

MICHIGAN STRATEGIC FUND BOARD MEMBERS

Carl Camden

President (retired), Kelly Services

Rachael Eubanks

*State Treasurer, Michigan Department
of Treasury*

Paul Gentilozzi

President, Gentilozzi Real Estate

Jeremy Hedges

*Chief of Staff, Talent and Economic
Development Department of Michigan*

Stephen Hicks

President and CEO, JM Longyear

Larry Koops

*Retired Community President for
Lakeshore Region, Fifth Third Bank*

Jeff Mason

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

Terrence J.L. Reeves

Attorney, Pepper Hamilton LLP

Terri Jo Umlor

*President, Springfield Commercial
Roofing*

Shaun W. Wilson

*Senior Vice President, Truscott
Rossman*

Wayne Wood

*President (retired), Michigan
Farm Bureau*

MICHIGAN STRATEGIC FUND (MSF) BOARD

Meeting Packet

MARCH 2019

**MICHIGAN STRATEGIC FUND BOARD
FINAL MEETING AGENDA
MARCH 26, 2019
10:00 am**

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

Communications

A. Consent Agenda

Proposed Meeting Minutes – February 26, 2019

Niowave, Inc. – BDP Termination and Conversion to Promissory Note – Erik Wilford

Toyota Motor Engineering and Manufacturing North America – MBDP Amendment – Jibrán Ahmed

KLA Tencor – Good Jobs for Michigan Amendment – Matt Chasnis

Samsung SDI – MBDP Amendment – Trevor Friedeberg

KPIT – MBDP Amendment – Julia Veale

Harbor Shores BHBT Land Development, LLC – Brownfield MBT Amendment – Jake Winder

Metropolitan Hotel Partners, LLC – MCRP Amendment – Emanuel Odom

Temple Group Holdings, LLC – MCRP Amendment – Katie Adkins

B. Business Investment

a. Business Growth

Summit Place Mall Redevelopment – Brownfield Act 381 Work Plan – David Kurtycz

Detroit Wixom, LLC – Brownfield Act 381 Work Plan and Brownfield MBT Amendments – Erik Wilford

b. Capital Access

Wolverine Fire Protection Co. – MBGF Collateral Support – Aileen Cohen

C. Community Vitality

IDRE3 LLC and Kercheval Associates LLC – MCRP Award – Brittney Hoszkiw

515 Ionia, LLC – MCRP Award and Brownfield Act 381 Work Plan – Adam Cummins

**MICHIGAN STRATEGIC FUND
FINAL MEETING MINUTES
February 26, 2019**

Members Present

Jeremy Hedges
Stephen Hicks
Andrew Lockwood (on behalf of Treasurer Eubanks)
Terrence J.L. Reeves
Greg Tedder (on behalf of Chairman Mason)
Wayne Wood

Member joined by phone

Carl Camden

Members Absent

Paul Gentilozzi
Larry Koops
Terri Jo Umlor
Shaun Wilson

Mr. Tedder called the meeting to order at 10:04 am.

Mr. Tedder introduced the following legislators and legislative staff: Representative Jon Hoadley speaking in support of the Kzoo Hotel Partners LLC project in Kalamazoo; Representative Julie Alexander speaking in support of the Jackson Downtown Partners LLC project in Jackson; Heidi Lowen Zabik on behalf of Representative Jim Ellison speaking in support of the RPM Freight Systems LLC project in Royal Oak; and Natalie Purser on behalf of Senator Sean McCann speaking in support of the Kzoo Hotel Partners LLC project in Kalamazoo.

Public Comment: Mr. Tedder asked that any attendees wishing to address the Board come forward at this time.

Ned Staebler, President and CEO of Tech Town, recounted the state's declining financial support of TechTown. He outlined the organization's diversity and inclusion efforts, indicating that 70 percent of grants went to entrepreneurs of color and that 20 percent were awarded to women. He advocated for increased funding.

Communications: None

A. CONSENT AGENDA

Resolution 2019-015 Approval of Consent Agenda Items

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

Proposed Meeting Minutes – January 26, 2019

Moran Iron Works Inc. – MBDP Award Forbearance Request – **2019-016**

University of Michigan First Customer Program – Extension and Refunding – **2019-017**

Spartan Michigan LLC – Agricultural Processing Renaissance Zone Amendment – **2019-018**

Morley Companies, Incorporated – MBDP Grant Amendment – **2019-019**

Stoneridge, Inc. – MBDP Grant Amendment – **2019-020**

The Kroger Company of Michigan – MBDP Grant Amendment – **2019-021**

250 W. Larned, LLC – MCRP Equity Investment Consent Recommendation – **2019-022**

Diamond Place, LLC – MCRP Administrative Correction Approval Request – **2019-023**

MyLocker Properties, LLC – MBGF Loan Participation/Servicing Loan Award Amendment – **2019-024**

Terrence J.L. Reeves seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

B. BUSINESS INVESTMENT

B1. Business Growth

Resolution 2019-025 RPM Freight Systems, LLC – MBDP Grant

Matthew Chasnis, Business Development Project Manager, provided the Board with information regarding this action item. Following brief discussion, Andrew Lockwood motioned for the approval of Resolution 2019-025. Jeremy Hedges seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

Resolution 2019-026 US Roof, LLC – MBDP Grant

Jeremy Webb, Senior Business Development Project Manager, provided the Board with information regarding this action item. Following brief discussion, Wayne Wood motioned for the approval of Resolution 2019-026. Jeremy Hedges seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

B2. Entrepreneurship

Resolution 2019-027 FY 2019 Business Incubator RFP – Award Recommendations

Nadia Abunasser, Federal & Development Projects Director, provided the Board with information regarding this action item. Following discussion summarized below, Wayne Wood motioned for the approval of Resolution 2019-027. Andrew Lockwood seconded the motion. **The motion carried: 6 ayes; 0 nays; 0 recused; 1 abstained.**

Terrence J.L. Reeves went on the record to express support for TechTown and urged the MSF to reconsider increasing funding to the organization. He complimented TechTown for its diversity and inclusion efforts but indicated that the MSF could not constitutionally give out funding for diversity purposes. He made a motion to amend the resolution to increase TechTown funding from \$100,000 to \$150,000 so long as it met requirements of the RFP.

