsolete facility on Pine Street, and development of a new senior center facility on Greenwood Street that will accommodate clientele seeking services, and allow for expanded services and facility use, including increased accessibility features and parking area. CDBG eligible activities include demolition, construction, and grant administration from a CDBG Certified Grant Administrator. Local match dollars will be used to perform related architectural and engineering services, and a portion of the construction budget.

In order to garner the greatest benefit from economies of scale, the Project will be best completed in one effort that includes addressing the previous and future senior centers, rather than through multiple, smaller projects, to avoid increasing cost and delaying future benefit from the City.

In the past six years the City has invested in public improvements and private development via CDBG façade and infrastructure funding opportunities. In totality, the Greater Ishpeming Commission on Aging will provide \$207,338 of the approximate \$2.073 million total project costs, a ten (10) percent collaborative match of funding.

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

Project area map, including renderings and before photos are provided in **Appendix B**.

### **Recommendation**

The MEDC Staff recommends:

The Michigan Strategic Fund (“MSF”) approve a CDBG grant agreement in the amount of \$1,896,342, authorized for the City of Ishpeming for the Senior Center Public Facilities Development Project.

## APPENDIX A – Programmatic Requirements & Screening Guidelines

### Program Requirements

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

- **National Objectives:**

This Project qualifies for CDBG funding as the project activities will benefit a limited clientele, at least 51 percent of whom are low and moderate-income persons. The CDBG project will benefit a clientele, senior citizens who reside in the City of Ishpeming, and the townships of Ishpeming, Ely, Tilden, Humboldt, Champion, Michigamme and Republic, and are generally presumed to be principally low and moderate-income persons.

In addition, the Project also qualifies under the elimination of slum and blight by the demolition of the existing Ishpeming Senior Center.

- **Eligible Activity:**

This Project involves eligible activities identified in Sections 105(a)(2) and 105(a)(4) of Title I of the Housing and Community Development Act of 1974, as amended.

### Screening Guidelines

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

- **Economic Impact:** The economic impact of this Project was evaluated. It was determined that the Project is:

- Located in a highly visible location
- Located in a DDA
- Consistent with the goals and objectives of the City's Master Plan and the DDA's adopted downtown development plan, also,

the community has:

- Prior use of downtown development incentives (TIFs, abatements, etc.)
- Local organizational capacity to successfully complete this project
- A full-time community development professional staff member and the assistance of a CDBG Certified Grant Administrator to administer the Project

- **Minimum Local Participation:** The City of Ishpeming and the Greater Ishpeming Commission on Aging will make an anticipated contribution of \$207,338 which is ten percent (10%) of the total public facility project costs. The funds will be provided by the City of Ishpeming General Fund and the Greater Ishpeming Commission on Aging portfolio.

- **Financial Viability:** The community receiving the benefit from this Project has been determined to be financially viable
- **Background Check** A background check has been completed in accordance with the MSF Background Review Policy and the project may proceed for MSF consideration

The MEDC staff has concluded that the project meets the minimum program requirements and screening guidelines to be eligible under the CDBG program. The Project may proceed for MSF consideration.



**APPENDIX B – Maps, Renderings and Site Photos**

**Previous Senior Center Site**







# Future Senior Center Site





EAST (MAIN ENTRANCE) ELEVATION  
Sheet 02 of 10



SOUTH (REAR) ELEVATION  
Sheet 03 of 10

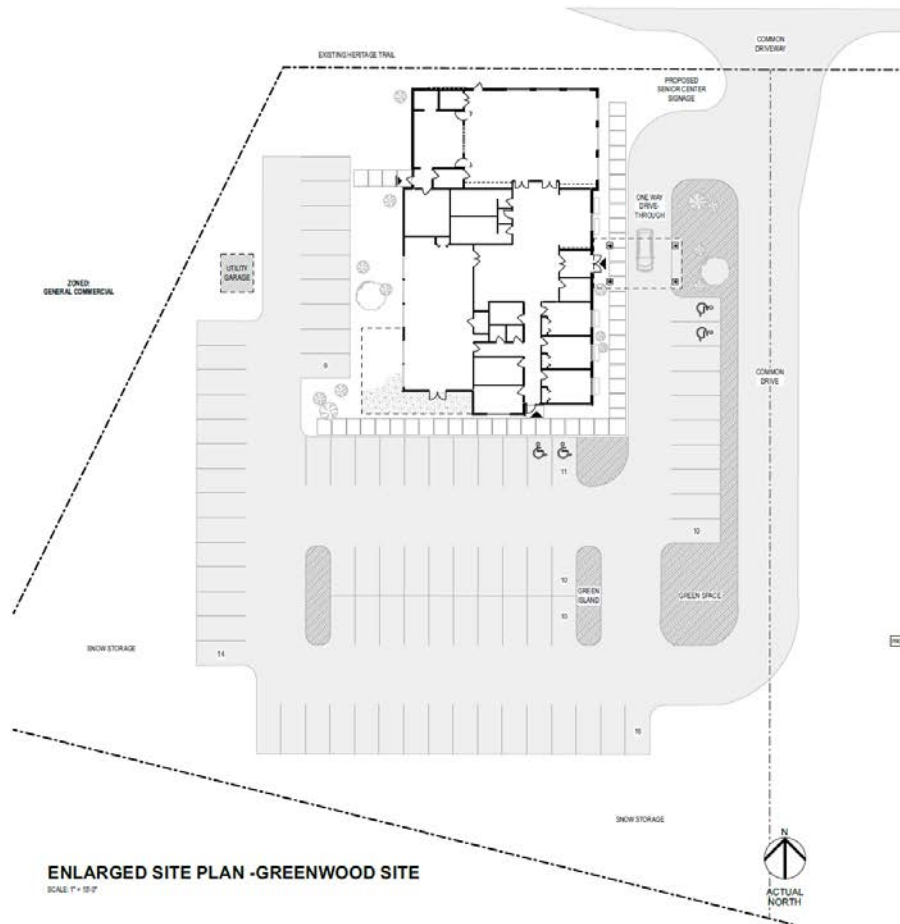


NORTH (FRONT) ELEVATION  
Sheet 04 of 10

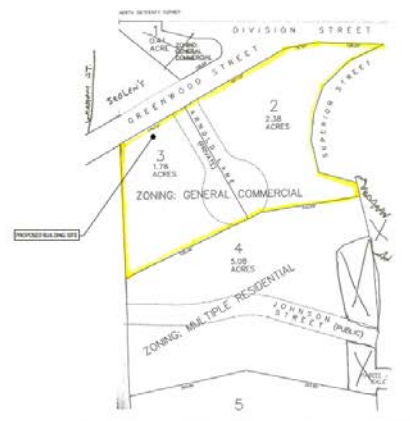
ISHPEMING MULTI-PURPOSE SENIOR CENTER

EXTERIOR ELEVATIONS  
 A2  
 SHEET 02 OF 10





ZONING / SITE ANALYSIS	GREENWOOD SITE
ZONING:	GC GENERAL COMMERCIAL
MIN LOT SIZE:	NONE
EXISTING LOT SIZE:	46,833 SF
MIN FRONT SETBACK:	20'
MIN SIDE SETBACK:	10'
MIN REAR SETBACK:	30' (ADJUTED TO MULTI-RESIDENTIAL)
PROPOSED BUILDING HEIGHT:	38' (MAX)
PROPOSED BUILDING AREA (MAIN FLOOR):	7,300 TOTAL SQUARE FEET (AS SHOWN)
PARKING COUNT REQUIRED STOPPAGES:	
PARKING REQUIRED:	
1 SPECIAL: 1.00 SF	44 PARKING SPOTS REQUIRED (MIN)
ACCESSIBLE PARKING REQUIRED:	2 REQUIRED (1.5%)
PROPOSED PARKING:	
TOTAL SPACES PROVIDED:	80 TOTAL PARKING SPOTS
ACCESSIBLE PARKING:	4 PROPOSED
SNOW STORAGE:	1.380 SF (10% OF PARKING STALL AREA)
GREEN ISLANDS:	T.B.D.



**ENLARGED SITE PLAN - GREENWOOD SITE**  
SCALE: 1" = 10'-0"

1575 PINE STREET  
1575 PINE STREET  
1575 PINE STREET

**C1.0**  
ENLARGED SITE PLAN

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2020-057**

**APPROVAL OF CITY OF ISHPEMING SENIOR CENTER PUBLIC FACILITY  
DEVELOPMENT PROJECT**

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

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

**WHEREAS**, the CDBG program has policies, criteria, and parameters that are enumerated in the 2019 Program Year Funding Guide, as amended (the “Criteria”). The MSF, by Resolution 2015-039, authorized and approved the Consolidated Plan and the MSF, by Resolution 2019-133, authorized and approved the 2019 Program Year Funding Guide Excerpt which includes guidelines for area benefit grants;

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

**WHEREAS**, the City of Ishpeming (the “Community”) has submitted a complete application for approval requesting funding to be used to fund their senior center public facility development (the “Project”);

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

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

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF authorizes a grant to the Community not to exceed \$1,896,342 for the payment or reimbursement of costs associated with the Project, and allocates \$1,896,342 from the Michigan CDBG program for the purpose of funding the Community’s proposed Project contingent upon the MSF’s continued receipt of CDBG funds and availability of adequate funds; and

**BE IT FURTHER RESOLVED**, the MSF Fund Manager, in coordination with MEDC staff, is directed to negotiate the terms of the grant agreement for the project consistent with this Resolution.

Ayes: Britany L. Affolter-Caine, Paul Ajegba, Ronald W. Beebe, Mark Burton, Jeff Donofrio, Paul Gentilozzi, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner

Nays: None

Recused: None

Lansing, Michigan  
May 19, 2020



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

January 16, 2020

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

Re: Michigan Strategic Fund Board Meeting Designee for Treasurer Eubanks

Dear Ms. Bishop:

I hereby designate Andrew Lockwood to attend all Michigan Strategic Fund meetings that I am unable to attend in 2020.

If you need anything additional, please contact Kara Kabia at (517) 241-2624.

Sincerely,

A handwritten signature in blue ink that reads "Rachael Eubanks".

Rachael Eubanks  
State Treasurer

Cc: Eric Bussis  
Andrew Lockwood



## MEMORANDUM

**Date:** May 19, 2020

**To:** Michigan Strategic Fund Board

**From:** Michelle Audette-Bauman, Community Assistance Team Specialist  
Louis Vinson, Senior Program Specialist, Community Development Block Grant

**Subject:** *Community Development Block Grant Program  
Imagine Cass Streetscape Transformation Project  
Village of Cassopolis, County of Cass*

---

### **Request**

The Village of Cassopolis (“Village”) is requesting \$2,800,000 in Community Development Block Grant (CDBG) funds for public improvements for the Imagine Cass Streetscape Transformation Project (“Project”) located in Cass County, Michigan. The Village anticipates that this project will improve 403,100 square feet of public space and result in increased private investment, increased support for local businesses and increased economic opportunities for residents by enhancing access, public amenities and infrastructure throughout downtown Cassopolis. Additionally, the project is expected to improve safety throughout the downtown area, especially for pedestrians and bicyclists.

Project improvements will benefit Village residents, including approximately 62 percent of the population identified as low- and moderate-income by the federal Department of Housing and Urban Development. The project is located in a Michigan Geographically Disadvantaged Business Location and the Village of Cassopolis is a Certified Redevelopment Ready Community.

### **Background**

In 2018, the Village of Cassopolis initiated a comprehensive public planning process to engage residents in identifying a vision for the future of the community and establishing a plan to see that vision realized. The Village partnered with Cass County and the Cass County Economic Development Corporation to secure a grant from Michigan State University’s Sustainable Built Environment Initiative; this program brings professors and students into a community to facilitate the development of local visions and plans. The Village also invested local resources to hire Wightman to develop a new Master Plan, Parks Plan and conduct a facilities assessment on Village-owned property. Throughout these planning efforts, the Village engaged hundreds of area residents, as well as key stakeholder groups including business owners, students from elementary through high school, local property owners and elected officials. Ultimately, community feedback led to the development of the “Imagine Cass” Master Plan with a focus on four main themes: Streetscape Aesthetics, Connectivity, Culture & Scenery and Adaptive Reuse.

The Imagine Cass Streetscape Transformation Project will build on the momentum initiated during the Imagine Cass planning process by implementing physical improvements that impact over 400,000 square feet of public space in downtown Cassopolis and the surrounding corridors. These improvements will enhance the aesthetics and infrastructure of the district, while also improving connectivity and access of low- and moderate-income community members to local businesses and services, encouraging private

investment and enhancing safety, especially for pedestrians and bicyclists. Specific activities that will be completed as part of the project include: new striped bike lanes, a road diet to help slow traffic to a safe speed, pedestrian crosswalks and bump-outs to promote safety, improved landscaping, lighting and public seating, free public Wi-Fi and replacing existing water main infrastructure.

The total project cost is anticipated to be \$5,950,000, including all hard and soft costs. The Village is contributing \$3,150,000 or approximately 53 percent of the project. Local match funds will cover architectural and engineering costs, water infrastructure costs and construction costs associated with streetscape improvements. The \$2,800,000 in CDBG funds requested will cover construction costs associated with streetscape improvements. Project costs include a ten percent contingency and the Village is prepared to cover any cost increases entirely from local sources of funds.

This project aligns with MEDC's Strategic Plan by supporting the strategic focus area to develop attractive places that attract talent through innovative placemaking. The project also supports the Strategic Plan Guiding Principles of regional impact and equitable growth via the project location in a geographically disadvantaged business location and low-to-moderate income community. Additionally, the project aligns with MEDC Community Development goals because it supports the vision and goals outlined in the community Master Plan, includes significant local financial support, contributes to a traditional downtown district, improves pedestrian access and safety, revitalizes a significant amount of public space and incorporates sustainable and universal design elements.

By investing in downtown streetscape, placemaking and infrastructure improvements the Village anticipates benefits for low- and moderate-income community residents through improved access to businesses, services and economic opportunity in downtown, as well as enhanced downtown amenities to attract new investment, residents and visitors to the community. This project is a very high priority for the Village of Cassopolis and community members who have spent over two years developing plans for this transformational project that will enhance the quality of life for existing community members and lay the foundation for future economic growth and investment in the Village.

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

Project area map, rendering and before photos are provided in **Appendix B**.

### **Recommendation**

The MEDC Staff recommends:

- A CDBG public improvement grant agreement in the amount of \$2,800,000 be authorized for the Village of Cassopolis for the Imagine Cass Streetscape Transformation Project.

## APPENDIX A – Programmatic Requirements & Screening Guidelines

### Program Requirements

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

- **National Objective:**  
This Project qualifies for CDBG funding as the project activities will benefit all residents of the Project area and 61.68 percent of the residents of the Village of Cassopolis are low- and moderate-income persons as determined by census data provided by the U.S. Department of Housing and Urban Development. The project will improve safety for pedestrians and bicyclists, while also enhancing public amenities and infrastructure in downtown Cassopolis, which will provide benefits to the entire Cassopolis community. The Project meets a national objective by providing benefit to at least 51 percent low- and moderate-income persons.
- **Eligible Activity:**  
This Project involves eligible activities identified in Section 105(a)(2) of Title I of the Housing and Community Development Act of 1974, as amended.

### Screening Guidelines

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

- **Economic Impact:** The economic impact of this Project was evaluated. It was determined that the Project is:
  - Located in a highly visible location
  - Located in a DDA or other like districtsAnd the community has:
  - Prior use of downtown development incentives (TIFs, abatements, etc.)
  - Local organizational capacity to successfully complete this project
  - A full-time staff member able to administer the project
  - Adopted a community Master Plan that prioritizes and identifies downtown streetscape improvements that will be completed through this project.
- **Minimum Local Participation:** The Village of Cassopolis will make an anticipated contribution of \$3,150,000 which is fifty three percent (53%) of the total public improvement project costs. The funds will be provided by revenue bonds issued by the Village of Cassopolis.
- **Financial Viability:** The community receiving the benefit from this project has been determined to be financially viable.
- **Background Check:** A background check has been completed in accordance with the MSF Background Review Policy and the project may proceed for MSF consideration.

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

# APPENDIX B – Map, Rendering and Site Photos



**W+** WIGHTMAN  
it's all about people

**VILLAGE OF CASSOPOLIS**  
STREETSCAPE

**AERIAL PROJECT MAP**  
0 50 100 150 200'  
08/06/2019 | 1



**WIGHTMAN**  
it's all about people

182303

**VILLAGE OF CASSOPOLIS**  
STREETScape

RENDERED PLAN

NOT TO SCALE

09/06/2019

1









**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2020-058**

**APPROVAL OF VILLAGE OF CASSOPOLIS CASS STREETScape  
TRANSFORMATION PROJECT**

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

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

**WHEREAS**, the CDBG program has policies, criteria, and parameters that are enumerated in the 2019 Program Year Funding Guide, as amended (the “Criteria”). The MSF, by Resolution 2015-039, authorized and approved the Consolidated Plan and the MSF, by Resolution 2019-133, authorized and approved the 2019 Program Year Funding Guide Excerpt which includes guidelines for area benefit grants;

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

**WHEREAS**, the Village of Cassopolis (the “Community”) has submitted a complete application for approval requesting funding to be used to fund their Cass Streetscape Transformation public improvements (the “Project”);

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

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

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF authorizes a grant to the Community not to exceed \$2,800,000 for the payment or reimbursement of costs associated with the Project, and allocates \$2,800,000 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; and

**BE IT FURTHER RESOLVED**, the MSF Fund Manager, in coordination with MEDC staff, is directed to negotiate the terms of the grant agreement for the project consistent with this Resolution.

Ayes: Britany L. Affolter-Caine, Paul Ajegba, Ronald W. Beebe, Mark Burton, Jeff Donofrio, Paul Gentilozzi, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner

Nays: None

Recused: None



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

January 16, 2020

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

Re: Michigan Strategic Fund Board Meeting Designee for Treasurer Eubanks

Dear Ms. Bishop:

I hereby designate Andrew Lockwood to attend all Michigan Strategic Fund meetings that I am unable to attend in 2020.

If you need anything additional, please contact Kara Kabia at (517) 241-2624.

Sincerely,

A handwritten signature in blue ink that reads "Rachael Eubanks".

Rachael Eubanks  
State Treasurer

Cc: Eric Bussis  
Andrew Lockwood

**MEMORANDUM**

**Date:** May 19, 2020

**To:** Michigan Strategic Fund Board

**From:** Dominic Romano, Community Assistance Team Specialist  
Julius Edwards, Commercial Real Estate Investment Manager  
Rob Garza, Brownfield and MCRP Senior Program Specialist

**Subject:** Request for Approval Michigan Community Revitalization Program (MCRP)  
Other Economic Assistance Loan Participation  
United Artist Building Project

---

**PROJECT SUMMARY**

The request will support a community development project to rehabilitate a historic, eighteen-story, mixed-use, mixed-income building, representing \$73,440,373 in total capital investment. The United Artist Building located in the heart of Downtown Detroit will consist of 148 mixed-income residential units occupying approximately 154,663 square feet and approximately 10,535 square feet of first-floor commercial space. The project will also include the restoration of the exterior to historic standards and 20% of the residential units will be leased at rental rates attainable based on 80% of the Area Median Income (AMI). The development will consist of 218,569 square feet, which includes 53,371 square feet of common area, on one 0.69-acre parcel. The estimated total development cost of \$336.01 per square foot is within the reasonable range for the Detroit market.

A financing gap exists due to the rising costs of construction in the market, as well as the significant additional costs related to historic rehabilitation of an existing building that has been vacant for several years. The cost related to reactivating a building of this nature make the project not financially viable without the requested assistance as well as the substantial financial support of the City of Detroit. Additionally, the development team and City of Detroit's commitment to preserving the historic asset and providing affordable residential rental housing (20% of units targeted at 80% or below of AMI) constrains the project cash flow and further necessitates requested support.

It is anticipated that cash flow for the project would be tight with a traditional amortizing loan from the MSF. In order to maintain adequate cash flow coverage, MEDC staff is recommending the structure of the proposed MCRP award as a cash flow dependent loan. As part of the proposed structure, the City of Detroit Downtown Development Authority (DDA) loan and MCRP loan would split 30% of available cash flow on a pro rata basis. It anticipated that over the term of the loan, based on current projections, both the DDA and the MSF will receive a full return of principal and a 2% return, with an upside for a 3% return on their capital. The development team is bringing over 8.5% of cash equity to the project and they have secured over \$10,000,000 in equity from a Historic Tax Credit Investor. Without the proposed assistance from the MSF and City of Detroit Community Development Block Grant (CDBG) funds and

DDA loan the project would not be feasible. It is anticipated that with the support from the MSF and City of Detroit the development team will be able to achieve a return of just under 7% from operations.

The project supports the vision of the City of Detroit and addresses one of the last iconic properties in the Grand Circus Park area, by reactivating a vacant structure to support local small business while providing affordable housing opportunities to Detroit residents. The city has committed to providing support through local CDBG funds of \$3,000,000, DDA loan of \$2,500,000, an anticipated Obsolete Property Rehabilitation Act abatement valued at \$382,456, and an anticipated Neighborhood Enterprise Zone abatement valued at \$8,306,188. The project is located in a geographically disadvantaged area and will support a mixed-income neighborhood near major transportation corridors along Grand River Avenue and Woodward Avenue.

### **REQUEST**

Bagley Development Group, LLC (“Applicant”) is requesting a MCRP performance-based other economic assistance loan participation with the City of Detroit DDA (“Lender”) in the amount of \$5,000,000. Additionally, staff is requesting transfer of funds from the Investment Fund to the Michigan Community Revitalization Program through MCL 125.2088B(2) for the specific purpose of this project. The Applicant anticipates that the project will result in a total capital investment in the amount of \$73,440,373.

### **PROGRAM SUMMARY**

The request for MCRP support is consistent with program requirements. The project qualifies for a MCRP award because the site is a historic resource. The project is consistent with MEDC’s Strategic Plan because it attracts talent through innovative placemaking and is consistent with our Community Development Goals due to its significant local impact and quality development that contributes to a traditional dense, mixed-use, mixed-income area near transportation corridors. The project also meets local objectives by redeveloping one of the last historic properties in the Grand Circus Park area, thus reactivating a vacant, unused structure to support local small business while providing affordable housing.

### **LOCAL SUPPORT**

Local support for the project includes local CDBG funds of \$3,000,000 and a DDA loan of \$2,500,000 and is anticipated to include both an Obsolete Property Rehabilitation Act abatement valued at \$382,456 and a Neighborhood Enterprise Zone abatement valued at \$8,306,188. The City of Detroit is engaged with the MEDC’s Redevelopment Ready Communities (RRC) program. The project is located in a Michigan Geographically Disadvantaged Business Location.

### **FINANCING OPPORTUNITY**

The City of Detroit DDA along with the Applicant has requested the MSF participate in up to \$5,000,000 of a total \$7,500,000 in construction to permanent loan financing. In addition, it is anticipated Gershman Mortgage will be providing an approximately \$35,005,200 HUD 221(d)(4) loan for the project. Additionally, the City of Detroit will be providing \$3,000,000 in CDBG funds in addition to the \$2,500,000 in participated financing. It is estimated that the Historic Tax Credit Investor will be providing approximately \$10,803,790 in equity to the project. It is anticipated that disbursements to the project on the MCRP loan will be made on a pro-rata basis with the financing from the DDA, following in contribution of equity, but before the senior debt is contributed. Below outlines a summary of the development sources and the proposed structure of the loan participation. With the financing structure

described below, it is anticipated that the investors will be able to achieve a return of just under 7% based on operations.

**LOAN TERMS**

<b>MSF Facility:</b>	MCRP Performance Based MCRP Other Economic Assistance Loan Participation
<b>Borrower:</b>	Bagley Development Group, LLC or a Related Entity
<b>Lender:</b>	City of Detroit Downtown Development Authority or a Related Entity
<b>Total Amount of Loans:</b>	Currently estimated at \$7,500,000
<b>Lender Share:</b>	Currently estimated at \$2,500,000
<b>Total Capital Investment:</b>	Currently estimated at \$73,440,373
<b>MSF Eligible Investment:</b>	Currently estimated at \$53,207,691
<b>Minimum Eligible Investment:</b>	Currently estimated at \$42,567,000
<b>MSF Share:</b>	Up to the lesser of 15% of “Eligible Investment” or \$5,000,000
<b>Term:</b>	To reasonably match that of the senior (HUD) lender, anticipated to be to 508 months
<b>Amortization:</b>	N/A
<b>Interest Rate:</b>	3.00% per annum
<b>Repayment Terms:</b>	Monthly interest only payments for 28 months (period to match interest only period of HUD Loan), followed by annual payments equal to 30% of Distributable Cash Flow for 480 months (cash flow to be split on a pro rata basis with the Lender). Developer Fees will be split under the shares as described above.
<b>Collateral:</b>	To reasonably match that of the Lender, currently anticipated to be subordinate Leasehold Mortgage. All collateral will be in a shared position with the Lender.
<b>Guarantee:</b>	To reasonably match that of the Lender. All collateral will be in a shared position with the Lender.
<b>MSF Fees:</b>	The MSF shall be paid a one-time fee equal to one percent of the MSF’s share of the loan. The Lender may charge the borrower for this fee.
<b>Reserves:</b>	The development budget includes approximately \$9,300,000 in interest and operating reserves, and contingencies.

**Deferred Developer Fees:** The developer and related-party fees equal to \$5,136,326 of which 100% will be deferred until such time that the project is producing cash flow in excess of that required for priority debt and other operating obligations.

**Funding:** The MSF will fund up to \$5,000,000 to be disbursed following closing of the financing and achievement other performance criteria.

**Other Conditions:** The MSF’s investment will be contingent upon the following:

- Final approval of \$2,500,000 in financing from the City of Detroit DDA or other related entity
- Final approval of \$3,000,000 in CDBG funding from the City of Detroit
- Executed construction documents, including final “Guaranteed Maximum Price construction contract
- Final Amended Operating Agreement with equity pay-in schedule from the Historic Tax Credit Investor
- Final Development Budget
- Minimum owner equity investment of \$6,300,000
- Local approval of an Obsolete Property Rehabilitation Act abatement and a Neighborhood Enterprise Zone abatement

**SUMMARY OF DEVELOPMENT SOURCES:**

Gershman Mortgage	\$	35,005,200	47.66%
MSF Share	\$	5,000,000	6.81%
DDA Share	\$	2,500,000	3.40%
City of Detroit CDBG	\$	3,000,000	4.09%
Deferred Developer Fees	\$	5,136,326	6.99%
BSPRA	\$	5,675,430	7.73%
HTC Equity	\$	10,803,790	14.71%
Developer Equity	\$	6,319,627	8.61%
<b>TOTAL</b>	<b>\$</b>	<b>73,440,373</b>	<b>100.00%</b>

**SUMMARY OF DEVELOPMENT USES:**

Acquisition	\$	0
Hard Construction Costs	\$	52,221,707
Eligible Soft Costs	\$	985,984
Other	\$	20,232,682
<b>TOTAL</b>	<b>\$</b>	<b>73,440,373</b>

**APPLICANT HISTORY**

With 230 years of combined professional experience, the Bagley Development Group, LLC team boasts leadership in responsibilities spanning many industries. As members of this minority-owned business enterprise, Emmett Moten, Robert Charles, Larry Brinker, Scott Allen, Tom Goss, James Thrower, Roy Roberts and Richard Hosey have led teams and, in some cases, started businesses in sectors including

credit, banking, construction, government, retail merchandising, marketing, property management, and real estate. The organizations these gentlemen have served include Bank of America, the City of Detroit, PIA Merchandising, Fourmidable, Brinker Group, the City of New Orleans, Ford Motor Credit, Exxon, JP Morgan Chase, Little Caesars Enterprises and several others.

The principals of Bagley Development Group, LLC have previously received Michigan Community Revitalization Program awards from the Michigan Strategic Fund board on various residential and commercial developments in the City of Detroit, including the Fort Shelby Hotel and Residences, Kirby Center Lofts, and 1212 Griswold. A background check has been completed in accordance with the MSF Background Review Policy, and the project may proceed for MSF consideration.

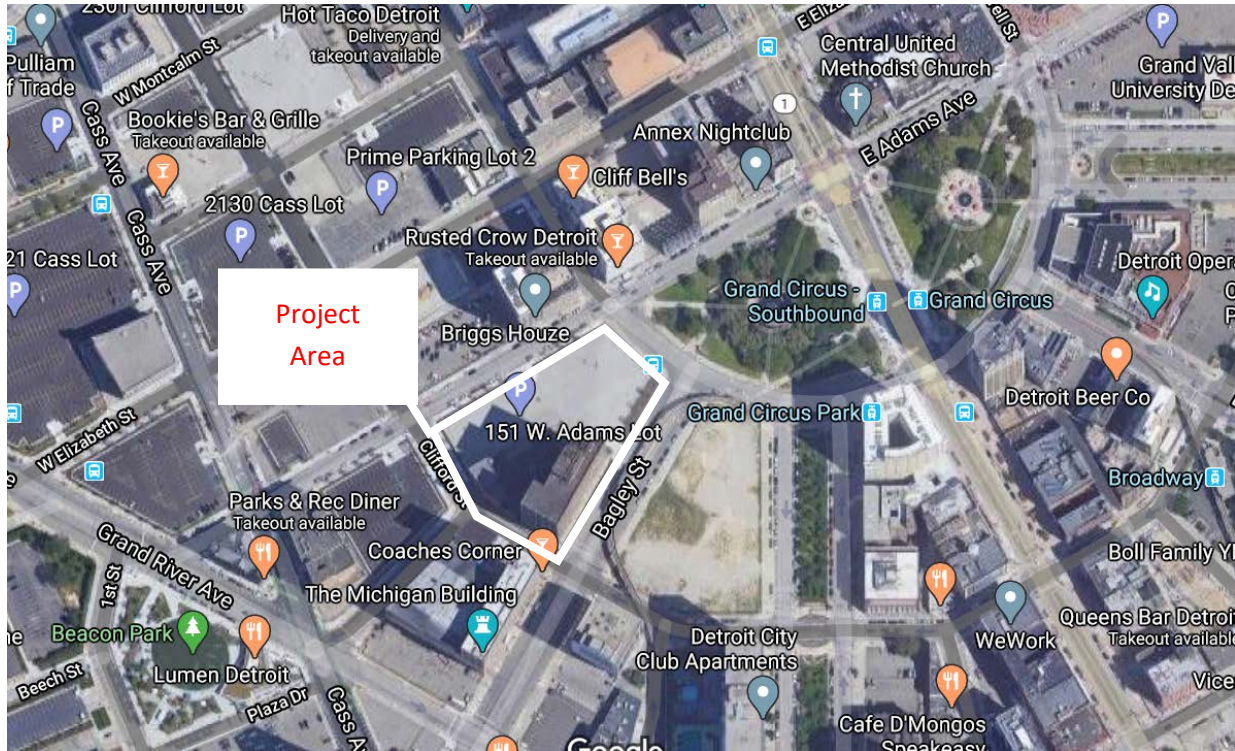
**Appendix A** includes a project map and renderings, **Appendix B** addresses the programmatic requirements, and **Appendix C** contains the organizational chart.

**RECOMMENDATION**

MEDC staff recommends approval of the following:

- A) Approval of funds to be transferred for the specific purpose of this project through MCL 125.2088b(2) to the MCRP Program for the purpose of the program authorized under MCL 125.2088b(2) as long as the program provides for repayment for breach of the written agreement or the failure to meet measurable outcomes.
- B) A MCRP performance-based other economic assistance loan participation in the amount of up to \$5,000,000 for Bagley Development Group, LLC on terms and conditions outlined in Exhibit A found in the resolution.

### APPENDIX A – Project Map and Renderings





## **APPENDIX B – Programmatic Requirements**

### **MCRP Program and Guidelines**

On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program (MCRP) and on July 23, 2019, the MSF Board approved its restated program guidelines. The primary intended objective of the MCRP is to provide incentives to persons that make eligible investments on eligible property in Michigan. It is the role of the MEDC staff to review for eligibility, completeness, and adherence to the program, the information provided by the applicant and to manage the MSF's investment. As required under the MCRP, all statutory criteria for the project have been considered when making the recommendations in this memo. The project meets the MCRP Guidelines and a financial review has been completed.

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

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

The project is of significant importance to the community as it will reactivate a historic asset which has sat unused for years, will increase density near Grand Circus Park and transportation corridors, and will add affordable housing to the market.

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

The project will act as a catalyst for additional revitalization in the community as it represents a significant investment in the downtown that will bring tenants and businesses to the core of the city while building upon the already occurring success underway on Washington Boulevard and Woodward Avenue.

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

The city has committed to provide support through local Community Development Grant Block funds of \$3,000,000 and a Downtown Development Authority loan of \$2,500,000, in addition to an anticipated Obsolete Property Rehabilitation Act abatement valued at \$382,456 and an anticipated Neighborhood Enterprise Zone abatement valued at \$8,306,188.