During deliberation, the consensus of the Board was in support for increased funding to TechTown, but members had reservations about undermining the RFP process. They expressed a desire to see increased funding through another process.

The motion died from lack of support.

Fred Molnar, MEDC Vice President of Entrepreneurship & Innovation, expressed commitment to exploring additional funding opportunities for TechTown.

Resolution 2019-028 Wayne State University - MTRAC Advanced Computing Innovation Hub Approval and Funding Allocation

Denise Graves, University Relations Director, provided the Board with information regarding this action item. Following brief discussion, Wayne Wood motioned for the approval of Resolution 2019-028. Jeremy Hedges seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused**

C. COMMUNITY VITALITY

Resolutions 2019-029 & 2019-030 Kzoo Hotel Partners, LLC / City of Kalamazoo Brownfield Redevelopment Authority – MCRP Loan Participation Award and Act 381 Work Plan Approval
Michelle Audette-Bauman, Community Assistance Team Specialist, provided the Board with information regarding these action items. Following brief discussion, Wayne Wood motioned for the approval of Resolutions 2019-029 & 2019-030. Jeremy Hendges seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

Resolutions 2019-031 & 2019-032 Jackson Downtown Partners, LLC / City of Jackson Brownfield Redevelopment Authority – MCRP Loan Participation Award and Act 381 Work Plan Approval (The 200 Redevelopment Project)
Paula Holtz, Community Assistance Team Specialist, provided the Board with information regarding these action items. Following brief discussion, Carl Camden motioned for the approval of Resolutions 2019-031 and 2019-032. Jeremy Hendges seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

Resolution 2019-033 City of Grand Rapids Brownfield Redevelopment Authority – Act 381 Work Plan Approval (Michigan Meadows Project)
Lindsay Viviano, Community Assistance Team Specialist, provided the Board with information regarding this action item. Following brief discussion, Andrew Lockwood motioned for the approval of Resolution 2019-033. Jeremy Hendges seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

Resolution 2019-034 Nailah Commons, LLC – Denial of Request for Waiver of MSF Brownfield MBT Amendment Policy
Rob Garza, Brownfield and MCRP Senior Program Specialist, provided the Board with information regarding this action item. Following brief discussion, Wayne Wood motioned for the approval of Resolution 2019-034. Jeremy Hendges seconded the motion. **The motion carried: 6 ayes; 0 nays; 0 recused; 1 abstained.**

Mr. Tedder adjourned the meeting at 11:55 am.



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

February 26, 2019

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 2019.

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

February 26, 2019

Michigan Strategic Fund
300 N. Washington Square
Lansing, MI 48913

RE: Designation of Greg Tedder

To Whom It May Concern:

Pursuant to MCLA 16.51, I hereby confirm my designation of Greg Tedder as the person authorized and empowered to act in my stead as a member of the Michigan Strategic Fund board for scheduled meetings I am not unable to attend.

Sincerely,



Jeff Mason
President & Chairman, MSF
Chief Executive Officer, MEDC

MEMORANDUM

Date: March 26, 2019

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

From: Erik Wilford, Business Development Project Manager

Subject: Niowave, Inc. (“Company” or “Applicant”)
Amendment to Approved Michigan Business Development Program Grant Agreement

Request

The Company is requesting an amendment to its existing Michigan Business Development Program (“MBDP”) performance-based Grant Agreement to convert Annual Payments required under the grant Agreement to a loan requiring annual payments.

Background

On November 20, 2013 the Michigan Strategic Fund approved a \$3,000,000 award for the Company under the MBDP (the “Grant”). The Company proposed to open a new facility in the City of Lansing which would result in the creation of 90 Qualified New Jobs and up to \$79 million in capital investment. The Company is required to maintain 43 Base Jobs.

On August 23, 2016, the Agreement was amended to extend the deadline to meet the Qualified Investment requirement to March 31, 2018 as well as amend the project to include 1012 North Walnut Street, Lansing, Michigan 48906 in addition to 2450 Port Lansing Road, Lansing, Michigan 48906.

On December 19, 2017, the MSF approved an amendment to decrease the grant to \$1,500,000, reduce Qualified New Jobs to 30, reduce Qualified Investment to \$8,500,000, and reduce the Annual Payments to \$232,142.86 for 7 years for a total of \$1,625,000.02.

On December 11, 2018, the Company made the first Annual Payment and now has a balance due of \$1,392.857.16.

The Company notified the MSF through the annual progress report on October 10, 2018 that total headcount was at 60. The 13 eliminated QNJs resulted from the cancellation of a Homeland Security program which required a reduction in staffing levels. The Company has also struggled with a tight labor market which has limited its ability to find the highly-skilled candidates needed for open positions. The Company has acknowledged there is no clear path forward to reestablish and maintain the headcount requirements. However, the MBDP Agreement requires the Company to repay previous grant disbursements on an annual basis. Due to the Annual Payments associated with the MBDP Grant exceeding the amount of funds disbursed, MEDC staff recommends execution of a Promissory Note in the amount of \$1,392,857.16 and Termination of the MBDP Agreement. MEDC staff further recommends that the MSF Fund Manager be authorized to negotiate the final terms and conditions of and execute all documents necessary to effectuate this request. In consideration of the Amendment, the Company will pay a restructuring fee of \$1,000 to the MSF.

Recommendation

MEDC staff recommends approval of the Request.

MEMORANDUM

Date: March 26, 2019

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

From: Jibrán Ahmed, Business Development Project Manager

Subject: Toyota Motor Engineering & Manufacturing North America, Inc. (“Company” or “Applicant”)
Amendment to Approved Michigan Business Development Program Grant Agreement

Request

The Company is requesting an amendment to its existing Michigan Business Development Program (“MBDP”) performance-based grant Agreement to add the related entities Toyota Motor North America Inc., Caltly Design Research Inc., and Toyota Research Institute Inc. for the purpose of counting Base Employment and Qualified New Jobs.

Background

On August 26, 2014 the Michigan Strategic Fund approved a \$4,000,000 performance-based grant under the Michigan Business Development Program. The Company proposed to expand an existing powertrain facility by approximately 45,000 square feet. The project involved the creation of 250 qualified new jobs and capital investment of up to \$32,500,000 in York Charter Township, Washtenaw County.

On January 27, 2015 the Agreement was amended to increase the Qualified New Jobs from 250 to 335 and increase the MBDP grant to \$5,000,000 and allow for job creation to occur in Ann Arbor Charter Township.