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

A financing gap exists due to the rising costs of construction in the market, as well as the significant costs related to completing a historic rehabilitation of an existing building that has been vacant for several years. The significant development cost related to reactivating a building of this nature make the project not financially viable without the requested assistance as well as the substantial financial support of the City of Detroit. Additionally, the development team and City of Detroit's commitment to preserving the historic asset and providing affordable residential rental housing (20% of units targeted at 80% or below of AMI) constrains the project cash flow and further necessitates requested support.

The city has committed to providing support through local Community Development Grant Block funds of \$3,000,000 and a Downtown Development Authority loan of \$2,500,000 in addition to an anticipated Obsolete Property Rehabilitation Act abatement valued at \$382,456 and an anticipated Neighborhood Enterprise Zone abatement valued at \$8,306,188. The development

team is also looking to secure over \$10,000,000 in Historic Tax Credit Investor equity. It is anticipated that the proposed MCRP award will allow the development team to achieve a return of just under 7% from operations.

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

The project will rehabilitate the historic United Artist Building to the Secretary of the Interior's standards for historic preservation.

**F. Creation of jobs:**

The project anticipates the creation of 25 full-time equivalent jobs with an average hourly wage \$14.

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

The level of private sector and other contributions, including, but not limited to, federal funds and federal tax credits will equal \$68,440,373. This amount is from \$3 million local CDBG, \$2.5 million City of Detroit DDA loan, \$10,803,790 in Federal Historic Tax Credit equity, \$6,319,627 in cash equity, \$5,136,236 in deferred developer fees, \$35,005,200 in HUD 221(d)(4).

**H. Whether the project is financially and economically sound:**

The City of Detroit DDA and MSF loans will be structured to provide financial flexibility and help ensure the project will remain financially viable.

MEDC staff reviewed an appraisal prepared by Integra Realty Resources with an effective date of December 19, 2019 as part of its analysis. The proposed residential rental structure is in line with other comparable properties provided within the appraisal. Commercial rental rates are below comparable commercial spaces, leading staff to believe there is some commercial revenue upside for the project.

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

The project will increase commercial and residential density by fully activating the 18-story structure not currently being used.

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

The project incorporates both residential and commercial components. The additional density will encourage walkability in the neighborhood and draw in potential customers to the commercial space.

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

The project does not convert an abandoned public building to private use.

**L. Whether the project promotes sustainable development:**

The project promotes sustainable development by including energy efficient appliances and building materials.

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

The project involves the rehabilitation of a historic resource originally built in 1928.

**N. Whether the project addresses area-wide redevelopment:**

The Project addresses overall area wide redevelopment of downtown Detroit through the reuse of an existing historic structure in the core of the downtown.

**O. Whether the project addresses underserved markets of commerce:**

The project does not directly address underserved markets, but the increased density will support other commercial and retail operations in the downtown.

**P. The level and extent of environmental contamination:**

The extent of environmental contamination to be addressed on site is limited to lead and asbestos abatement.

**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 rehabilitation of the United Artist Building, a historic resource, will meet the federal Secretary of the Interior's standards for rehabilitation.

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

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

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

No additional criteria needs to be considered.

### APPENDIX C - Organizational Chart

Bagley Development Group, LLC Organizational Structure				
Bagley Development Group, LLC EIN: 80-2084912				
Bagley Development Group, LLC Manager: Emmett Scott Moten Jr.				
Member		Ownership Interest	EIN	State of Organization
Emmett S. Moten Jr.		11.12%		
Larry S. Brinker Sr.		11.11%		
James F. Thrower		11.11%		
Richard J. Hosey III		11.11%		
Tom Goss		11.11%		
Robert D. Charles		11.11%		
Scott D. Allen		11.11%		
O'Neil D. Swanson		11.11%		
Roy S. Roberts		11.11%		

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2020-059**

**ALLOCATION OF FUNDS AND APPROVAL OF A  
MICHIGAN COMMUNITY REVITALIZATION PROGRAM  
OTHER ECONOMIC ASSISTANCE LOAN PARTICIPATION AWARD TO  
BAGLEY DEVELOPMENT GROUP, LLC OR A RELATED ENTITY  
(UNITED ARTIST BUILDING PROJECT)**

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

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

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

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

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

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

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

**WHEREAS**, as part of the 21<sup>st</sup> Century Jobs Trust Fund initiative, and pursuant to MCL 125.2088h(1), the Jobs for Michigan investment fund was created as a permanent fund authorized by the state constitution (“Investment Fund”);

**WHEREAS**, pursuant to MCL 125.2088h(3)(e), the MSF Board shall direct the investment and reinvestment of the Investment Fund as authorized under Chapter 8A for incentives, including, but not limited to, for the purposes of creating incentives in this state for Revitalizing Michigan Communities;

**WHEREAS**, pursuant to MCL 125.2088b(2)(c), the Investment Fund may allocate money for authorized programs to make expenditures or investments from the Investment Fund for programs or activities authorized pursuant to the 21<sup>st</sup> Century Jobs Trust Fund legislation as long as those programs or activities provide for repayment for breach of the written agreement or the failure to meet measurable outcomes;

**WHEREAS**, pursuant to the MSF Act, specifically, MCL 125.2007(c), the MSF has, among other things, the power to make loans and investments;

**WHEREAS**, the City of Detroit Downtown Development Authority or a Related Entity (“Lender”) will be providing financing to Bagley Development Group, LLC and/or related entities (“Proposed Borrower”) of approximately \$7,500,000 toward the building rehabilitation (“Project”);

**WHEREAS**, the Lender and the Proposed Borrower have requested an Other Economic Assistance Performance Based Loan Participation of up to \$5,000,000 (“Award Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

**WHEREAS**, the MEDC has recommended that the MSF approve the Company’s Award Request through the Investment Fund 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 120 days (“MCRP Award Recommendation”); and

**WHEREAS**, the MEDC recommends that the MSF approve funding of up to \$5,000,000 from the Investment Fund to fund the MCRP Award Recommendation (the “Funding”);

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

**BE IT FURTHER RESOLVED**, the MSF approves the Funding.

Ayes: Britany L. Affolter-Caine, Paul Ajegba, Ronald W. Beebe, Mark Burton, Jeff Donofrio, Paul Gentilozzi, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner

Nays: None

Recused: None

Lansing, Michigan  
May 19, 2020

## EXHIBIT A

### “Term Sheet”

#### **Loan Facility**

<b>MSF Facility:</b>	MCRP Performance Based MCRP Other Economic Assistance Loan Participation
<b>Borrower:</b>	Bagley Development Group, LLC or a Related Entity
<b>Lender:</b>	City of Detroit Downtown Development Authority or a Related Entity
<b>Total Amount of Loans:</b>	Currently estimated at \$7,500,000
<b>Lender Share:</b>	Currently estimated at \$2,500,000
<b>Total Capital Investment:</b>	Currently estimated at \$73,440,373
<b>MSF Eligible Investment:</b>	Currently estimated at \$53,207,691
<b>Minimum Eligible Investment:</b>	Currently estimated at \$42,567,000
<b>MSF Share:</b>	Up to the lesser of 15% of “Eligible Investment” or \$5,000,000
<b>Term:</b>	To reasonably match that of the senior (HUD) lender, anticipated to be to 508 months
<b>Amortization:</b>	N/A
<b>Interest Rate:</b>	3.00% per annum
<b>Repayment Terms:</b>	Monthly interest only payments for 28 months (period to match interest only period of HUD Loan), followed by annual payments equal to 30% of Distributable Cash Flow for 480 months (cash flow to be split on a pro rata basis with the Lender). Developer fees will be split under the shares as described above.
<b>Collateral:</b>	To reasonably match that of the Lender, currently anticipated to be subordinate Leasehold Mortgage. All collateral will be in a shared position with the Lender.
<b>Guarantee:</b>	To reasonably match that of the Lender. All collateral will be in a shared position with the Lender.
<b>MSF Fees:</b>	The MSF shall be paid a one-time fee equal to one percent of the MSF’s share of the loan. The Lender may charge the borrower for this fee.
<b>Funding:</b>	The MSF will fund up to \$5,000,000 to be disbursed following closing of the financing and achievement other performance criteria.

**Other Conditions:**

The MSF's investment will be contingent upon the following:

- Final approval of \$2,500,000 in financing from the City of Detroit DDA or other related entity
- Final approval of \$3,000,000 in CDBG funding from the City of Detroit
- Executed construction documents, including final "Guaranteed Maximum Price construction contract
- Final Amended Operating Agreement with equity pay-in schedule from the Historic Tax Credit Investor
- Final Development Budget
- Minimum owner equity investment of \$6,300,000
- Local approval of an Obsolete Property Rehabilitation Act abatement and a Neighborhood Enterprise Zone abatement





STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

January 16, 2020

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

Re: Michigan Strategic Fund Board Meeting Designee for Treasurer Eubanks

Dear Ms. Bishop:

I hereby designate Andrew Lockwood to attend all Michigan Strategic Fund meetings that I am unable to attend in 2020.

If you need anything additional, please contact Kara Kabia at (517) 241-2624.

Sincerely,

A handwritten signature in blue ink that reads "Rachael Eubanks".

Rachael Eubanks  
State Treasurer

Cc: Eric Bussis  
Andrew Lockwood

**MEMORANDUM**

**Date:** May 19, 2020

**To:** Michigan Strategic Fund Board

**From:** Brittney Hoszkiw, Senior Community Assistance Team Specialist  
Julius Edwards, Commercial Real Estate Investment Manager  
Rob Garza, Brownfield and MCRP Senior Program Specialist

**Subject:** Request for Approval Michigan Community Revitalization Program (MCRP)  
Other Economic Assistance Loan Participation and a Request for Approval of  
an Act 381 Work Plan Amendment  
The Woodward at Midtown Project

---

**PROJECT SUMMARY**

The request will support a community development project that will construct a new 188,494 square foot, five story, mixed-use building representing \$59,005,956 in total capital investment on what is currently a 1.85-acre vacant site along the Woodward corridor in the Midtown neighborhood of Detroit.

The project will result in 204 residential units occupying 124,540 square feet of the building, with 41 of the units being reserved for residents earning 80% or less of the Area Median Income (AMI). It will also include 24,833 square feet of ground floor retail, 39,121 square feet of common area space and 84 surface parking spaces. Surrounding the new building, 8,015 square feet of public improvements to the sidewalks along Woodward and Stimpson Street will also be made as part of this project.

The proposed building is larger than what was previously planned for the site and represents a scope change from the original Act 381 Work Plan and MCRP award request, which was approved by the MSF Board on December 20, 2016. The original project was anticipated to be a five-story mixed-use building that contained approximately 90,000 square feet of total residential and commercial space. In addition, the construction of a three-story parking deck was a component of that project. Rising construction costs halted the fully approved and financed project back in 2018. The original iteration of the project was approved by MSF board in 2016 and reapproved in 2018. The project was unable to close due to the challenging construction environment in the City of Detroit.

Since the original approval from the MSF Board the development team has taken a number of steps in order to put this project in position to come to fruition. The original development team has sought out an additional development partner in the Platform to bring added financial strength and development expertise to the project. Furthermore, the development team has worked with the contractor and architect to redesign the project and worked with lenders to restructure the capital stack while also enlisting financial support from the City of Detroit. Lastly, the development team is making a significant equity contribution of over 17% or \$10,340,956. The investment from the MSF will allow the development team to achieve an anticipated return of just above 7% from operations. After the extensive redesign and value engineering, construction costs which are coming in at approximately \$233 per square foot continue to be

a constraint on the project. Also, the development team and the City of Detroit's commitment to providing affordable residential rental rates constrains the project's cash flow. The project is in line with MCRP underwriting criteria with an average projected debt service coverage ratio of over 1.20 to 1.00 for the term of the loan, and the development team is contributing over 10% (net of developer fees) in owner equity to the project. Staff believes the project would not happen but for the support of the MSF.

The project supports the vision and goals of both the City of Detroit and local economic development organization, Midtown Detroit Inc., by developing one of the remaining vacant lots along the Woodward corridor. Local support includes financial participation in the local portion of the Brownfield TIF with an estimated value of \$1,551,050, anticipated approval of local tax abatements valued at \$10,001,563, reduction of the acquisition price by \$1,000,000 to \$300,000 and a \$2,200,000 loan from the City of Detroit Downtown Development Authority (DDA). The project is located in a geographically disadvantaged area and will promote a mixed-income neighborhood along a major transportation corridor and just steps from Detroit's Q-Line.

#### **REQUEST**

Queen Lillian II LLC ("Applicant") is requesting a MCRP Other Economic Assistance Performance-Based Loan Participation with the City of Detroit's DDA or other related entity (Lender) in the amount of \$5,300,000 and the Detroit Brownfield Redevelopment Authority is requesting approval of a Brownfield Act 381 Work Plan including state tax capture in the amount of \$900,841 to reimburse for MSF eligible activities. Additionally, staff is requesting transfer of funds from the Investment Fund to the Michigan Community Revitalization Program through MCL 125.2088b(2) for the specific purpose of this project. The Applicant anticipates that the project will result in a total capital investment in the amount of \$59,005,956.

#### **PROGRAM SUMMARY**

The request for MCRP and Brownfield support is consistent with program requirements by developing a mixed-use building that will enhance walkability and address underserved markets. The project qualifies for the MCRP and Brownfield Act 381 program because the site is a facility. The project is consistent with MEDC's Strategic Plan because it attracts talent through innovative placemaking and is consistent with our Community Development Goals due to its significant local impact and quality development that contributes to a traditional dense, mixed-use, mixed-income area along a transportation corridor. The project also meets local objectives by filling one of the remaining vacant properties along the Woodward corridor with a contextually appropriate development that will result in a significant amount of square footage being activated.

#### **LOCAL SUPPORT**

Local support for the project includes a \$2,200,000 loan from the City of Detroit DDA, reduction of the land acquisition price by over \$1,000,000, the local portion of Brownfield TIF with an estimated value of \$1,551,050, and anticipated approvals of Public Act 210 Commercial Rehabilitation Act and Neighborhood Enterprise Zone (NEZ) tax abatements with an estimated value of \$10,001,563. The City of Detroit is engaged with the MEDC's Redevelopment Ready Communities (RRC) program. The project is located in a Michigan Geographically Disadvantaged Business Location.

#### **FINANCING OPPORTUNITY**

The City of Detroit DDA along with the Applicant has requested the MSF participate in up to \$5,300,000 of a total \$7,500,000 in construction to permanent loan financing. In addition, it is anticipated CIBC Bank will be providing \$41,165,000 in financing and the development team will be contributing \$10,340,956

(17.53%) in equity to the project. The proposed MCRP award will help to offset relatively high construction costs in the City of Detroit and provide additional financing not available from traditional financing sources. It is anticipated that disbursements to the project on the loan will be made on a pro-rata basis with the City of Detroit DDA's funding, after all the owner equity has been contributed, but before debt from CIBC Bank. Below outlines a summary of the development sources and the proposed structure of the loan participation. With the financing structure described below, it is anticipated that the investors will be able to achieve a return of just over 7% based on operations.

### **LOAN TERMS**

<b>MSF Facility:</b>	MCRP Performance Based Other Economic Assistance Loan Participation
<b>Borrower:</b>	Queen Lillian II LLC or a Related Entity
<b>Lender:</b>	City of Detroit DDA or a Related Entity
<b>Total Amount of Loans:</b>	Currently estimated at \$7,500,000
<b>Lender Share:</b>	Currently estimated at \$2,200,000
<b>Total Capital Investment:</b>	Currently estimated at \$59,005,956
<b>MSF Eligible Investment:</b>	Currently estimated at \$47,174,804
<b>Minimum Eligible Investment:</b>	Currently estimated at \$37,800,000
<b>MSF Share:</b>	Up to the lesser of 20% of "Eligible Investment" or \$5,300,000
<b>Term:</b>	To match that of the Lender, anticipated to be 120 months
<b>Amortization:</b>	To match that of the Lender, anticipated to be 360 months
<b>Interest Rate:</b>	3.00% per annum
<b>Repayment Terms:</b>	Monthly interest only payment for up to 36 months, followed by equal monthly payments of principal and interest, with remaining principal due at maturity.
<b>Collateral:</b>	To reasonably match that of the Lender, currently anticipated being 2 <sup>nd</sup> priority lien on the real estate and a security interest in the TIF reimbursements. All collateral will be in a shared position with the Lender.
<b>Guarantee:</b>	To reasonably match that of the Lender. All collateral will be in a shared position with the Lender.
<b>MSF Fees:</b>	The MSF shall be paid a one-time fee equal to one percent of the MSF's share of the loan. The Lender may charge the borrower for this fee.