Subsequent to execution of the Agreement, Toyota North America entities restructured to unify their headquarters and expand the Company’s technical center. To operate more effectively as “One Toyota,” the Company decided to transfer certain employees in related Toyota entities to the Ann Arbor Township and York Township facilities. 85 of Toyota’s sales operations team was relocated from California to Michigan as well as some powertrain, purchasing, engineering, and research and design operations employees from Kentucky. All employees being added to the headcount and as Qualified New Jobs are located at the Ann Arbor Township and/or York Township Project locations.

Recommendation

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

- a) Amend to allow Toyota Motor North America Inc, Caltly Design Research Inc, and Toyota Research Institute to be added for the purpose of counting Base Employment and Qualified New Jobs.
- b) All other aspects of the approval remain unchanged.

MEMORANDUM

Date: March 26, 2019

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

From: Matt Chasnis, Business Development Project Manager

Subject: KLA-Tencor Corporation (“Company” or “Applicant”)
Amendment to Approved Good Jobs for Michigan Approval

Request

Amend the previous approval to allow the Washtenaw County Board of Commissioners to provide a resolution approving the location of the project.

Background

On October 23, 2018 the Michigan Strategic Fund approved a request from the Applicant for a 100 percent Good Jobs for Michigan Withholding Tax Capture for up to 8 years valued at \$16,171,948. The Company proposed to invest \$71,130,000 into Washtenaw County that would result in the construction of newest R&D operation and will generate approximately 500 new, full-time jobs.

One requirement of the Good Jobs for Michigan Program is that the local governing body of the municipality in which the facility is located approves the expansion or new location by resolution. The Company did not have a specific location chosen when the board approved the project. After discussions with our legal team and local partners, it was agreed that a resolution from Washtenaw County would satisfactorily meet the program’s requirement. We currently have a resolution from Washtenaw County and expect to be ready to sign the agreement shortly. The previous approval specified either “Ann Arbor Charter Township and Pittsfield Charter Township would provide a resolution.”

Recommendation

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

- a) Amend the October 23, 2018 approval to identify Washtenaw County as providing the resolution approving the location;
- b) All other aspects of the approval remain unchanged.

MEMORANDUM

Date: March 26, 2019

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

From: Trevor Friedeberg, Director, Business Development Projects

Subject: Samsung SDI America, Inc. (“Company” or “Applicant”)
Amendment to Approved Michigan Business Development Program Grant
Approval

Request

The previous approval contained a Term Sheet which indicated the job creation would be “At least 461”, however given the structure of the grant the Company will be required to create up to 461 to receive full benefit under the grant.

Background

On November 27, 2018 the Michigan Strategic Fund approved a \$10 million award for Samsung SDI America, Inc. under the Michigan Business Development Program (“MBDP”). The Company proposed to expand the manufacturing presence through the creation of its first high volume automotive battery pack manufacturing facility in the United States investing over \$62.7 million and create up to 461 jobs in Auburn Hills, Michigan.

The Company still anticipates the creation of 461 new jobs, however given the structure of the grant it was advised to make the agreement more clear to have the aforementioned language modified to clarify the approval.

Recommendation

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

- a) Amend the November 27, 2018 approval to clarify the Company intends to create up to 461 new jobs for full credit under the grant;
- b) All other aspects of the approval remain unchanged.

MEMORANDUM

Date: March 26, 2019

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

From: Julia Veale, Business Development Project Manager

Subject: KPIT Infosystems, Inc. (“Company” or “Applicant”)
Amendment to Approved Michigan Business Development Program (MBDP) Grant Agreement

Request

The Company is requesting that the MBDP agreement be assigned to KPIT Technologies, Inc.

Background

On August 28, 2018 the Michigan Strategic Fund approved a \$1,100,000 award for KPIT Infosystems, Inc. under the Michigan Business Development Program (“MBDP”). The Company has since established a new entity, KPIT Technologies, Inc. as a result of corporate restructuring. The Company is requesting to have the existing agreement be assigned to the new entity.

Recommendation

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

- a) Amend the August 28, 2018 approval for KPIT Infosystems, Inc. to assign the MBDP agreement to KPIT Technologies, Inc.
- b) All other aspects of the approval remain unchanged.

MEMORANDUM

Date: March 26, 2019

To: Michigan Strategic Fund Board

From: Jacob Winder, Brownfield & MCRP Program Specialist

Subject: Request for Approval of MBT Brownfield Credit Amendment #2
Harbor Shores Hideaway (Development Parcel K)

REQUEST

Harbor Shores BHBT Land Development, LLC (“Applicant”) is requesting an amendment to the Brownfield MBT credit for the Harbor Shores Hideaway (Development Parcel K) located in Benton Charter Township in Berrien County. This amendment seeks to add 26 qualified taxpayers, reduce the number of cottages constructed from 55 to 42 and combine Phases II and III into one amended Phase II, returning this project to a two-phase project as it was originally approved.

PROJECT BACKGROUND

The Brownfield MBT credit for the Hideaway project was originally approved by the MEGA Board on December 15, 2009 for the construction of 57 new residential cottages in Benton Charter Township in Berrien County and was part of a much larger areawide project. The project was originally going to include \$21 million of eligible investment and occupy approximately 500 acres of land. The project was amended on October 24, 2012 to add 13 homeowners as qualified taxpayers, reduce the number of cottages from 57 to 55, change the scope of the project from two phases to three, and add the construction of a new clubhouse. A Certificate of Completion was issued for Phase I of this project on December 12, 2012.