- Reserves:** The development budget includes approximately \$7,200,000 in interest and operating reserves, and contingencies.
- Deferred Developer Fees:** The developer and related-party fees equal to \$2,259,811 of which none will be deferred until such time that the project is producing cash flow in excess of that required for priority debt and other operating obligations.
- Funding:** The MSF will fund up to \$5,300,000 to be disbursed following closing of the financing and completion of other performance criteria.
- Other Conditions:** The MSF's investment will be contingent upon the following:
- Final approval of \$2,200,000 in financing from the City of Detroit DDA or other related entity
  - Executed construction documents, including final "Guaranteed Maximum Price construction contract
  - Final amended Loan Transfer Agreement from the City of Detroit
  - Final Amended Operating Agreement with the inclusion of the Platform ownership
  - Final Development Budget
  - Minimum owner equity investment of \$9,800,000 or 10% of total development costs
  - Local approval of Commercial Rehabilitation Act 210 abatement and a Neighborhood Enterprise Zone abatement

**SUMMARY OF DEVELOPMENT SOURCES:**

CIBC Bank	\$	41,165,000	69.76%
MSF Share	\$	5,300,000	8.98%
DDA Share	\$	2,200,000	3.73%
Developer Equity	\$	10,340,956	17.53%
<b>TOTAL</b>	<b>\$</b>	<b>59,005,956</b>	<b>100.00%</b>

**SUMMARY OF DEVELOPMENT USES:**

Acquisition	\$	300,000
Hard Construction Costs	\$	46,447,108
Eligible Soft Costs	\$	3,122,228
Other	\$	9,136,619
<b>TOTAL</b>	<b>\$</b>	<b>59,005,956</b>

**TAX CAPTURE SUMMARY**

In order to alleviate brownfield conditions and prepare the site for redevelopment, the City of Detroit, a Qualified Local Governmental Unit, has duly approved a brownfield plan for this property on June 30, 2014. The property has been determined to be a facility as verified by the Michigan Department of Environment, Great Lakes, and Energy (EGLE) on March 16, 2020.

There are 65.3227 non-homestead mills available for capture, with State mills from school operating and SET millages equaling 24 mills (36.74%) and local millage equaling 41.3227 mills (63.26%). Tax increment capture will begin in 2022 and is estimated to continue for 9 years. The state tax capture is recommended to be capped at \$900,841, which is the amount of tax increment revenue anticipated to be generated in 9 years. Total MSF eligible activities are estimated at \$2,451,891. The final ratio accounts for the NEZ and PA 210 tax abatements. MSF eligible activities breaks down as follows:

<b><u>ORIGINAL PROJECT</u></b>		
State tax capture	(37.90%)	\$ 1,531,199
Local tax capture	(62.10%)	\$ <u>2,508,905</u>
<b>TOTAL</b>		<b>\$ 4,040,104</b>

<b><u>AMENDED PROJECT</u></b>		
State tax capture	(36.74%)	\$ 900,841
Local tax capture	(63.26%)	\$ <u>1,551,050</u>
<b>TOTAL</b>		<b>\$ 2,451,891</b>

**COST OF MSF ELIGIBLE ACTIVITIES (ORIGINAL PROJECT)**

Demolition	\$	154,900
Infrastructure Improvements		2,440,317
Site Preparation	+	<u>907,047</u>
Sub-Total	\$	3,502,264
Contingency (15%)	+	<u>525,340</u>
Sub-Total	\$	4,027,604
Brownfield/Work Plan Preparation	+	<u>12,500</u>
<b>TOTAL</b>	<b>\$</b>	<b><u>4,040,104</u></b>

**COST OF MSF ELIGIBLE ACTIVITIES (AMENDED PROJECT)**

Demolition	\$	784,506
Infrastructure Improvements		750,952
Site Preparation	+	<u>451,924</u>
Sub-Total	\$	1,987,382
Contingency (15%)	+	<u>298,107</u>
Sub-Total	\$	2,285,489
Interest (5%)	+	<u>136,402</u>
Sub-Total	\$	2,421,891
Brownfield/Work Plan Preparation	+	15,000
Brownfield/Work Plan Implementation	+	<u>15,000</u>
<b>TOTAL</b>	<b>\$</b>	<b><u>2,451,891</u></b>

In addition, the project is requesting \$356,439 in TIF from EGLE to assist with environmental eligible activities.

**APPLICANT HISTORY**

The project is being led by Queen Lillian II LLC which includes Chris Jackson, who is the managing partner of Detroit-based Jackson Consulting Group. Jackson has real estate experience from various public and private endeavors and received MSF support for both MCRP and Brownfield TIF for The

Mondrian in 2016. After being faced with over \$10,000,000 in construction costs increases, work on the Mondrian was halted and project redesigned to the development before you now. Queen Lillian II LLC will also include The Platform, which has received MSF support for several projects including Baltimore Station, The Boulevard, and The Obama Building. The Platform, led by Peter Cummings, is focused on inclusive development across neighborhoods in the city of Detroit. A background check has been completed in accordance with the MSF Background Review Policy, and the project may proceed for MSF consideration.

**Appendix A** includes a project map and renderings, **Appendix B** addresses the programmatic requirements and **Appendix C** contains the organizational chart.

**RECOMMENDATION**

MEDC staff recommends approval of the following (the “Recommendation”):

- A) Approval of funds to be transferred for the specific purpose of this project through MCL 125.2088b(2) to the MCRP Program for the purpose of the program authorized under MCL 125.2088b(2) as long as the program provides for repayment for breach of the written agreement or the failure to meet measurable outcomes.
- B) Amended State tax capture for the Act 381 eligible activities capped at \$900,841, utilizing the current state to local capture ratio.
- C) A MCRP Performance Based Other Economic Assistance Loan Participation in the amount of up to \$5,300,000 for Queen Lillian II LLC on terms and conditions outlined in Exhibit A found in the resolution.

### APPENDIX A – Project Map and Renderings





## **APPENDIX B – Programmatic Requirements**

### **MCRP Program and Guidelines**

On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program (MCRP) and on July 23, 2019, the MSF Board approved its restated program guidelines. The primary intended objective of the MCRP is to provide incentives to persons that make eligible investments on eligible property in Michigan. It is the role of the MEDC staff to review for eligibility, completeness, and adherence to the program, the information provided by the applicant and to manage the MSF's investment. As required under the MCRP, all statutory criteria for the project have been considered when making the recommendations in this memo. The project meets the MCRP Guidelines and a financial review has been completed.

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

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

The project is significant to the City of Detroit because it provides density of residential units in a key commercial center of Detroit with easy access to public transportation. The development addresses one of the last remaining vacant lots along the Woodward corridor. First floor commercial wraps the building and will draw traffic down Stimpson Street connecting the pedestrian and commercial activity along the Woodward and Cass corridors.

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

The project's location on the west side of Woodward is in an area of Midtown with less foot traffic and less development in comparison to the exponential growth of Brush Park on the East side of Woodward. This development is positioned to draw development West of Woodward to Cass Avenue and will serve as a catalyst for other nearby development activity.

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

The City of Detroit has demonstrated a significant amount of community and financial support for the project including the City of Detroit DDA contributing a \$2,200,000 loan, the local portion of the Brownfield TIF with an estimated value of \$1,551,050, and the anticipated support for a Public Act 210 tax abatement and Neighborhood Enterprise Zone tax abatement with a combined estimated value of \$10,001,563. The development team purchased the land from the City of Detroit which approved a land acquisition reduction from \$1,300,000 to \$300,000 in 2019 in order to ensure this project become a reality.

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

Staff believes the project would not happen but for support of the MSF. The original iteration of the project was approved by MSF board in 2016 and reapproved in 2018. The project was unable to close due to a difficult and costly construction environment. Since the original approval from the MSF Board, the development team has taken a number of steps in order to put this project in position to come to fruition. The original development has sought out an additional development partner in the Platform to bring additional financial strength and development expertise to the project. Additionally, the development team has worked with the contractor and architect to redesign the project and worked with lenders to restructure the capital stack and enlisted the financial support of the City of Detroit. Lastly, the development team has maximized available traditional debt financing and is making a significant equity contribution of over 17% or

\$10,340,956. The investment from the MSF will allow the development team to achieve an anticipated return of just above 7% from operations.

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

The project does not reuse a vacant building, historic building, or involve the redevelopment of blighted property.

**F. Creation of jobs:**

The project intends to create approximately 2.5 full-time equivalent jobs related to property management and leasing with an average hourly wage of \$22.50.

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

The project is being financed through various private sources including \$41,165,000 or 69% loan to cost from CIBC who is acting as senior lender. The development team is also contributing \$10,340,956 in cash equity or 17% total project costs. Staff is proposing filling the remaining \$7,500,000 or 12% of total project costs with MCRP performance-based loan participation with the City of Detroit DDA.

**H. Whether the project is financially and economically sound:**

Following the achievement of stabilized operations, it is projected that the project will be able to achieve an average debt service coverage ratio of over 1.20 to 1.00 over the term of the MCRP Award. Additionally, the project will be supported with the development expertise and financial strength of the Platform as part of the development team.

As part of the staff's analysis of the project, an appraisal performed by Integra Realty Resources with an effective date of March 9, 2020 was reviewed. The proposed rental structure is in line other comparable projects in the market.

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

The project adds 204 residential apartment units and commercial space to a currently vacant 1.85-acre parcel of land.

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

The project is a mixed-use development with ground floor retail and four floors of residential above. It is located in close proximity to both QLine and bus stops. The development is a short five-minute walk to a grocery store and other neighborhood amenities and will include bike storage and electric car charging stations.

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

The project does not convert abandoned public buildings to private use.

**L. Whether the project promotes sustainable development:**

The development team has included several environmentally sustainable components into the site plan including underground stormwater retention system, energy star appliances, individualized controlled heating and cooling in each unit, a central boiler system, insulated double-pane glass,

low-flow toilets and fixtures, recycling chute on each residential floor, low VOC finishes, LED lighting, native plantings and electric car charging and bike storage options for residents.

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

The project does not involve the rehabilitation of a historic resource.

**N. Whether the project addresses area-wide redevelopment:**

The development fills an important gap along the Woodward corridor between the thriving mixed-use developments in the heart of Detroit's Midtown neighborhood. The retail options will increase amenity offerings for the surrounding area. The increase in density of people living in Midtown will also help attract other goods and services often requested by residents.

**O. Whether the project addresses underserved markets of commerce:**

Approximately 1,000 square feet of commercial space will be reserved as entrepreneur space for an up and coming company, offering below-market rental rates. The development team is committed to reaching Detroit-based, minority owned businesses seeking brick and mortar locations.

**P. The level and extent of environmental contamination:**

Contaminants were detected at concentrations exceeding state residential criteria in the fill materials and clay located in various areas throughout the property between 3 and 12 feet below the surface. Exposure risks will be mitigated through appropriate due care precautions including engineering controls, source removal, contact barriers and vapor intrusion mitigation.

**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 is not qualifying as a historic resource.

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

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

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

No other criteria has been identified.

**Brownfield Act 381 Program Additional Project Information:**

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

The project is not qualifying as functionally obsolete or blighted.

**B. Whether project will create a new brownfield property in the State:**

No new Brownfields will be created by this project.

### APPENDIX C - Organizational Chart

Queen Lillian II LLC Organizational Structure				
Queen Lillian II LLC EIN: 46-1105375				
Queen Lillian II LLC Manager: Platform Neighborhood Manager 1 LLC				
Member		Ownership Interest	EIN	State of Organization
<b>Platform Neighborhood Investment Fund 1 LP</b>		<b>85.00%</b>	82-4080511	Deleware
Platform Neighborhood GP 1 LLC (General Partner and Fund Manager)	0.01%			
Platform Co-Invest (owned and controlled by Peter D. Cummings & Family)	9.99%			
The Ford Foundation	29.80%			
SMR Revocable Trust u/a/d 12/12/2013	14.90%			
Sky Group Grand, LLC	14.90%	+		
Ralph L. and Winifred E. Polk Foundation	4.77%			
HFP Associates Limited Partnership	7.45%			
The Fisher Group Raised City 2018 Fund LLC	4.77%			
Sidney A. Kohl 2012 Irrevocable Family Trust	2.98%			
William F. Pickard Detroit Neighborhood Investment Co, LLC	2.98%			
James A. Jacob Revocable Trust	4.47%			
Michael W. Tawney Living Trust	2.98%			
<b>Queen Lillian Holdings LLC</b>		<b>15.00%</b>	83-4067127	Michigan
Chris Jackson	35.00%			
Jim Jenkins	55.00%			
Leader 1 LLC	10.00%			
<b>Key Principals/Guarantors:</b>		<b>Amount of Guarantee</b>		
Peter D. Cummings (Principal)		N/A		
Christopher Jackson (Principal)		N/A		
Platform Neighborhood Investment Fund 1 LP		This entity will provide a 100% recourse guarantee on the state debt.		

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2020-060**

**ALLOCATION OF FUNDS AND APPROVAL OF A MICHIGAN COMMUNITY  
REVITALIZATION PROGRAM OTHER ECONOMIC ASSISTANCE LOAN PARTICIPATION  
AWARD TO  
QUEEN LILLIAN II LLC OR A RELATED ENTITY  
(THE WOODWARD AT MIDTOWN PROJECT)**

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

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

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

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

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

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

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

**WHEREAS**, as part of the 21<sup>st</sup> Century Jobs Trust Fund initiative, and pursuant to MCL 125.2088h(1), the Jobs for Michigan investment fund was created as a permanent fund authorized by the state constitution (“Investment Fund”);

**WHEREAS**, pursuant to MCL 125.2088h(3)(e), the MSF Board shall direct the investment and reinvestment of the Investment Fund as authorized under Chapter 8A for incentives, including, but not limited to, for the purposes of creating incentives in this state for Revitalizing Michigan Communities;

**WHEREAS**, pursuant to MCL 125.2088b(2)(c), the Investment Fund may allocate money for authorized programs to make expenditures or investments from the Investment Fund for programs or activities authorized pursuant to the 21<sup>st</sup> Century Jobs Trust Fund legislation as long as those programs or activities provide for repayment for breach of the written agreement or the failure to meet measurable outcomes;

**WHEREAS**, pursuant to the MSF Act, specifically, MCL 125.2007(c), the MSF has, among other things, the power to make loans and investments;

**WHEREAS**, City of Detroit Downtown Development Authority or a Related Entity (“Lender”) will be providing financing to Queen Lillian II LLC and/or related entities (“Proposed Borrower”) of approximately \$7,500,000 toward the building construction (“Project”);

**WHEREAS**, the Lender and the Proposed Borrower have requested an Other Economic Assistance Performance Based Loan Participation of up to \$5,300,000 (“Award Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

**WHEREAS**, the MEDC has recommended that the MSF approve the Company’s Award Request through the Investment Fund 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 120 days (“MCRP Award Recommendation”); and

**WHEREAS**, the MEDC recommends that the MSF approve funding of up to \$5,300,000 from the Investment Fund to fund the MCRP Award Recommendation (the “Funding”);

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

**BE IT FURTHER RESOLVED**, the MSF approves the Funding.

Ayes: Britany L. Affolter-Caine, Paul Ajegba, Ronald W. Beebe, Mark Burton, Jeff Donofrio, Paul Gentilozzi, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier

Nays: None

Recused: Cindy Warner

Lansing, Michigan  
May 19, 2020

## EXHIBIT A

### “Term Sheet”

#### Loan Facility

<b>MSF Facility:</b>	MCRP Performance Based Other Economic Assistance Loan Participation
<b>Borrower:</b>	Queen Lillian II LLC or a Related Entity
<b>Lender:</b>	City of Detroit DDA or a Related Entity
<b>Total Amount of Loans:</b>	Currently estimated at \$7,500,000
<b>Lender Share:</b>	Currently estimated at \$2,200,000
<b>Total Capital Investment:</b>	Currently estimated at \$59,005,956
<b>MSF Eligible Investment:</b>	Currently estimated at \$47,174,804
<b>Minimum Eligible Investment:</b>	Currently estimated at \$37,800,000
<b>MSF Share:</b>	Up to the lesser of 20% of “Eligible Investment” or \$5,300,000
<b>Term:</b>	To match that of the Lender, anticipated to be 120 months
<b>Amortization:</b>	To match that of the Lender, anticipated to be 360 months
<b>Interest Rate:</b>	3.00% per annum
<b>Repayment Terms:</b>	Monthly interest only payment for up to 36 months, followed by equal monthly payments of principal and interest, with remaining principal due at maturity.
<b>Collateral:</b>	To reasonably match that of the Lender, currently anticipated being 2 <sup>nd</sup> priority lien on the real estate and a security interest in the TIF reimbursements. All collateral will be in a shared position with the Lender.
<b>Guarantee:</b>	To reasonably match that of the Lender. All collateral will be in a shared position with the Lender.
<b>MSF Fees:</b>	The MSF shall be paid a one-time fee equal to one percent of the MSF’s share of the loan. The Lender may charge the borrower for this fee.
<b>Funding:</b>	The MSF will fund up to \$5,300,000 to be disbursed following closing of the financing and completion of other performance criteria.
<b>Other Conditions:</b>	The MSF’s investment will be contingent upon the following: <ul style="list-style-type: none"><li>• Final approval of \$2,200,000 in financing from the City of Detroit DDA or other related entity</li><li>• Executed construction documents, including final “Guaranteed Maximum Price construction contract</li></ul>

- Final amended Loan Transfer Agreement from the City of Detroit
- Final Amended Operating Agreement with the inclusion of the Platform ownership
- Final Development Budget
- Minimum owner equity investment of \$9,800,000 or 10% of total development costs
- Local approval of Commercial Rehabilitation Act 210 abatement and a Neighborhood Enterprise Zone abatement





STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

January 16, 2020

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

Re: Michigan Strategic Fund Board Meeting Designee for Treasurer Eubanks

Dear Ms. Bishop:

I hereby designate Andrew Lockwood to attend all Michigan Strategic Fund meetings that I am unable to attend in 2020.