This amendment requests to add 26 homeowners as additional qualified taxpayers as listed below:

- Kevin L. and Nancy S. Bright
- Edith F. Fouch
- Robert W. and Nicole Wysocki
- James V. Riccioni and Mary E. Riccioni
- Todd A. Witmer and Clare F. Witmer
- Thomas and Erin Rezmer
- Richard and Petra Clayton
- Stephen P. and Beth A. Chesna
- Michael V. and Maura A. Lugli
- James L. and Sharon L. Gleeson Revocable Trust
- Gordon Thomas and Elizabeth Marie Chisholm
- John D. and Donna R. Piazza

- Donald A. Crouch and Janice L. Wilcox
- Janet E. Radde
- Marlene Holubar
- Jeffrey W. and Peggie F. Conrad
- Kevin K. Kellenberger and Norma Tirado-Kellenberger
- Manfred and Anita G. Grams
- Arlene B. Porritt Family Trust
- Carol L. Sizer
- Barbara Ciesar
- Marcia and David Macheimer
- Pamela M. Meyer
- Brian and Laurie Norris
- Michael and Deanna C. Fortier
- Frank Stan and Deborah Quinn Neki; and

This amendment also requests to reduce the number of cottages constructed from 55 to 42 and combine Phases II and III into one amended Phase II, returning this project to a two-phase project as it was originally approved. The project is a multi-phase project and will be completed in two phases as described below:

Phase I – Phase I consisted of 15 cottages as well as the construction of a clubhouse. A Certificate of Completion was issued for Phase I on December 12, 2012. Eligible investment was approximately \$7,220,670, and;

Phase II – Phase II will consist of the construction of 27 new cottages. Construction began in 2012 and is expected to be completed by early 2019. The eligible investment in phase II is \$11,544,206.

COST OF ELIGIBLE INVESTMENTS BY PHASE

Phase I

| | | |
|----------------------|----|------------------|
| Site Improvements | \$ | 163,661 |
| Building Renovation | + | <u>7,057,009</u> |
| Phase I Total | \$ | <u>7,220,670</u> |

Phase II

| | | |
|-----------------------|----|-------------------|
| Site Improvements | \$ | 89,575 |
| Building Renovation | + | <u>11,454,631</u> |
| Phase II Total | \$ | <u>11,544,206</u> |

TOTAL COST OF ELIGIBLE INVESTMENTS

| | | |
|---------------------|----|-------------------|
| Site Improvements | \$ | 253,236 |
| Building Renovation | + | <u>18,511,640</u> |
| Total | \$ | <u>18,764,876</u> |

Brownfield MBT Credit Amendment Request By:
Harbor Shores BHBT Land Development, LLC
201 Graham Avenue Benton Harbor, MI 49022
Contact: Jeff Gilbertsen, Vice President

| | Previous Approval | Amendment |
|------------------------------|-------------------|--------------|
| Project Eligible Investment: | \$21,000,000 | \$18,764,876 |
| Requested Credit Amount: | \$2,625,000 | \$2,345,610 |
| Requested Credit Percentage: | 12.5% | 12.5% |

APPLICANT HISTORY

Mr. Gilbertsen has no other projects associated with the MEDC. MEDC has completed the background check in accordance with the MSF policy, and the project may proceed for MSF consideration.

RECOMMENDATION

MEDC staff recommends approval of the Brownfield MBT credit amendment request to change the scope of the project from three phases to two phases, as well as add 26 additional qualified taxpayers.

APPENDIX A – Project Map



MEMORANDUM

Date: March 26, 2019

To: Michigan Strategic Fund Board

From: Emanuel M. Odom, MCRP Program and Investment Specialist

Subject: Request for Approval of a Michigan Community Revitalization Program Loan Agreement Amendment #1
The Metropolitan Hotel Partners, LLC or Related Entity

Request

The Metropolitan Hotel Partners, LLC (“Company”) is requesting approval of an amendment to the Michigan Community Revitalization Program Loan Agreement (“Agreement”) and any related ancillary agreements. The amendment request dated February 15, 2019 includes a request to extend the Milestone Four due date.

Background

The Michigan Strategic Fund Board approved a \$6,500,000 Michigan Community Revitalization Program loan award on November 22, 2016 to The Metropolitan Hotel Partners, LLC for the restoration and conversion a historic structure, the Metropolitan, into a hospitality mixed use project.

The amendment is needed to allow additional time for two of the items in Milestone Four to be completed. One item is a final Certificate of Occupancy. The Company has received a temporary Certificate of Occupancy for the building, but it will take additional time before the final is issued. Also, the Company has not yet received the National Park Service Historic Part III approval. This is also in process but was delayed due to the federal government shutdown.

Milestones One through Three have been completed and the company is current with reporting requirements.

Recommendation

MEDC staff recommends approval of an amendment to the MCRP Loan Agreement and any related ancillary agreements to extend the Milestone Four due date to December 31, 2019.

MEMORANDUM

Date: March 26, 2019

To: Michigan Strategic Fund Board

From: Katie Adkins, Commercial Real Estate Investment Manager

Subject: Request for Approval of a Michigan Community Revitalization Program MCRP Other Economic Assistance Loan Participation Award Amendment – Temple Group Holdings, LLC

Request

Temple Group Holdings, LLC (“Company”) and MEDC staff are requesting approval of an amendment to the Michigan Community Revitalization Program (MCRP) Other Economic Assistance Performance-Based Loan Participation Award. The request does not change the previously approved award amount, but it does recognize an extension to the interest only period of the loan.

Background

On September 25, 2018, the Michigan Strategic Fund Board approved a \$5,697,000 Other Economic Assistance Loan Participation award and Act 381 work plan to the Company for the purpose of rehabilitation of the former Standard Accident Insurance Company building into a mixed-use development that will include a 100-room boutique hotel with banquet facility, restaurant, and bar, 70 apartments, and a rooftop pool. The basement of the building will be converted into a nightclub with separate access.

On October 23, 2018, the Michigan Strategic Fund Board approved an amendment to the MCRP Other Economic Assistance Loan Participation award approval to authorize the MSF Fund Manager to negotiate the final collateral position of the MCRP loan prior to closing in consideration of the Chemical Bank and Invest Detroit approvals.

At the time of the original MSF Board approval, it was anticipated that the terms and repayment of the loan would match that of the lender, up to 84 months with 24 months of interest only. However, during the closing process it was determined that the lender approved 24 months of interest only on the construction loan with an additional 6-month option to extend. Furthermore, the lender approved authorization of interest only payments during the first 12 months following conversion of the permanent loan. Therefore, the MEDC staff is recommending an increase of the interest only payments of the MCRP Other Economic Assistance Loan Participation award to match the terms of the lender from 24 months to up to 42 months including the 6-month option to extend and 12 months following conversion.

Recommendation

MEDC staff recommends approval of an amendment to the MCRP Other Economic Assistance Loan Participation award approval to allow for up to 42 months of interest only payments in consideration of the Chemical Bank approved terms as discussed above.



MEMORANDUM

Date: September 25, 2018

To: Michigan Strategic Fund Board

From: Brittney Hoszkiw, Senior Community Assistance Team Specialist
Katie Adkins, Commercial Real Estate Investment Manager
Rob Garza, Brownfield & MCRP Senior Program Specialist

Subject: Request for Approval Michigan Community Revitalization Program (MCRP) Other Economic Assistance Loan Participation Award and Request for Approval of an Act 381 Work Plan 640 Temple Rehabilitation Project

Request

Temple Group Holdings, LLC (“Applicant”) is requesting approval of a MCRP performance-based loan participation with Chemical Bank (Lender) in the amount of \$5,697,000 and the City of Detroit Brownfield Redevelopment Authority is requesting approval of a Brownfield Act 381 Work Plan including local and school tax capture for MSF eligible activities in the amount of \$4,957,402, to support a community development project that will rehabilitate a historic seven-story mixed-use building..

FINANCING OPPORTUNITY – MCRP LOAN PARTICIPATION

The Senior Lender along with the Applicant has requested the MSF participate in up to \$5,697,000 of a total \$37,947,000 In construction to permanent loan financing. It is anticipated that disbursements to the project on the loan will be made on a pro-rata basis. The MSF would allow the collateral to apply first to the Lender’s share in an event of liquidation. 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 just under a 7% return.

LOAN TERMS

MSF Facility: MCRP Loan Participation

Borrower: Temple Group Holdings, LLC or Other Related Party

Senior Lender: Chemical Bank

Total Amount of Loans: Currently estimated at \$37,947,000

Lender Share: Currently estimated at \$32,250,000



“EXHIBIT A”

ORIGINAL APPROVAL

| | |
|----------------------------------|--|
| Total Capital Investment: | Currently estimated at \$67,679,658 |
| MSF Eligible Investment: | Currently estimated at \$45,590,677 |
| MSF Share: | Up to the lesser of 20% of “Eligible Investment” or \$5,697,000 |
| Term: | To match that of the Lender, not to exceed 84 months including an interest only period of up to 24 months. |
| Amortization: | To match that of the Lender, not to exceed 300 months following an interest only period. |
| Interest Rate: | 3.5% per annum |
| Repayment Terms: | Up to 24 months of monthly interest only, followed by monthly principal and interest payments with balance due at maturity |
| Collateral: | To match that of the Lender, anticipated to be a 1 st mortgage and assignment of rents and leases for the property located at 640 Temple Street, Detroit, MI 48201, and adjoining and commonly owned parcels (the Property); ii-Assignment of Municipal and State Incentives; iii-Assignment of Managing Member’s interest in the Borrower; iv-Assignment of all Construction and Development related contracts; v-Assignment of all Management Contracts and/or Franchise Agreements; vi-Other collateral as required by Bank. MSF share of collateral will be subordinated to that of the Lender. |
| Guarantee: | To match that of the Lender, anticipated to be the unlimited personal guaranty of Gretchen Valade, The Gretchen Valade Irrevocable trust dated 1/15/2009, The Gretchen Valade Revocable Trust dated 5/5/1982, Christos Moises & Trust, David Sutherland & Trust and the unlimited corporate guaranty of Byzantine Holdings, LLC. MSF Interest to be subordinated to that of the Lender. |
| MSF Fees: | The MSF shall be paid a one-time fee equal to one percent of the MSF’s share of the loan. The Lender may charge the borrower for this fee. |
| Deferred Developer Fees: | The developer fees of \$1,239,595 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 \$5,697,000 to be disbursed following closing of the Loan and achievement of other performance criteria. |
| Reserves: | Lease-up, Operating and Replacement Reserves will be required and determined based on Lender’s review of residential and commercial market data, currently anticipated to be \$689,000, \$1,200,114, and 2.00% of Gross Income deposits annually, respectively. Hard Cost Contingency currently anticipated to be \$1,500,000. |

"EXHIBIT A"

ORIGINAL APPROVAL

Other Conditions:

The MSF's investment will be contingent upon receipt and review of the following:

- A minimum owner equity contribution of \$14,390,779.
- Executed Construction Documents (includes "Guaranteed Maximum Price" construction contract).
- Final Development Budget.
- State approval of OPRA tax abatement.
- Review and acceptance of Hotel Operator and Hotel Management Agreement and/or Hotel Franchise Agreement.
- Historic Part I and Part II approvals and any amendments from the National Park Service.
- Final Operating Agreement detailing equity pay-in schedule
- Other due diligence as may be required by MEDC staff.
- Such other conditions as determined by Lender.

SUMMARY OF DEVELOPMENT SOURCES:

| | | |
|----------------------------|----------------------|----------------|
| Chemical Bank Share | \$ 32,250,000 | 47.65% |
| MSF Share | \$ 5,697,000 | 8.42% |
| Supplemental Loan | \$ 4,000,000 | 5.91% |
| Invest Detroit Loan | \$ 1,500,000 | 2.22% |
| Historic Tax Credit Equity | \$ 8,602,284 | 12.71% |
| Deferred Developer Fee | \$ 1,239,595 | 1.83% |
| Developer Equity | \$ 14,390,779 | 21.26% |
| TOTAL | \$ 67,679,658 | 100.00% |

SUMMARY OF DEVELOPMENT USES:

| | |
|---------------------|----------------------|
| Acquisition | \$ 9,000,000 |
| Hard Construction | \$ 42,735,937 |
| Eligible Soft Costs | \$ 7,930,500 |
| Other | <u>\$ 8,013,221</u> |
| TOTAL | \$ 67,679,658 |

MCRP PROGRAM AND GUIDELINES

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

The project complies with all of the Board-approved MCRP parameters with the exception of the following: The pro forma debt service coverage ratio is between 1.00 and 1.15 in early years based on the committed financing for the project. Staff is comfortable with this deviation due to the financial strength of the development team.

“EXHIBIT A”

ORIGINAL APPROVAL

Local support for the project includes the establishment of an Obsolete Property Rehabilitation District valued at \$13,221,355 and the local portion of this Work Plan consideration. The City of Detroit is engaged with the MEDC’s Redevelopment Ready Communities (RRC) program. The project qualifies because it is a facility. The Applicant anticipates that the project will result in the creation of approximately 80 permanent full-time equivalent jobs with an average hourly wage of \$15.