If you need anything additional, please contact Kara Kabia at (517) 241-2624.

Sincerely,

A handwritten signature in blue ink that reads "Rachael Eubanks".

Rachael Eubanks  
State Treasurer

Cc: Eric Bussis  
Andrew Lockwood

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2020-061**

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN  
CITY OF DETROIT BROWNFIELD REDEVELOPMENT AUTHORITY  
THE WOODWARD AT MIDTOWN PROJECT  
AMENDMENT #1**

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

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

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

**WHEREAS**, the MSF Board approved a Work Plan request for The Mondrian at Midtown Project (the “Project”), by Resolution 2016-266 on December 20, 2016, authorizing the Authority to capture taxes levied for school operating purposes based on a maximum of \$4,040,104 in eligible activities;

**WHEREAS**, the City of Detroit Brownfield Redevelopment Authority (the “Authority”) wishes to amend the scope of the Project by constructing a new 188,494 square foot, five story, mixed-use building containing 204 residential units occupying 124,540 square feet, 24,833 square feet of ground floor retail, 39,121 square feet of common space, and decreasing the maximum amount for eligible costs;

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

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

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as 36.74% to 63.26% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, and infrastructure improvements as presented in the revised Work Plan dated April 9, 2020. Any change in millage that increases the capture percentage of school taxes in the ratio above by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on costs of MSF eligible activities with a maximum of \$2,285,489 for the principal activity costs of non-environmental activities and a contingency, a maximum of \$136,402 in interest, a maximum of \$15,000 for Brownfield/Work Plan implementation, and a maximum of \$15,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$900,841.

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

**BE IT FURTHER RESOLVED**, that the requirement identified in Resolution 2016-266 that completion of eligible activities occur within three (3) years from the date of Resolution 2016-266 is hereby removed.

**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 \$136,402 related to the eligible activities for the Project.

**BE IT FURTHER RESOLVED**, that all other provisions of Resolution 2016-266 are reaffirmed, and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

Ayes: Britany L. Affolter-Caine, Paul Ajegba, Ronald W. Beebe, Mark Burton, Jeff Donofrio, Paul Gentilozzi, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier

Nays: None

Recused: Cindy Warner

Lansing, Michigan  
May 19, 2020



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

January 16, 2020

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

Re: Michigan Strategic Fund Board Meeting Designee for Treasurer Eubanks

Dear Ms. Bishop:

I hereby designate Andrew Lockwood to attend all Michigan Strategic Fund meetings that I am unable to attend in 2020.

If you need anything additional, please contact Kara Kabia at (517) 241-2624.

Sincerely,

A handwritten signature in blue ink that reads "Rachael Eubanks".

Rachael Eubanks  
State Treasurer

Cc: Eric Bussis  
Andrew Lockwood

## MEMORANDUM

**Date:** May 19, 2020

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

**From:** Christine Whitz, Director, Community Development Block Grant Program  
Greg West, Community Development Block Grant Program, Manager

**Subject:** *Community Development Block Grant Program  
Program Year 2019 Action Plan Amendment*

---

### Request

Michigan Economic Development Corporation (“MEDC”) Staff recommends the Michigan Strategic Fund (“MSF”) approval of the 2019 Program Year Action Plan Amendment (Exhibit A) for the Community Development Block Grant (“CDBG”) Program.

### Background

The U.S. Department of Housing and Urban Development (“HUD”) allocates CDBG funding to the State of Michigan, through the MSF, for further distribution to eligible Units of General Local Government to carry out State approved activities.

On March 27, 2020 the Coronavirus Aid, Relief and Economic Security (CARES) Act was passed by the U.S. Congress and signed into law. The U.S. Department of Housing and Urban Development (HUD) has requested the Michigan CDBG program incorporate the anticipated \$20,500,953 in CDBG Coronavirus Response (CDBG-CV) funds within their 2019 Annual Action Plan. The attached (Exhibit B) outlines the CARES Act eligible activities to support Coronavirus and other infectious disease response with CDBG-CV funds as well as CDBG program year 2019 grant funds. The eligible activities fall under the current 2019 CDBG Funding Guide, Public Facilities, Assistance to Businesses, Planning, Capacity Building and Technical Assistance. The CDBG program will be adding Public Services to current eligible activities to be funded with CDBG-CV and Program Year 2019 CDBG grant funds.

The State of Michigan's Consolidated Plan is submitted pursuant to a HUD rule (24 CFR Part 91, 1/5/95) as a single submission covering the planning and application of HUD's CDBG, Emergency Shelter Grant (ESG), HOME Investment Partnership (HOME) and Housing Opportunities for Persons with AIDS (HOPWA) formula programs. While the MSHDA submits the Consolidated Plan on the State's behalf, the MSF has authority over the attached Action Plan (Exhibit A) related to CDBG funds. The selection criteria for each program are general in the Action Plan and details can be found in the 2019 CDBG Funding Guide approved by the MSF September 24, 2019.

### Recommendation

The MEDC Staff recommends:

The MSF approve the attached 2019 Action Plan Amendment for the CDBG Program related to the CARES Act.

# COMMUNITY DEVELOPMENT BLOCK GRANT CDBG-CV ALLOCATION SUMMARY

## Introduction

Signed into law March 27<sup>th</sup>, 2020, H.R.748 the “Coronavirus Aid, Relief, and Economic Security Act” or the “CARES Act”, provides over \$2 trillion in aid nationwide to respond to the coronavirus. As part of this response, \$2 billion in Community Development Block Grant Coronavirus (CDBG-CV) funds is being allocated to fiscal year 2020 CDBG recipients through the existing CDBG allocation formula. Of this, \$20,500,953 will be allocated to the State of Michigan. This funding is awarded to the State by the US Department of Housing and Urban Development (HUD) and administered by the Michigan Strategic Fund (MSF) to prevent, prepare for, and respond to coronavirus.

## CDBG-CV Allocation Details

The Michigan CDBG program, with guidance from HUD and in collaboration with national, state and local partners, has created the CDBG COVID-19 Response program to best react to the needs of the state during the response, and future recovery from the pandemic.

The CDBG COVID-19 Response program will utilize CDBG-CV funding to prevent, prepare for, and respond to coronavirus by:

- Creating or improving community infrastructure, facilities, and services for the public.
- Providing for the retention of jobs for low- and moderate-income people.
- Providing planning and technical assistance to grantees.
- Funding other eligible activities as required or necessary to respond to coronavirus.

Additionally, through waivers provided in the CARES Act, the remaining PY19 CDBG funding will also be available to support the State response to COVID-19. Activities funded will benefit low- and moderate-income people, eliminate blight, or meet needs having a particular urgency and be eligible under the Housing Community Development Act (HCDA).

## Method of Distribution

### CDBG COVID-19 Response

This program allows for the MI CDBG program to collaborate with other federal, state, and local agencies in responding to coronavirus through both open and competitive applications. Resources will be allocated based on need and prioritize the unique needs of low- and moderate-income persons and the development of partnerships between all levels of government and the private for-profit and nonprofit sectors. Further specifics on these initiatives can be found in CDBG COVID Response Guide.

## Quick Guide to CDBG Eligible Activities to Support Coronavirus and Other Infectious Disease Response

### REVISED April 6, 2020

Grantees should coordinate with local health authorities before undertaking any activity to support state or local pandemic response. Grantees may use Community Development Block Grant (CDBG) funds for a range of eligible activities that prevent and respond to the spread of infectious diseases such as the coronavirus.

### Examples of Eligible Activities to Support Coronavirus and Other Infectious Disease Response

<i>For more information, refer to applicable sections of the Housing and Community Development Act of 1974 (for State CDBG Grantees) and CDBG regulations (for Entitlement CDBG grantees).</i>	
<b>Buildings and Improvements, Including Public Facilities</b>	
Acquisition, construction, reconstruction, or installation of public works, facilities, and site or other improvements. <i>See section 105(a)(2) (42 U.S.C. 5305(a)(2)); 24 CFR 570.201(c).</i>	Construct a facility for testing, diagnosis, or treatment.
	Rehabilitate a community facility to establish an infectious disease treatment clinic.
	Acquire and rehabilitate, or construct, a group living facility that may be used to centralize patients undergoing treatment.
Rehabilitation of buildings and improvements (including interim assistance). <i>See section 105(a)(4) (42 U.S.C. 5305(a)(4)); 24 CFR 570.201(f); 570.202(b).</i>	Rehabilitate a commercial building or closed school building to establish an infectious disease treatment clinic, e.g., by replacing the HVAC system.
	Acquire, and quickly rehabilitate (if necessary) a motel or hotel building to expand capacity of hospitals to accommodate isolation of patients during recovery.
	Make interim improvements to private properties to enable an individual patient to remain quarantined on a temporary basis.
<b>Assistance to Businesses, including Special Economic Development Assistance</b>	
Provision of assistance to private, for-profit entities, when appropriate to carry out an economic development project. <i>See section 105(a)(17) (42 U.S.C. 5305(a)(17)); 24 CFR 570.203(b).</i>	Provide grants or loans to support new businesses or business expansion to create jobs and manufacture medical supplies necessary to respond to infectious disease.
	Avoid job loss caused by business closures related to social distancing by providing short-term working capital assistance to small businesses to enable retention of jobs held by low- and moderate-income persons.
Provision of assistance to microenterprises. <i>See section 105(a)(22) (42 U.S.C. 5305(a)(22)); 24 CFR 570.201(o).</i>	Provide technical assistance, grants, loans, and other financial assistance to establish, stabilize, and expand microenterprises that provide medical, food delivery, cleaning, and other services to support home health and quarantine.

<b>Provision of New or Quantifiably Increased Public Services</b>	
<p>Following enactment of the CARES Act<sup>1</sup>, the public services cap<sup>2</sup> has no effect on CDBG-CV grants and no effect on FY 2019 and 2020 CDBG grant funds used for coronavirus efforts.</p> <p><i>See section 105(a)(8) (42 U.S.C. 5305(a)(8)); 24 CFR 570.201(e).</i></p>	Carry out job training to expand the pool of health care workers and technicians that are available to treat disease within a community.
	Provide testing, diagnosis or other services at a fixed or mobile location.
	Increase the capacity and availability of targeted health services for infectious disease response within existing health facilities.
	Provide equipment, supplies, and materials necessary to carry-out a public service.
	Deliver meals on wheels to quarantined individuals or individuals that need to maintain social distancing due to medical vulnerabilities.
<b>Planning, Capacity Building, and Technical Assistance</b>	
<p>States only: planning grants and planning only grants.</p> <p><i>See section 105(a)(12).</i></p>	Grant funds to units of general local government may be used for planning activities in conjunction with an activity, they may also be used for planning only as an activity. These activities must meet or demonstrate that they would meet a national objective. These activities are subject to the State's 20 percent administration, planning and technical assistance cap.
<p>States only: use a part of to support TA and capacity building.</p> <p><i>See section 106(d)(5) (42 U.S.C. 5306(d)(5)).</i></p>	Grant funds to units of general local government to hire technical assistance providers to deliver CDBG training to new subrecipients and local government departments that are administering CDBG funds for the first time to assist with infectious disease response. This activity is subject to the State's 3 percent administration, planning and technical assistance cap.
<p>Entitlement only: data gathering, studies, analysis, and preparation of plans and the identification of actions that will implement such plans. <i>See 24 CFR 570.205.</i></p>	Gather data and develop non-project specific emergency infectious disease response plans.

<sup>1</sup> On March 27, 2020, President Trump approved the Coronavirus Aid, Relief, and Economic Security Act (Public Law 116-136) (CARES Act). The CARES Act makes available \$5 billion in CDBG coronavirus response (CDBG-CV) funds to prevent, prepare for, and respond to coronavirus.

<sup>2</sup> Section 105(a)(8) of the HCD Act caps public service activities at 15 percent of most CDBG grants. Some grantees have a different percentage cap.



**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2020-062**

**APPROVAL THE AMENDMENT OF  
COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM  
2019 ACTION PLAN**

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

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

**WHEREAS**, the CDBG program has policies, criteria, and parameters that are enumerated in the 2019 Program Year Funding Guide, as amended (the “Criteria”). The MSF, by Resolution 2015-039, authorized and approved the Consolidated Plan and the MSF, by Resolution 2019-133, authorized and approved the 2019 Program Year Funding Guide Excerpt which includes guidelines for CDBG 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 CDBG program desires to adopt the policies, criteria, and parameters for the selection of projects which are enumerated in the attached CDBG-Coronavirus (CV) Allocation Summary (Exhibit A) and CDBG Eligible Activities to Support Coronavirus and Other Infectious Disease Response (Exhibit B).

**WHEREAS**, the CDBG program staff reviewed the Exhibit A and Exhibit B and concluded that the policies meet the enabling legislation, federal regulations and the requirements of the Consolidated Plan.

**WHREAS**, the CDBG program staff recommends that the MSF adopt the attached Exhibit B to update the selection criteria in the current 2019 Program Year Funding Guide for the CDBG program.

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF Board adopts the attached Exhibit A as the policies, criteria, and parameters for projects being considered and funded with 2019 Program Year funds and

**BE IT FURTHER RESOLVED**, that the MSF Board authorizes the Fund Manager to make minor modifications to the document, if needed, and to take any action necessary to effectuate the terms of this Resolution.

Ayes: Britany L. Affolter-Caine, Paul Ajegba, Ronald W. Beebe, Mark Burton, Jeff Donofrio, Paul Gentilozzi, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner

Nays: None

Recused: None

Lansing, Michigan  
May 19, 2020



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

January 16, 2020

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

Re: Michigan Strategic Fund Board Meeting Designee for Treasurer Eubanks

Dear Ms. Bishop:

I hereby designate Andrew Lockwood to attend all Michigan Strategic Fund meetings that I am unable to attend in 2020.

If you need anything additional, please contact Kara Kabia at (517) 241-2624.

Sincerely,

A handwritten signature in blue ink that reads "Rachael Eubanks".

Rachael Eubanks  
State Treasurer

Cc: Eric Bussis  
Andrew Lockwood

## MEMORANDUM

**Date:** May 19, 2020

**To:** Michigan Strategic Fund

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

**Subject:** Michigan Translational Research and Commercialization (“MTRAC”) Statewide Program Grant - Wayne State University – Advanced Computing Innovation Hub

---

### Request

The Michigan Economic Development Corporation (“MEDC”) requests that the Michigan Strategic Fund (“MSF”) Board approve a grant of up to \$350,000 and for an initial term of one year for the Wayne State University (“WSU”) MTRAC Advanced Computing Innovation Hub (the “Request”).

### Background

The MTRAC Statewide Program was created pursuant to Section 88o of the MSF Act, MCL 125.2088o, to 1) encourage and work with the State of Michigan’s public universities to identify commercial potential in advanced technologies from individual institutions of higher education; 2) facilitate the bundling of inventions from individual institutions of higher education into packages that could be of interest to private sector firms looking for commercialization opportunities; 3) encourage business formation efforts in institution of higher education technology transfer offices to increase the number of institution of higher education related start-up companies; 4) encourage institutions of higher education to provide their faculty with incentives for participating in the technology transfer and commercialization activities; and 5) facilitate the use of applied research expertise within institutions of higher education by qualified businesses.

In April 2016, the MSF approved the creation of the MTRAC Statewide Program and guidelines including the designation of five Innovation Hubs for the support of translational research projects, in the following key areas: Bio-Medical Sciences, Life Sciences, Advanced Transportation, Advanced Materials and Agriculture-Biology. In October 2018, the MSF approved the elimination of the Bio-Medical program and recognized those activities as part of the Life Sciences Innovation Hub. The MSF also approved the addition of the Advanced Computing Innovation Hub, maintaining program guidelines to support a total of five statewide innovation hubs: Life Science, Advanced Transportation, Ag Bio, Advanced Materials and Advanced Computing.

In February 2019, the MSF approved WSU as the MTRAC Statewide Program Advanced Computing Innovation Hub. The Advanced Computing Innovation Hub focuses on commercializing technologies such as cognitive computing (machine learning, advanced analytics, robotics automation) immersive

technologies (virtual reality, augmented reality), cybersecurity, internet of things (IoT), blockchain and industry x.0.

As outlined in the program guidelines, the designation as an Innovation Hub and its ability to receive funding from the MSF under the MTRAC Statewide Program is valid for a period not to exceed six years from date of designation. The research university managing an Innovation Hub may apply for additional funding annually through an amendment or a new grant award every two years, within three months prior to the current grant period end date.

**Program Details**

The Advanced Computing MTRAC Innovation Hub Oversight Committee reviews all proposals to determine commercial viability and votes to approve project milestones and budgets assisting the project lead in achieving the greatest potential of getting to the commercial market. The Oversight Committee is comprised of key industry experts, as well as, Venture Capitalists from firms having an Advanced Computing investment focus. Current active member organizations include: General Motors, Baker Tilly, Invest Michigan, The Inovo Group, eLab, TD Ameritrade, Accenture, Daisy Intelligence, BitLyft and JEMS Technology.

As of March 31, 2020, the Advanced Computing Innovation Hub has reported the following metrics:

	<b>Since statewide program designation 2019-2020 11 months</b>	<b>Total Results</b>
Number of proposals reviewed by Oversight Committee	16	16
Projects funded	3	3
<b>Commercialization Results Since Project Funding through 3/31/2020 (these numbers are updated on a quarterly basis)</b>		
	<b>Project Results from Funding 2019-2020 11 months*</b>	<b>Total Results*</b>
Startups	0	0
Jobs	0	0
Licenses and options	0	0
Follow on funding	\$0	\$0
Patents applied for	0	0
Patents issued	0	0
Institutions where projects received funding	Wayne State University, Michigan State University, University of Michigan - Dearborn	

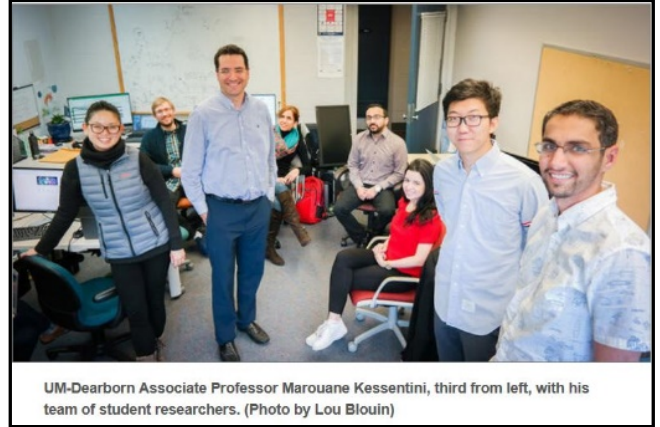
\*The Oversight Committee awarded projects on December 6<sup>th</sup>. The projects began working on their projects within the last 1-3 months once the contracts were executed and funds transferred.

## Funded Project Highlight



ISRef is developing and commercializing an intelligent interactive Software Refactoring tool that can automatically detect problems with software architectural and coding quality and recommend actionable solutions.

Refactoring is the process of changing a software system to improve its internal structure without altering the external behavior of the program. It not only improves readability but reduces complexity of software systems. This process of software development requires enormous human effort, forcing highly skilled engineers to waste significant time adapting many tedious requirements, design, implementation, quality and testing details. As the software programs become larger and more complex, it is becoming more challenging for humans to develop and maintain the software without automated and semi-automated tools -- The market for software maintenance is nearly **\$96 billion per year globally**.



## Breakthrough technologies supported

**SafeDNet:** An intelligent decentralized mesh network platform that enables early detection & alert, real-time insight and wide-area coverage of industrial threats. The technology has the potential to significantly improve the safety and quality of life of the most-at-risk workers in chemical plants, manufacturing plants, construction, and mining as well as emergency first responders.

**Software package for analyzing human brain fMRI data:** Novel data-driven analytical software approach for analyzing fMRI data for clinical utility to provide clinicians with vital information for neuroimaging diagnosis, evaluations of neurological diseases, and pre-surgical planning.

**AISee:** A scalable and reliable smart home surveillance software system capable of detecting targets of interest and recognizing them from multiple cameras to eliminate false alarms and enable new features not currently available on traditional surveillance systems.

**AudioTweak:** State-of-the-art artificial intelligence technology for audio element separation and editing. The software utilizes novel deep learning models to understand elements of audio, separates them into different soundtracks, recognizes these elements with classified names, and provides the editing tools to modify individual audio elements.

**Rapid Prototyping of AR/VR Simulation & Training Apps:** Holistic software tools for rapid-prototyping, test-driven development, and analytics to rapidly create and validate novel AR/VR application design concepts and prototypes.

**Project-RED OUT:** an integrated robotic and mixed reality platform to provide surgeons the ability to see through a bleed out during surgery

**Institutions supported**

MTRAC for Advanced Computing Hub has supported projects from the following institutions:

- University of Michigan -1
- Wayne State University -1
- Michigan State University -1

**Recommendation**

MEDC Staff recommends that the MSF Board approve the Request.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2020-063**

**APPROVAL OF MICHIGAN TRANSLATIONAL RESEARCH  
AND COMMERCIALIZATION INNOVATION HUB GRANT AMENDMENT**

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

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

**WHEREAS**, pursuant to Section 88o of the Act, the MSF shall create and operate a program to accelerate technology transfer from Michigan’s institutions of higher education to the private sector for commercialization of competitive edge technologies and bioeconomy technologies;

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

**WHEREAS**, on February 26, 2019, the MSF Board designated Wayne State University (“WSU”) as the Innovation Hub for Advanced Computing activities, a designation which lasts for six years under the MTRAC Program (the “Advanced Computing Innovation Hub”) and approved a grant of \$250,000 with an initial term of one year, with the option to extend for an additional one year and allocate additional funding at the sole discretion of the MSF (the “Grant Award”);

**WHEREAS**, the MEDC recommends that the MSF Board exercise its option to extend the Grant Award for an additional one year and allocate additional funding of \$350,000 to WSU for continuation of Advanced Computing Innovation Hub activities (the “Amendment Request”); and

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

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board approves the Amendment Request and authorizes the MSF Fund Manager to take all action necessary to effectuate the Amendment Request, consistent with the terms and conditions of this resolution.

Ayes: Paul Ajegba, Ronald W. Beebe, Mark Burton, Paul Gentilozzi, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Cindy Warner

Nays: None

Recused: Britany L. Affolter-Caine

Lansing, Michigan  
May 19, 2020



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

January 16, 2020

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

Re: Michigan Strategic Fund Board Meeting Designee for Treasurer Eubanks

Dear Ms. Bishop:

I hereby designate Andrew Lockwood to attend all Michigan Strategic Fund meetings that I am unable to attend in 2020.

If you need anything additional, please contact Kara Kabia at (517) 241-2624.

Sincerely,

A handwritten signature in blue ink that reads "Rachael Eubanks".

Rachael Eubanks  
State Treasurer

Cc: Eric Bussis  
Andrew Lockwood





May 13, 2020

MSF Fund Manager  
MEDC  
300 N. Washington Square  
Lansing, Michigan

Dear Fund Manager,

This is to advise that I am recusing myself from voting and excuse myself during the discussion of the following items on the Michigan Strategic Fund Board Meeting Agenda on Tuesday, May 19, 2020.

- Advanced Computing MTRAC Innovation Hub – Grant Amendment
- Advanced Materials MTRAC Innovation Hub – Grant Amendment
- Ag Bio MTRAC Innovation Hub – Grant Amendment
- MTRAC Life Sciences Innovation Hub – Funding Allocation

The reason for my recusal is that I have a potential conflict of interest with respect to the grantees of the MTRAC program.

Sincerely,

A handwritten signature in cursive script that reads 'Britany Affolter-Caine'.

Britany Affolter-Caine  
Executive Director  
Michigan's University Research Corridor

## MEMORANDUM

**Date:** May 19, 2020

**To:** Michigan Strategic Fund

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

**Subject:** Michigan Translational Research and Commercialization (“MTRAC”) Statewide Program Grant - Michigan Technological University – Advanced Materials Innovation Hub

---

### **Request**

The Michigan Economic Development Corporation (“MEDC”) requests that the Michigan Strategic Fund (“MSF”) Board approve a grant of up to \$250,000 and for an initial term of one year for the Michigan Technological University (“Michigan Tech”) MTRAC Advanced Materials Innovation Hub (the “Request”).

### **Background**

The MTRAC Statewide Program was created pursuant to Section 880 of the MSF Act, MCL 125.20880, to 1) encourage and work with the State of Michigan’s public universities to identify commercial potential in advanced technologies from individual institutions of higher education; 2) facilitate the bundling of inventions from individual institutions of higher education into packages that could be of interest to private sector firms looking for commercialization opportunities; 3) encourage business formation efforts in institution of higher education technology transfer offices to increase the number of institution of higher education related start-up companies; 4) encourage institutions of higher education to provide their faculty with incentives for participating in the technology transfer and commercialization activities; and 5) facilitate the use of applied research expertise within institutions of higher education by qualified businesses.

In April 2016, the MSF approved the creation of the MTRAC Statewide Program and guidelines including the designation of five Innovation Hubs for the support of translational research projects, in the following key areas: Bio-Medical Sciences, Life Sciences, Advanced Transportation, Advanced Materials and Agriculture-Biology. In October 2018, the MSF approved the elimination of the Bio-Medical program and recognized those activities as part of the Life Sciences Innovation Hub. The MSF also approved the addition of the Advanced Computing Innovation Hub, maintaining program guidelines to support a total of five statewide innovation hubs: Life Science, Advanced Transportation, Ag Bio, Advanced Materials and Advanced Computing.

In February 2017, the MSF approved Michigan Tech as the MTRAC Statewide Program Advanced Materials Innovation Hub. The Advanced Materials Innovation Hub focuses on commercializing

technologies related to novel materials, novel applications of conventional materials and equipment or processes that enable the application of either a.) novel materials b.) conventional materials for a novel purpose.

As outlined in the program guidelines, the designation as an Innovation Hub and its ability to receive funding from the MSF under the MTRAC Statewide Program is valid for a period not to exceed six years from date of designation. The research university managing an Innovation Hub may apply for additional funding annually through an amendment or a new grant award every two years, within three months prior to the current grant period end date.

### **Program details**

The Advanced Materials MTRAC Innovation Hub Oversight Committee reviews all proposals to determine commercial viability and votes to approve project milestones and budgets assisting the project lead in achieving the greatest potential of getting to the commercial market. The Oversight Committee comprises representatives of industry and the venture capital community with experience, expertise, and networks in the commercialization of materials-related technologies. Current active member organizations include BASF, TGap Ventures, Dow, Crimson Hill, and Longbow Innovations.

As of March 31, 2020, the Advanced Materials Innovation Hub has reported the following metrics:

	<b>Prior to statewide program designation 2014-2016 2 years</b>	<b>After statewide program designation 2017-2019 2 years</b>	<b>Total Results</b>
Number of proposals reviewed by Oversight Committee	37	43	80
Projects funded	13	10	23
<b>Commercialization Results Since Project Funding through 3/31/2020 (these numbers are updated on a quarterly basis)</b>			
	<b>Project Results from Funding 2014-2016 2 years</b>	<b>Project Results from Funding 2017-2019 2 years</b>	<b>Total Results</b>
Startups	5	2	7
Jobs	12	0	12
Licenses and options	5	2	7
Follow on funding	\$15,046,860	\$7,016,860	\$22,063,828
Patents applied for	16	0	16
Patents issued	3	0	3
Institutions where projects received funding	Michigan Technological University	Michigan Technological University, University of Michigan,	

		Michigan State University, Metropolitan Detroit Research and Education Foundation, Wayne State University	
--	--	---	--

### **Start-up Company Highlights**



[StabiLux Biosciences](#) is a Michigan Technological University spinoff company that has developed proprietary, high-brightness dyes for biomedical applications. Created by Dr. Yoke Khin Yap at Michigan Technological University, the dyes promise the ability to enhance the capabilities of existing flow cytometry units by enabling the detection of cells and low abundance biological markers that were previously lost in the background fluorescence. With an expanded selection regarding the optical wavelength emitted from the dye with orders of magnitude larger in intensity, new cellular signaling pathways and other essential cellular functions can be studied like never before. From CEO Steve Tokarz, “The MTRAC Advanced Materials as well as the follow on MTRAC Life Science funds were a big part of our overall success. The MTRAC funds were a strategic part of our early funding plan providing capital that was not available from any other source. Since MTRAC, we have raised an additional \$1.2M in federal grants as well as \$900k in private investment, 50% of which came from outside Michigan.”

[SCOPS Coating Technologies](#) produces a family of environmentally friendly fluorine-free and long lasting omni-phobic (all repelling) coatings and polymer additives. These coatings can be employed in many applications, ranging from protecting smartphone screens to inhibiting corrosion of metallic components to preventing graffiti from adhering to public spaces. Recent public health concerns regarding the use of PFAS and other fluorinated compounds as a water and oil repelling solution has caused many businesses to seek for alternative solutions, driving demand for fluorine-free analogous products. Formulated by Dr. Muhammad Rabnawaz and developed at Michigan State University, MTRAC was able to support development of samples of the proprietary coating to be provided directly to industry partners for testing, characterization and critical feedback allowing continued development to specifically address industry demands.

### **Breakthrough technologies supported**

#### **NanoSound - Active Noise Control**

Dr. Andrew Barnard from Michigan Technological University has developed a noise control system enabled by the novel application of carbon nanotubes. Whereas traditional systems are passive and seek to absorb sound waves, this system in real-time reduces or eliminates their wave propagation to control sound traveling through an engineered region. Dramatically smaller than their passive counterparts, these new systems allow for noise control applications not previously possible. “MTRAC helped us de-risk our coaxial carbon nanotube speaker technology which led to an additional \$600k in external university contracts” said Barnard. “Because of this early prototype de-risking, we are now negotiating with several VC firms and industry partners for a seed round of investment in the company.”

### **Nano-Sized Salt Production**

Dr. Timothy Eisele from Michigan Technological University has developed and is currently refining a production method for producing food-grade salt crystals on a nano-size scale. The large surface to volume ratio allows for a powerful flavor profile, reducing the overall volume required for the same taste. The strong flavor with low volume of salt reduces the overall volume needed, thereby reducing the overall sodium a patron consumes, addressing a critical health concern. The CDC's sodium fact sheet estimates that reducing the average population's sodium consumption by just 400 mg a day is projected to avert as many as 28,000 deaths due to high blood pressure, stroke, and heart attacks that would otherwise result from overconsumption of sodium. MTRAC enabled the production of a pilot plant for this salt production, and enabled a small, private Michigan business the ability to afford to partner with the institution to create this opportunity.

### **Industrial Waste for Energy Generation**

This technology enables the processing of biomass, industrial wastes, and municipal solid waste into a material that is suitable as a prospective drop-in, carbon-neutral solution for coal in power plants and as a feedstock for the production of liquid fuels. The technology development under the MTRAC project enabled the validation of processing parameters and reactor design for material suitable for test burns in commercially operating power generation facilities. Meeting this necessary requirement allowed the inventor Dr. Ezra Bar-Ziv and Michigan Tech to establish existing and developing partnerships with industry and to move forward into pilot implementation and plan how best to transfer this technology for use in an industrial setting.