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 March 27, 2018. The property has been determined to be a facility as verified by the Michigan Department of Environmental Quality (DEQ) on August 17, 2018.

There are 31.6380 non-homestead mills available for capture, with state millage levied for school operating purposes equaling 24 mills (75.86%) and local millage equaling 7.6380 mills (24.14%). Tax increment capture will begin in 2019 and is estimated to continue for 30 years. The ratio is heavily weighted on state millage since the properties are located within the boundaries of the Downtown Development Authority (DDA) and most local millages are unavailable for capture. The requested tax capture for MSF eligible activities breaks down as follows:

| | | | |
|-------------------|----------|----|------------------|
| State tax capture | (75.86%) | \$ | 3,760,685 |
| Local tax capture | (24.14%) | \$ | 1,196,717 |
| TOTAL | | \$ | 4,957,402 |

COST OF MSF ELIGIBLE ACTIVITIES

| | | |
|-------------------------------------|----|------------------|
| Demolition | \$ | 1,639,860 |
| Lead and Asbestos Abatement | | 425,000 |
| Infrastructure Improvements | | 1,066,500 |
| Site Preparation | + | 741,100 |
| Sub-Total | \$ | 3,872,460 |
| Contingency (15%) | + | 517,119 |
| Sub-Total | \$ | 4,389,579 |
| Interest (5%) | + | 537,823 |
| Sub-Total | \$ | 4,927,402 |
| Brownfield/Work Plan Preparation | + | 15,000 |
| Brownfield/Work Plan Implementation | + | 15,000 |
| TOTAL | \$ | 4,957,402 |

In addition, the project is requesting from the MDEQ \$1,498,094 in TIF to assist with environmental eligible activities.

PROJECT BACKGROUND

The project will involve the rehabilitation of the 192,172 square foot, seven-story, former Standard Accident Insurance Company building designed in 1920 by the famed architect, Albert Kahn and located in the Midtown neighborhood, just blocks away from the new Little Caesars Arena. The seven-story building will be rehabilitated as a mixed-use development that will include an approximately 77,959 square foot 100 room boutique hotel with banquet facility, restaurant, and bar on floors one through four, and approximately 70 apartments occupying approximately 60,212 square feet on floors five through seven, and a rooftop pool. The basement of the building will be converted into a 7,365 square foot nightclub with separate access. The adjacent vacant lot will be the location of an on-site underground stormwater management system and will be capped with grass and landscaping which will serve as an area for outdoor entertainment.

ORIGINAL APPROVAL

Temple Group Holdings, LLC have exhausted all available funding sources including sub debt, a significant equity contribution (21%), and deferred development fees, and a funding gap still exists. The project is inhibited by significant brownfield conditions that make redevelopment costly and economic conditions that make traditional financing difficult. Further, because of its status as a historic building, design, planning, and rehabilitation costs are extraordinarily high to meet preservation standards required by the State Historic Preservation Office. The mixed-use nature of the product and lack of comparable in the Cass Park area of the City, resulted in a conservative valuation by the appraiser. The senior debt is based on the lower-than-anticipated valuation, thus resulting in a financing gap. Without the low-interest CRP loan, the gap would need to be supplemented with equity, which would drop returns to a point that makes the project not viable.

The project supports the vision and goals of the Cass Park neighborhood by increasing density and development surrounding the District Detroit and Little Caesars Arena. The project will result in significant taxable value increase in an area of the City that is positioned for significant investment, but is otherwise vacant and underutilized at this time. The project will include residential units with 20% of the units set aside for attainable rental rates at 80% average median income, creating a mixed-income neighborhood. The existing building is seven stories and plans include various programming on each level, creating continuous activity in the district. This work will ultimately put over 190,000 square feet back into productive use.

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

APPLICANT HISTORY

Temple Group Holdings, LLC is a single-purpose entity related to 400 Monroe Associates, a family-owned and Detroit-based real estate development and management company led by Christos Moisides, with a current portfolio of over 2,000,000 square feet of commercial, mixed-use, hospitality and industrial property. In 2013, Mr. Moisides established Byzantine Holdings with David Sutherland to create a boutique development firm concentrating on unique real estate properties, including the 1886 Wells Castle in Detroit and the 1918 Fire House in Corktown. Christos Moisides has received support from the Michigan Strategic Fund (MSF) in 2012 and 2013 in the form of a State of Michigan Film Incentives for three projects. Two of the projects, approved in 2012 and 2013, were completed and in good standing. The final 2013 project, Northern 48, requested one extension, but ultimately could not complete the project in the time allowed and the incentive was rescinded.

The MEDC has completed civil and criminal background checks in accordance with the MSF Background Review Policy. No issues were identified.

RECOMMENDATION

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

- a) Local and school tax capture for the Act 381 eligible activities totaling \$4,957,402. Utilizing the current state to local capture ratio, the amount of state tax capture for this project is estimated at \$3,760,685.
- b) A MCRP performance-based other economic assistance loan participation in the amount of up to \$5,697,000 for Temple Group Holdings, LLC on terms and conditions outlined in Exhibit A found in the resolution.
- c) Waiver of the MCRP Incentive Parameter requirement of a 1.20 to 1.00 debt service coverage ratio for the project.

MEMORANDUM

Date: March 26, 2019

To: Michigan Strategic Fund Board

From: David Kurtycz, Business Development Project Manager
Rob Garza, Brownfield and MCRP Senior Program Specialist

Subject: Request for Approval of an Act 381 Work Plan
Summit Place Mall Redevelopment Project

REQUEST

The Township of Waterford Brownfield Redevelopment Authority is requesting approval of a Brownfield Act 381 Work Plan including local and school tax capture for MSF eligible activities in the amount of \$12,864,514, to support a business development project that will demolish a vacant mall and create a business center containing approximately 1,000,000 square feet of commercial space. The Applicant anticipates that the project will result in a total capital investment in the amount of \$63,000,000 along with the creation of approximately 2,183 permanent full-time equivalent jobs with an average hourly wage of \$22.50.

LOCAL SUPPORT

Local support for the project includes a 10-year Commercial Rehabilitation Act tax abatement that is valued at \$4,917,098 and the local portion of the Work Plan calculated at approximately \$3,984,432. The project qualifies because the property is made up of parcels that are designated as a facility or are adjacent and contiguous.