### **Institutions supported**

MTRAC for Advanced Materials Hub has supported projects from the following institutions:

- Michigan Technological University - 16
- University of Michigan - 3
- Michigan State University - 2
- Wayne State University - 1
- Metropolitan Detroit Research and Education Foundation - 1

### **Recommendation**

MEDC Staff recommends that the MSF Board approve the Request.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2020-064**

**APPROVAL OF MICHIGAN TRANSLATIONAL RESEARCH  
AND COMMERCIALIZATION INNOVATION HUB GRANT AWARD**

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

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

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

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

**WHEREAS**, on February 28, 2017, the MSF Board designated Michigan Technological University (“Michigan Tech”) as the Innovation Hub for Advanced Materials activities, a designation which lasts for six years under the MTRAC Program (the “Advanced Materials Innovation Hub”);

**WHEREAS**, the MEDC recommends that the MSF Board approve a grant award of up to \$250,000 to Michigan Tech as the Advanced Materials Innovation Hub, with an initial grant term of one year, with the option to extend the term for an additional one year and allocate additional funding at the sole discretion of the MSF Board (the “Grant Award”); and

**WHEREAS**, the MSF Board wishes to approve the Grant Award.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board approves the Grant Award and authorizes the MSF Fund Manager to take all action necessary to effectuate the Grant Award, consistent with the terms and conditions of this resolution.

Ayes: Paul Ajegba, Ronald W. Beebe, Mark Burton, Paul Gentilozzi, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Cindy Warner

Nays: None

Recused: Britany L. Affolter-Caine

Lansing, Michigan  
May 19, 2020



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

January 16, 2020

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

Re: Michigan Strategic Fund Board Meeting Designee for Treasurer Eubanks

Dear Ms. Bishop:

I hereby designate Andrew Lockwood to attend all Michigan Strategic Fund meetings that I am unable to attend in 2020.

If you need anything additional, please contact Kara Kabia at (517) 241-2624.

Sincerely,

A handwritten signature in blue ink that reads "Rachael Eubanks".

Rachael Eubanks  
State Treasurer

Cc: Eric Bussis  
Andrew Lockwood



May 13, 2020

MSF Fund Manager  
MEDC  
300 N. Washington Square  
Lansing, Michigan

Dear Fund Manager,

This is to advise that I am recusing myself from voting and excuse myself during the discussion of the following items on the Michigan Strategic Fund Board Meeting Agenda on Tuesday, May 19, 2020.

- Advanced Computing MTRAC Innovation Hub – Grant Amendment
- Advanced Materials MTRAC Innovation Hub – Grant Amendment
- Ag Bio MTRAC Innovation Hub – Grant Amendment
- MTRAC Life Sciences Innovation Hub – Funding Allocation

The reason for my recusal is that I have a potential conflict of interest with respect to the grantees of the MTRAC program.

Sincerely,

A handwritten signature in cursive script that reads "Britany Affolter-Caine".

Britany Affolter-Caine  
Executive Director  
Michigan's University Research Corridor



## MEMORANDUM

**Date:** May 19, 2020

**To:** Michigan Strategic Fund

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

**Subject:** Michigan Translational Research and Commercialization (“MTRAC”) Statewide Program Grant - Michigan State University - Agriculture-Biology Innovation Hub

---

### Request

The Michigan Economic Development Corporation (“MEDC”) requests that the Michigan Strategic Fund (“MSF”) Board approve a grant of up to \$350,000 and for an initial term of one year for the Michigan State University (“MSU”) MTRAC Agriculture-Biology Innovation Hub (the “Request”).

### Background

The MTRAC Statewide Program was created pursuant to Section 88o of the MSF Act, MCL 125.2088o, to 1) encourage and work with the State of Michigan’s public universities to identify commercial potential in advanced technologies from individual institutions of higher education; 2) facilitate the bundling of inventions from individual institutions of higher education into packages that could be of interest to private sector firms looking for commercialization opportunities; 3) encourage business formation efforts in institution of higher education technology transfer offices to increase the number of institution of higher education related start-up companies; 4) encourage institutions of higher education to provide their faculty with incentives for participating in the technology transfer and commercialization activities; and 5) facilitate the use of applied research expertise within institutions of higher education by qualified businesses.

In April 2016, the MSF approved the creation of the MTRAC Statewide Program and guidelines including the designation of five Innovation Hubs for the support of translational research projects, in the following key areas: Bio-Medical Sciences, Life Sciences, Advanced Transportation, Advanced Materials and Agriculture-Biology. In October 2018, the MSF approved the elimination of the Bio-Medical program and recognized those activities as part of the Life Sciences Innovation Hub. The MSF also approved the addition of the Advanced Computing Innovation Hub, maintaining program guidelines to support a total of five statewide innovation hubs: Life Science, Advanced Transportation, Agriculture-Biology (“Ag-Bio”), Advanced Materials and Advanced Computing.

In June 2016, the MSF designated MSU as the MTRAC Statewide Program AgBio Innovation Hub. The AgBio Innovation Hub focuses on commercializing AgBio technologies related to food, fuel and fiber, including bio-derived/bio-based materials, natural resources, clean water and animal/crop health.

As outlined in the program guidelines, the designation as an Innovation Hub and its ability to receive funding from the MSF under the MTRAC Statewide Program is valid for a period not to exceed six years from date of designation. The research university managing an Innovation Hub may apply for additional funding annually through an amendment or a new grant award every two years, within three months prior to the current grant period end date.

### **Program Details**

The AgBio MTRAC Innovation Hub Oversight Committee reviews all proposals to determine commercial viability and votes to approve project milestones and budgets. Members also assist the project team in mentoring and addressing commercially relevant issues. The Oversight Committee comprises AgBio industry experts, as well as, Venture Capitalists from firms having an AgBio investment focus. Current active member organizations include: Corteva Agriscience, BASF, Marquis Energy, Cultivian Sandbox Venture Partners, Spartan Innovations, The Yield Lab and TechAccel.

As of March 31, 2020, the AgBio Innovation Hub has reported the following metrics:

	<b>Prior to statewide program designation 2012-2016 3.5 years</b>	<b>After statewide program designation 2017-2020 2.5 years</b>	<b>Total Results</b>
Number of proposals reviewed by Oversight Committee	63	90	153
Projects funded	24	49	73
<b>Commercialization Results Since Project Funding through 3/31/2020 (these numbers are updated on a quarterly basis)</b>			
	<b>Project Results from Funding 2012-2016 3.5 years</b>	<b>Project Results from Funding 2017-2020 2.5 years</b>	<b>Total Results</b>
Startups	2	3	5
Jobs	9	2	11
Licenses or options	3	9	12
Follow on funding	\$12,371,729	\$71,998,017	\$84,369,746
Patents applied for	12	54	66
Patents issued	13	35	48
Institutions where projects received funding	Michigan State University	Michigan State University, University of Michigan, Michigan Technological University	

## Start-up Company Highlights



[CiBO Technologies](#) is a science-driven software company that provides objective, real-time information about land. It uses an integrated and proprietary data platform and crop model to deliver transparency regarding past and present productivity of farmland. Its tools enable effective predictions of future potential and help growers and communities realize the large-scale efficiencies that are needed to promote economic profitability and environmental sustainability. CiBO's technology was developed at Michigan State University by Bruno Basso, PhD. The AgBio MTRAC program supported prototype software development and optimization of the data analytics platform which allowed the



Bruno Basso, Ph.D.  
Co-founder

technology to attract the attention of Flagship Pioneering, a VC firm in Cambridge, MA. Since then, CiBO Technologies has received more than \$61M in investments from different sources. “We combine science, data, and software to develop virtual agricultural ecosystems that unlock previous unattainable outcomes for customers.” said CiBO Technologies co-founder Dr. Bruno Basso. The company’s long-term vision is to be the “Zillow of Agriculture”.



[MagPlasma, Inc](#) provides industry partners with novel materials, processing technologies, and advanced material solutions. Their advanced manufacturing methods improve product performance while reducing energy usage and reliance on fossil resources. Based in Troy, MI, MagPlasma’s first product is a high-capacity activated carbon material manufactured using breakthrough plasma technology developed and patented by MSU professor Qi Hua Fan. The AgBio MTRAC program supported the early stage prototype development work on the technology. The technology was optioned to MagPlasma following the successful test of the prototype system. MagPlasma continues to work with its development partners to develop a range of commercial applications. One surprising application may be in the removal of polyfluorinated alkyl (PFAS) compounds from waste streams and drinking water (see breakthrough technologies below). So far, MagPlasma has received initial funding from Red Cedar Ventures to continue development of the commercial manufacturing process. Founder and CEO Martin Toomajian says they have several investors lined up for next stage development, pending the success of the mid-scale manufacturing equipment test.



Martin Toomajian P.E.  
CEO

## **Breakthrough technologies supported**

[PFAS Adsorption and Inactivation Technologies](#). Polyfluoroalkyl substances (PFAS) have been used for decades as a component of a variety of fire resistant industrial and consumer goods. PFAS contamination has now been detected in a wide variety of wastewater and groundwater sources. The potential toxicity of these compounds at very low concentrations, together with the intrinsic strength of the carbon-fluorine bond, makes effective removal and inactivation of these compounds particularly challenging. It has become one of the most important environmental contamination issues of our time, especially in Michigan. The MTRAC AgBio Innovation Hub has provided important translational research funding to a “portfolio” of potential solutions to this critical problem; funding research teams to tackle the two major challenges associated with successful PFAS treatment.

[Incorporation of Novel Early Flowering Trait into Maize Promises Better Corn Yields](#). Dr Guo-qing Song (Horticulture) is the developer of a genetic technology that targets a group of flowering pathway genes to promote faster growth and higher yield. The potential use of the technology, referred to as MSU’s “K-domain technology”, has been demonstrated in blueberry. Under MTRAC funding, Song and his team have successfully transferred the trait into corn for the first time and achieved a first-generation backcross into the commercially relevant B73 maize line. His success in doing so represents one of the first successful transfers of a plant quality trait (*i.e.* not a pesticide or herbicide related trait) into a commercially significant maize line.

[Development of a Motion Capture and Machine Learning System for Livestock Assessment and Herd Optimization](#). Dr. Madonna Benjamin and her team in the MSU College of Veterinary Medicine are using mobility (*i.e.* locomotion) patterns and machine learning to develop automated and quantifiable indicators of sow reproductive potential, body condition and health. The technology, referred to as “Sows in Motion” (SIM) utilizes noninvasive observational methods to assess sow motion and make inferences from the patterns observed. The system (SIMKit) involves both a robust hardware platform together with an array of proprietary computational image processing algorithms to assist in herd management and optimization. The technology represents the application of data analytic technologies to swine herd value optimization and represents a potentially path-breaking development in livestock management.

Other projects currently funded under the AgBio MTRAC program address diverse markets, such as:

- (1) Food Waste Upgrading: Recovery of high-value antioxidant extracts from cherry pits and other food process waste streams using a novel, efficient, water-ethanol extraction technology. (Axia Institute, MSU)
- (2) Low Cost Feed Additive: Novel process for converting vermiculite waste products into high quality animal feed inputs (MTU)
- (3) Biobased Adhesives: Use of lignocellulosic waste streams from fruit production into replacements for synthetic polyols used in polyurethane adhesives (MSU)
- (4) Conversion of Plastic Waste to Energy: Advanced pyrolysis technology for converting diverse plastic waste to energy feedstocks (MTU)
- (5) Prevention of Animal Alpha Herpes Virus Infection: A Novel, DNA-based alpha herpes virus vaccine technology for domestic animals and livestock (MSU)

### **Institutions supported**

MTRAC for AgBio Hub has supported projects from the following institutions:

- Michigan State University – 43
- Michigan Tech University – 4
- University of Michigan – 2

### **Recommendation**

MEDC Staff recommends that the MSF Board approve the Request.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2020-065**

**APPROVAL OF MICHIGAN TRANSLATIONAL RESEARCH  
AND COMMERCIALIZATION INNOVATION HUB GRANT AWARD**

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

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

**WHEREAS**, pursuant to Section 88o of the Act, the MSF shall create and operate a program to accelerate technology transfer from Michigan’s institutions of higher education to the private sector for commercialization of competitive edge technologies and bioeconomy technologies;

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

**WHEREAS**, on June 28, 2016, the MSF Board designated Michigan State University (“MSU”) as the Innovation Hub for Agriculture-Biology activities, a designation which lasts for six years under the MTRAC Program (the “Ag-Bio Innovation Hub”);

**WHEREAS**, the MEDC recommends that the MSF Board approve a grant award of up to \$350,000 to MSU as the Ag-Bio Innovation Hub, with an initial grant term of one year, with the option to extend the term for an additional one year and allocate additional funding at the sole discretion of the MSF Board (the “Grant Award”); and

**WHEREAS**, the MSF Board wishes to approve the Grant Award.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board approves the Grant Award and authorizes the MSF Fund Manager to take all action necessary to effectuate the Grant Award, consistent with the terms and conditions of this resolution.

Ayes: Paul Ajegba, Ronald W. Beebe, Mark Burton, Paul Gentilozzi, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Cindy Warner

Nays: None

Recused: Britany L. Affolter-Caine

Lansing, Michigan  
May 19, 2020



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

January 16, 2020

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

Re: Michigan Strategic Fund Board Meeting Designee for Treasurer Eubanks

Dear Ms. Bishop:

I hereby designate Andrew Lockwood to attend all Michigan Strategic Fund meetings that I am unable to attend in 2020.

If you need anything additional, please contact Kara Kabia at (517) 241-2624.

Sincerely,

A handwritten signature in blue ink that reads "Rachael Eubanks".

Rachael Eubanks  
State Treasurer

Cc: Eric Bussis  
Andrew Lockwood



May 13, 2020

MSF Fund Manager  
MEDC  
300 N. Washington Square  
Lansing, Michigan

Dear Fund Manager,

This is to advise that I am recusing myself from voting and excuse myself during the discussion of the following items on the Michigan Strategic Fund Board Meeting Agenda on Tuesday, May 19, 2020.

- Advanced Computing MTRAC Innovation Hub – Grant Amendment
- Advanced Materials MTRAC Innovation Hub – Grant Amendment
- Ag Bio MTRAC Innovation Hub – Grant Amendment
- MTRAC Life Sciences Innovation Hub – Funding Allocation

The reason for my recusal is that I have a potential conflict of interest with respect to the grantees of the MTRAC program.

Sincerely,

A handwritten signature in cursive script that reads 'Britany Affolter-Caine'.

Britany Affolter-Caine  
Executive Director  
Michigan's University Research Corridor



## MEMORANDUM

**Date:** May 19, 2020

**To:** Michigan Strategic Fund Board

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

**Subject:** Funding Allocation for the Michigan Translational Research and Commercialization (MTRAC) Statewide Program, Life Science Innovation Hub

---

### **Request**

The Michigan Economic Development Corporation (“MEDC”) requests that the Michigan Strategic Fund (“MSF”) Board allocate \$730,456 from the Michigan Translational Research and Commercialization (“MTRAC”) Statewide Program in additional funding for the University of Michigan (“UM”) Medical School Fast Forward Medical Innovation MTRAC Life Science Innovation Hub (the “Request”).

### **Background**

In July 2016, the MSF approved the UM Medical School Fast Forward Medical Innovation as the MTRAC Statewide Program Life Science Innovation Hub (the “Life Science Innovation Hub”). The Life Science Innovation Hub focuses on commercializing technologies including the development of therapeutics, medical devices, medical diagnostics and digital health. As outlined in the program guidelines, the designation as an Innovation Hub and its ability to receive funding from the MSF under the MTRAC Statewide Program is valid for a period not to exceed six (6) years from date of designation.

In December 2019, the MSF Board approved a one-year continuation of hub activities through 12/31/2020 and allocated \$1,000,000 from the FY2020 MTRAC Program budget to the MTRAC Life Science Innovation Hub. The MEDC recommends that the MSF allocate \$730,456 in additional funding to the MTRAC Life Sciences Hub at UM.