TAX CAPTURE SUMMARY

In order to alleviate brownfield conditions and prepare the site for redevelopment, the Township of Waterford, which is not a Qualified Local Governmental Unit, has duly approved a brownfield plan for this property on December 5, 2018. The property has been determined to be a facility as verified by the Michigan Department of Environmental Quality (DEQ) on February 15, 2019.

There are 43.9413 non-homestead mills available for capture, with State mills from school operating and SET millages equaling 24 mills (54.62%) and local millage equaling 19.9413 mills (45.38%). Tax increment capture is anticipated to begin in 2020 and is estimated to continue for 23 years. The eligible property is subject to a Commercial Rehabilitation Act tax abatement that impacts the availability of local millages for the first ten years of the project. The requested blended tax capture for MSF eligible activities breaks down as follows:

| | | |
|-------------------|----------|----------------------|
| State tax capture | (69.03%) | \$ 8,880,082 |
| Local tax capture | (30.97%) | \$ 3,984,432 |
| TOTAL | | \$ 12,864,514 |

COST OF MSF ELIGIBLE ACTIVITIES

| | | |
|-------------------------------------|---|----------------------|
| Demolition | | \$ 4,594,403 |
| Lead and Asbestos Abatement | | 2,964,218 |
| Sub-Total | | 7,558,621 |
| Contingency (15%) | + | 1,133,794 |
| Sub-Total | | \$ 8,692,415 |
| Interest (5%) | + | 4,150,599 |
| Sub-Total | | \$ 12,843,014 |
| Brownfield/Work Plan Preparation | + | 15,000 |
| Brownfield/Work Plan Implementation | | 6,500 |
| TOTAL | | \$ 12,864,514 |

In addition, the project is requesting from the MDEQ \$620,866 in TIF to assist with environmental eligible activities.

PROJECT BACKGROUND

Summit 327 LLC is proposing the demolition of an existing structure and redevelopment of approximately 100 acres of the former Summit Place Mall/Sears property in Waterford Township, which began operations in 1962 and closed over a decade ago. The project includes the construction of a business center containing up to approximately 1,000,000 square feet of commercial space that may include light industrial users, logistics companies, research and development or engineering firms, office users, or other flex space users.

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

APPLICANT HISTORY

Summit 327 LLC is 80 percent owned by Arie Leibovitz through his affiliated entities, all of which are 100 percent controlled by Arie Leibovitz. Established in 1979 by Arie Leibovitz, Ari-El Enterprises, Inc. specializes in the acquisition, development, and management of real estate investment properties. Ari-El has a portfolio of approximately 4 million square feet of space which includes industrial parks, office buildings, retail centers and apartments. The properties are primarily concentrated in the Detroit metropolitan areas of southeast Michigan. MEDC has completed the background check in accordance with the MSF policy, and the project may proceed for MSF consideration.

RECOMMENDATION

MEDC staff recommends approval of local and school tax capture for the Act 381 eligible activities totaling \$12,864,514. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$8,880,082. However, school tax capture is allowable only for property used for manufacturing, warehouse, corporate office, research & development or technical center operations, collectively referred to as business development uses. School tax capture for additional uses may be allowed if approved by the MSF Fund Manager and if such use(s) is/are crucial to the success of the allowable business development uses. Furthermore, an entity's decision to relocate from a Michigan location to the newly constructed facilities may result in suspension of the school tax capture if the relocating entity does not demonstrate plans for: 1) expanding the size of its relocated facility; 2) employing a higher number of individuals than employed prior to its move into the facility; or 3) any other valid business reason authorized by the MSF Fund Manager.

APPENDIX A – Project Map



MEMORANDUM

Date: March 26, 2019

To: Michigan Strategic Fund Board

From: Erik Wilford, Business Development Project Manager
Rob Garza, Brownfield and MCRP Senior Program Specialist

Subject: Request for Approval of an Act 381 Work Plan and Request for Approval of Amendments to MBT Brownfield Credits
Ford Wixom Site Development Project

REQUEST

The County of Oakland Brownfield Redevelopment Authority is requesting approval of a Brownfield Act 381 Work Plan including local and school tax capture for MSF eligible activities in the amount of \$3,480,000, to support a business development project that will involve the construction of up to six buildings or approximately 1,340,000 square feet of commercial or industrial space on the northern portion of the project site and the construction of one building with approximately 320,000 square feet of commercial or industrial space on the southern portion of the project site. The Applicant is also requesting amendments to two Brownfield MBT credits related to the project. The Applicant anticipates that the project will result in a total capital investment in the amount of \$150,000,000 along with the creation of approximately 850 permanent full-time equivalent jobs with an average hourly wage of \$33.65.

LOCAL SUPPORT

Local support for the project includes the local portion of the Work plan with an estimated value of \$1,733,388. The project qualifies because it is a facility.

TAX CAPTURE SUMMARY

In order to alleviate brownfield conditions and prepare the site for redevelopment, the County of Oakland has duly approved a brownfield plan for this property on December 6, 2018 and concurred with by the City of Wixom on November 13, 2018. The property has been determined to be a facility as verified by the Michigan Department of Environmental Quality (DEQ) on February 4, 2019.

There are 46.9215 non-homestead mills available for capture, with State mills from school operating and SET millages equaling 23.5500 mills (50.19%) and local millage equaling 23.3715 mills (49.81%). Tax increment capture is estimated to begin in 2020 and is estimated to continue until 2037. Since the property was included in an MBT only brownfield plan in 2011, the statutory limit of capture is 35 years from that date or 2046. The requested tax capture for MSF eligible activities breaks down as follows:

| | | | |
|-------------------|----------|----|------------------|
| State tax capture | (50.19%) | \$ | 1,746,612 |
| Local tax capture | (49.81%) | \$ | 1,733,388 |
| TOTAL | | \$ | 3,480,000 |

COST OF MSF ELIGIBLE ACTIVITIES

| | | | |
|-------------------------------------|--|----|------------------|
| Demolition | | \$ | 3,000,000 |
| Sub-Total | | \$ | 3,000,000 |
| Contingency (15%) | | + | 450,000 |
| Sub-Total | | \$ | 3,450,000 |
| Brownfield/Work Plan Preparation | | + | 15,000 |
| Brownfield/Work Plan Implementation | | + | 15,000 |
| TOTAL | | \$ | 3,480,000 |

In addition, the project is requesting from the MDEQ \$8,758,213 in TIF to assist with environmental eligible activities.