**Program Results**

From January 2017 through March 2020, the MTRAC Life Sciences Innovation Hub has reported the following metrics:

Number of proposal review by Oversight Committee	196
Number of projects funded by Oversight Committee	94
Startups formed	14
Jobs created	13
Licenses and Options	13
Follow on funding	\$8,284,868
Institutions where projects received funding	University of Michigan, Michigan State University, Wayne State University, Michigan Technological University, Grand Valley State University, Western Michigan University, Beaumont, Henry Ford and Spectrum Innovations

**Recommendation**

MEDC Staff recommends that the MSF Board approve this additional allocation of \$730,456 through December 31, 2020 from the MTRAC Program budget for the MTRAC Life Science Innovation Hub.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2020-066**

**APPROVAL OF MICHIGAN TRANSLATIONAL RESEARCH  
AND COMMERCIALIZATION PROGRAM AWARD TO UNIVERSITY OF MICHIGAN  
LIFE SCIENCES INNOVATION HUB**

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

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

**WHEREAS**, pursuant to Section 88o of the Act, the MSF shall create and operate a program to accelerate technology transfer from Michigan’s institutions of higher education to the private sector for commercialization of competitive edge technologies and bioeconomy technologies;

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

**WHEREAS**, on July 26, 2016, the MSF Board designated the University of Michigan Medical School as the Innovation Hub for Life Science activities;

**WHEREAS**, on September 25, 2018, the MSF approved a grant of \$2,000,000 for an initial term of one year, with the option to extend for one additional year and to allocate additional funding at the sole discretion of the MSF (the “UM Life Sciences MTRAC Grant”);

**WHEREAS**, on September 24, 2019, the MSF Fund Manager, in accordance with the MSF Compiled Resolutions for delegation of authority, approved a no cost extension of the MTRAC Grant to December 31, 2019 (“Amendment #1”);

**WHEREAS**, on December 17, 2019, the MSF Board exercised its option to extend the grant to December 31, 2020 and allocated \$1,000,000 in additional funding (“Amendment #2”);

**WHEREAS**, the MEDC recommends that the MSF Board allocate \$730,456 in additional funding to support the Innovation Hub activities through December 31, 2020 (the “Grant Amendment Request”); and

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

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

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

Ayes: Paul Ajegba, Ronald W. Beebe, Mark Burton, Paul Gentilozzi, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Cindy Warner

Nays: None

Recused: Britany L. Affolter-Caine

Lansing, Michigan  
May 19, 2020



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

January 16, 2020

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

Re: Michigan Strategic Fund Board Meeting Designee for Treasurer Eubanks

Dear Ms. Bishop:

I hereby designate Andrew Lockwood to attend all Michigan Strategic Fund meetings that I am unable to attend in 2020.

If you need anything additional, please contact Kara Kabia at (517) 241-2624.

Sincerely,

A handwritten signature in blue ink that reads "Rachael Eubanks".

Rachael Eubanks  
State Treasurer

Cc: Eric Bussis  
Andrew Lockwood



May 13, 2020

MSF Fund Manager  
MEDC  
300 N. Washington Square  
Lansing, Michigan

Dear Fund Manager,

This is to advise that I am recusing myself from voting and excuse myself during the discussion of the following items on the Michigan Strategic Fund Board Meeting Agenda on Tuesday, May 19, 2020.

- Advanced Computing MTRAC Innovation Hub – Grant Amendment
- Advanced Materials MTRAC Innovation Hub – Grant Amendment
- Ag Bio MTRAC Innovation Hub – Grant Amendment
- MTRAC Life Sciences Innovation Hub – Funding Allocation

The reason for my recusal is that I have a potential conflict of interest with respect to the grantees of the MTRAC program.

Sincerely,

A handwritten signature in cursive script that reads 'Britany Affolter-Caine'.

Britany Affolter-Caine  
Executive Director  
Michigan's University Research Corridor

## MEMORANDUM

**Date:** May 19, 2020

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

**From:** Natalie Chmiko, VP, Pure Michigan Business Connect & International Trade

**Subject:** MI-STEP Eligibility Guidelines Modification and Reimbursement Percentage Increase

---

### Action

Michigan Economic Development Corporation (“MEDC”) requests that the MSF Board approve the MI State Trade Expansion Program (MI-STEP) updated program guidelines. Program guidelines are being updated based on directive from the U.S. Small Business Administration (SBA).

### Background

On April 1, 2020 a STEP Directors Memo was issued by James Parker, STEP Director, as part of SBA’s Coronavirus Aid, Relief, and Economic Security (CARES) Act. The following increases were made to current reimbursement ceilings:

FY2019, STEP Year 8

- Fees for shipping sample products. Formerly capped at \$2,000. Increased to cap of \$4,000.
- Cost of compliance testing existing product for entry into an export market. Formerly capped at \$3,000. Increased to a cap of \$6,000.
- Website translation into foreign language, search engine optimization, and localization services. Formerly capped at \$3,000. Increased to a cap of \$6,000.
- Design of marketing media (capped at \$3,000) commensurate with STEP’s statutory objectives deemed appropriate and approved in advance by SBA. Formerly capped at \$3,000. Increased to cap of \$6,000.

In addition to these changes as a result of MEDC’s COVID-19 response, the International Trade Program also requests to increase the reimbursement ceiling from 50% for international website development to 75%, allowing for additional access to virtual assistance by companies impacted by COVID-19. The reduced matching requirement fits within SBA’s terms and conditions and has been approved by the SBA’s Program Manager.

### Recommendation

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

- 1) Approve the updated MI-STEP eligibility guidelines in accordance with the CARES Act and outlined in Exhibit A.
- 2) Approve the increase of reimbursement to ESBCs from 50% to 75% for international website development as outlined in Exhibit A.

# Michigan's State Trade Expansion Program (MI-STEP)

## Program eligibility and application guidelines

### GENERAL INFORMATION

The MI-STEP program is designed to spur job creation by empowering Michigan small businesses to export their products. The program has three primary objectives:

- Increase the number of Michigan small businesses that export
- Increase the dollar value of Michigan exports
- Increase the number of Michigan small businesses exploring significant new trade opportunities

### ELIGIBILITY

Up to \$15,000 in assistance is available to offset 50 percent of approved expenses per fiscal year. Michigan companies must meet the following eligibility criteria to qualify for MI-STEP program funds:

1. Be in accordance with Small Business Administration (SBA) guidelines and size standards: [www.sba.gov/content/small-business-size-standards](http://www.sba.gov/content/small-business-size-standards)
2. Demonstrate an understanding of the costs associated with exporting and doing business with foreign purchasers, including the costs of freight forwarding, customs brokers, packing, and shipping, per SBA guidelines
3. Demonstrate potential for export success and positive impact on the regional economy
4. Provide an EIN number linked to a Michigan address
5. Be in good standing with the Michigan Department of Treasury and other regulatory agencies
6. Must be an export-ready U.S. company seeking to export goods or services of U.S. origin or have at least 51 percent U.S. content

### ALLOWABLE USES OF MI-STEP PROGRAM FUNDS

Program funds may be approved for export marketing-related activities including:

1. Participation in foreign trade missions
2. U.S. Department of Commerce services

3. Website translation into foreign language, search engine optimization, and localization services capped at \$6,000 reimbursement per award year\*
4. Design of marketing media (brochures, branded giveaways, social media, advertising, etc.) capped at \$6,000 reimbursement per award year
5. International trade show participation
6. Foreign sales trip
7. U.S.-based international trade show participation
8. Participation in export training workshops
9. Reverse foreign buyer missions (meeting space/audio visual)

### EXPENSE/REIMBURSEMENT LIMITATIONS

- Meals, entertainment, cell phone charges, gifts, and personal expenses are ineligible
- Passport and visa fees are ineligible
- Immunization expenses are ineligible
- Travel reimbursement is limited to two (2) travelers who must be U.S. citizens
- Flights must adhere to Fly America/Open Skies agreements. Only economy flights are eligible for reimbursement —no upgrades
- Travel expenses for distributors or sales representatives not employed by the Michigan company are ineligible
- Fees for shipping products to be sold in market are ineligible
- Fees for shipping sample products cannot exceed \$4,000 reimbursement per award year
- Mileage is reimbursable at the federal per diem rate —no gas receipts, unless used with a rental car
- Export compliance testing expenses are ineligible
- Printing materials/services are ineligible

\*In response to COVID-19, international website development is now reimbursable up to 75% effective through 9/29/2020.

To get started, complete the online intake at <http://michiganbusiness.org/export> or contact your regional International Trade Manager!

Questions may be sent to [export@michigan.org](mailto:export@michigan.org).



**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2020-067**

**MICHIGAN STATE TRADE EXPANSION PROGRAM  
GUIDELINES UPDATE**

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

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

**WHEREAS**, Section 2 of the Act provides that the purposes of the Act and of the MSF is to, among other things, foster export activity and promote and develop export markets and export activities;

**WHEREAS**, on October 23, 2013, via MSF Resolution 2013-165, the MSF created the Pure Michigan Export Program, now called the Michigan State Trade Expansion Program (the “MI-STEP”), for the purpose of disbursing funds provided by the federal Small Business Administration (“SBA”) State Trade Expansion Program in conjunction with MSF matching funds;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF for a variety of programs overseen by the MSF, including the MI-STEP within the boundaries of the MI-STEP program guidelines previously adopted by the MSF;

**WHEREAS**, from time to time, it is necessary for the MSF to adopt modified MI-STEP program guidelines to ensure MI-STEP is compliant with SBA requirements and enable efficient program administration, among other reasons; and

**WHEREAS**, the MEDC recommends the approval of the updated MI-STEP program guidelines attached as Exhibit A to this resolution to be utilized for the operation of the MI-STEP (the “MI-STEP Program Guidelines”).

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF hereby approves the MI-STEP Program Guidelines to replace all those previously approved by the MSF; and

**BE IT FURTHER RESOLVED**, the MSF authorizes the MSF Fund Manager to approve any modifications to the MI-STEP program application in accordance with the MI-STEP Program Guidelines.

Ayes: Britany L. Affolter-Caine, Paul Ajegba, Ronald W. Beebe, Mark Burton, Paul Gentilozzi, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Cindy Warner

Nays: None

Recused: None

Lansing, Michigan  
May 19, 2020



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

January 16, 2020

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

Re: Michigan Strategic Fund Board Meeting Designee for Treasurer Eubanks

Dear Ms. Bishop:

I hereby designate Andrew Lockwood to attend all Michigan Strategic Fund meetings that I am unable to attend in 2020.

If you need anything additional, please contact Kara Kabia at (517) 241-2624.

Sincerely,

A handwritten signature in blue ink that reads "Rachael Eubanks".

Rachael Eubanks  
State Treasurer

Cc: Eric Bussis  
Andrew Lockwood

## MEMORANDUM

**Date:** May 19, 2020

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

**From:** Natalie Chmiko, VP, Pure Michigan Business Connect & International Trade

**Subject:** MI-PEP Eligibility Guidelines Modification and Reimbursement Percentage Increase

---

### Action

Michigan Economic Development Corporation (“MEDC”) requests that the MSF Board approve the MI Project Exception Program (MI-PEP) updated program guidelines. Program guidelines are being updated to maintain symmetry with the MI State Trade Expansion Program (MI-STEP) guidelines.

### Background

MI-PEP is an MEDC program that mirrors MI-STEP and assists companies that do not meet the U.S. Small Business Administration (SBA) size standards. As a result of the STEP Director’s memo that was issued April 1, 2020 making modifications to the STEP guidelines, MEDC is requesting the same modifications be made to the MI-PEP guidelines:

- Fees for shipping sample products. Formerly capped at \$2,000. Increased to cap of \$4,000.
- Cost of compliance testing existing product for entry into an export market. Formerly capped at \$3,000. Increased to a cap of \$6,000.
- Website translation into foreign language, search engine optimization, and localization services. Formerly capped at \$3,000. Increased to a cap of \$6,000.
- Design of marketing media (capped at \$3,000) commensurate with STEP’s statutory objectives deemed appropriate and approved in advance by SBA. Formerly capped at \$3,000. Increased to cap of \$6,000.

In addition to these changes as a result of MEDC’s COVID-19 response, the International Trade Program also requests to increase the reimbursement ceiling from 50% for international website development to 75%, allowing for additional access to virtual assistance by companies impacted by COVID-19.

### Recommendation

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

- 1) Approve the updated MI-PEP eligibility guidelines as outlined in Exhibit A.
- 2) Approve the increase of reimbursement to ESBCs from 50% to 75% for international website development as outlined in Exhibit A.



# EXHIBIT A

## Michigan's Project Exception Program (MI-PEP)

### Program eligibility and application guidelines

#### GENERAL INFORMATION

The MI-PEP program is designed to spur job creation by empowering Michigan businesses to export their products.

The program has three primary objectives:

- Increase the number of Michigan small businesses that export
- Increase the dollar value of Michigan exports
- Increase the number of Michigan small businesses exploring significant new trade opportunities

#### ELIGIBILITY

Up to \$15,000 in assistance is available to offset 50 percent of approved expenses per fiscal year. Michigan companies must meet the following eligibility criteria to qualify for MI-PEP program funds:

1. Demonstrate an understanding of the costs associated with exporting and doing business with foreign purchasers, including the costs of freight forwarding, customs brokers, packing, and shipping, per SBA guidelines
2. Demonstrate potential for export success and positive impact on the regional economy
3. Provide an EIN number linked to a Michigan address
4. Be in good standing with the Michigan Department of Treasury and other regulatory agencies

#### ALLOWABLE USES OF MI-PEP PROGRAM FUNDS

Program funds may be approved for export marketing-related activities including:

1. Participation in foreign trade missions
2. U.S. Department of Commerce services
3. Website translation into foreign language, search engine optimization, and localization services capped at \$6,000 reimbursement per award year\*
4. Design of marketing media (brochures, branded giveaways, social media, advertising, etc.) capped at \$6,000 reimbursement per award year
5. International trade show participation

6. Foreign sales trip
7. U.S.-based international trade show participation
8. Participation in export training workshops
9. Reverse foreign buyer missions (meeting space/audio visual)

#### EXPENSE/REIMBURSEMENT LIMITATIONS

- Meals, entertainment, cell phone charges, gifts, and personal expenses are ineligible
- Passport and visa fees are ineligible
- Immunization expenses are ineligible
- Travel reimbursement is limited to two (2) travelers who must be U.S. citizens
- Flights must adhere to Fly America/Open Skies agreements  
Only economy flights are eligible for reimbursement—no upgrades
- Travel expenses for distributors or sales representatives not employed by the Michigan company are ineligible
- Fees for shipping products to be sold in market are ineligible
- Fees for shipping sample products cannot exceed \$4,000 reimbursement per award year
- Mileage is reimbursable at the federal per diem rate—no gas receipts, unless used with a rental car
- Export compliance testing expenses are ineligible
- Printing materials/services are ineligible

\*In response to COVID-19, international website development is now reimbursable up to 75% effective through 9/29/2020.

**To get started, complete the online intake at <http://michiganbusiness.org/export> or contact your regional International Trade Manager!**

**Questions may be sent to [export@michigan.org](mailto:export@michigan.org).**

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2020-068**

**MICHIGAN PROJECT EXCEPTION PROGRAM  
GUIDELINES UPDATE**

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

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

**WHEREAS**, on July 28, 2015 via MSF Resolution 2015-094, the MSF Board approved an amendment to the International Trade Program’s State Trade Expansion Program (“MI-STEP”) guidelines to create the Pilot Exception Program to assist businesses that do not meet the Small Business Administration eligibility guidelines, using state funds previously allocated to the MI-STEP program budget (the “Pilot Program”);

**WHEREAS**, on December 20, 2016 via MSF Resolution 2016-246, the MSF Board approved a renewal of the Pilot Program and authorized the use of uncommitted state funds approved for the previous fiscal year for MI-STEP to be carried over for use for the Pilot Program;

**WHEREAS**, on August 22, 2017 via MSF Resolution 2017-131, the MSF Board converted the Pilot Program into a permanent program named the “Project Exception Program” (the “PEP”) and approved the continuation of the funding mechanism for future years;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF for a variety of programs overseen by the MSF, including the PEP within the boundaries of the PEP program guidelines previously adopted by the MSF;

**WHEREAS**, from time to time, it is necessary for the MSF to adopt modified PEP program guidelines to enable efficient program administration, among other reasons; and

**WHEREAS**, the MEDC recommends the approval of the updated PEP program guidelines attached as Exhibit A to this resolution to be utilized for the operation of the PEP (the “PEP Program Guidelines”).

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF hereby approves the PEP Program Guidelines to replace all those previously approved by the MSF; and

**BE IT FURTHER RESOLVED**, the MSF authorizes the MSF Fund Manager to approve any modifications to the PEP program application in accordance with the PEP Program Guidelines.

Ayes: Britany L. Affolter-Caine, Paul Ajegba, Ronald W. Beebe, Mark Burton, Paul Gentilozzi, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Cindy Warner

Nays: None

Recused: None

Lansing, Michigan  
May 19, 2020



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

January 16, 2020

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

Re: Michigan Strategic Fund Board Meeting Designee for Treasurer Eubanks

Dear Ms. Bishop:

I hereby designate Andrew Lockwood to attend all Michigan Strategic Fund meetings that I am unable to attend in 2020.

If you need anything additional, please contact Kara Kabia at (517) 241-2624.

Sincerely,

A handwritten signature in blue ink that reads "Rachael Eubanks".

Rachael Eubanks  
State Treasurer

Cc: Eric Bussis  
Andrew Lockwood