BROWNFIELD MBT CREDIT AMENDMENT REQUEST

Ford Motor Company requests the addition of Detroit Wixom, LLC as a qualified taxpayer to both large Brownfield MBT credits, individually referred to as “Area A (Project # M-1111)” and “Area B (Project # M-1112)”. Detroit Wixom, LLC requests a scope change amendment to the Brownfield MBT credits for the Ford Wixom Site Development Project located at 29311 South Wixom Road in the City of Wixom. This amendment request proposes a revised project that includes the construction of up to six buildings or approximately 1,340,000 square feet of commercial or industrial space and an additional 5 years to complete the project for Area A and the construction of one building with approximately 320,000 square feet of commercial or industrial space and an additional 5 years to complete the project for Area B. The Brownfield MBT credits were originally approved by the MSF Board on December 13, 2011 and the Pre-Approval Letters were issued the same day; therefore, the time extension request for this project will take the credit to its statutory expiration date of December 13, 2021. The project originally qualified for an MBT tax credit as a facility.

Brownfield MBT Credit Amendment Request By:

Ford Motor Company
330 Town Center Drive, Suite 1100
Dearborn, Michigan 48126

Contact: Corey MacGillivray, Assistant Secretary

MBT Area A

| | Previous Approval | Amendment |
|------------------------------|-------------------|--------------|
| Project Eligible Investment: | \$80,000,000 | \$87,030,000 |
| Requested Credit Amount: | \$10,000,000 | \$10,000,000 |
| | | (capped) |
| Requested Credit Percentage: | 12.5% | 12.5% |

MBT Area B

| | Previous Approval | Amendment |
|------------------------------|-------------------|--------------|
| Project Eligible Investment: | \$80,000,000 | \$22,670,000 |
| Requested Credit Amount: | \$10,000,000 | \$2,833,750 |
| Requested Credit Percentage: | 12.5% | 12.5% |

ELIGIBLE INVESTMENT BREAKDOWN AREA A

| | | |
|-------------------------------------|-----------|-------------------|
| Site Improvements | + | 6,630,000 |
| New Construction | + | 77,720,000 |
| Addition of Machinery and Equipment | + | 2,680,000 |
| Total | \$ | 87,030,000 |

ELIGIBLE INVESTMENT BREAKDOWN AREA B

| | | |
|-------------------|-----------|-------------------|
| Site Improvements | + | 9,170,000 |
| New Construction | + | 13,500,000 |
| Total | \$ | 22,670,000 |

PROJECT BACKGROUND

This project is located on the former site of the Ford Wixom Assembly Plant which ceased operations in 2007. Industrial Commercial Properties, LLC (“ICP”), through its development entity, Detroit Wixom, LLC, purchased the remaining undeveloped 182-acre site and is proposing to construct up to seven industrial and warehouse buildings totaling approximately 1.6 million square feet. Demolition activities and construction of the first building is anticipated to begin in April 2019 with an estimated completion date of the entire project by December 2021.

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

APPLICANT HISTORY

Industrial Commercial Properties, LLC is the agent for Detroit Wixom, LLC. Based in Cleveland and founded in 1996, ICP is a real estate owner and developer and leases, acquires, develops and sells industrial and commercial property. It owns more than 40 million square feet of industrial and commercial space in three states. Neither the Company, nor the principals, have previously received

incentives from the MSF. MEDC has completed the background check in accordance with the MSF policy, and the project may proceed for MSF consideration.

RECOMMENDATION

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

- a) Local and school tax capture for the Act 381 eligible activities totaling \$3,480,000. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$1,746,612.
- b) School tax capture is allowable only for property used for manufacturing, warehouse, corporate office, research & development or technical center operations, collectively referred to as business development uses. School tax capture for additional uses may be allowed if approved by the MSF Fund Manager and if such use(s) is/are crucial to the success of the allowable business development uses. Furthermore, an entity’s decision to relocate from a Michigan location to the newly constructed facilities may result in suspension of the school tax capture if the relocating entity does not demonstrate plans for: 1) expanding the size of its relocated facility; 2) employing a higher number of individuals than employed prior to its move into the facility; or 3) any other valid business reason approved by the MSF Fund Manager.
- c) The Brownfield MBT Area A (Project #M-1111) credit amendment requests to construct up to 6 buildings or approximately 1,340,000 square feet of commercial or industrial space, add 5 years to complete the project, and add Detroit Wixom, LLC as a qualified taxpayer.
- d) The Brownfield MBT Area B (Project #M-1112) credit amendment requests to construct 1 building with approximately 320,000 square feet of commercial or industrial space, add 5 years to complete the project, and add Detroit Wixom, LLC as a qualified taxpayer.

APPENDIX A – Project Map



MEMORANDUM

To: Michigan Strategic Fund Board
From: Aileen Cohen, Capital Project & Portfolio Manager
Date: March 26, 2019
Subject: Wolverine Fire Protection Co./Bunkhouse Holdings, Inc. (and/or related borrower(s))

Request

Wolverine Fire Protection Co. ("Wolverine", or "Company") is one of the largest independent family-owned sprinkler contractors in the United States, and they are headquartered in Mr. Morris, Michigan. Bunkhouse Holdings, Inc. was established in 2012 and the shareholders of Wolverine exchanged their ownership interests in Wolverine for shares of Bunkhouse Holdings, Inc., at which point, Wolverine became a wholly owned subsidiary of Bunkhouse Holdings, Inc. Wolverine provides active fire protection, such as detection and sprinkler systems. Wolverine has been in operation over 60 years and is working with Oxford Bank to increase its working capital availability and refinance existing term debt. Wolverine Fire Protection Co. is owned by 9 shareholders, all of whom are family members.

Oxford Bank ("Bank") has proposed financing of a working capital line of credit and a real estate mortgage to Wolverine to increase its availability and to pay off its existing real estate mortgages. Due to collateral shortfall on the working capital line, the Bank is requesting collateral support from the MSF for the following:

Bank Facility and MSF Support

The Bank has proposed the following credit facilities:

| | |
|------------------------------|--------------------|
| Term = Real Estate Loan | \$1,674,087 |
| Revolving = Line of Credit | \$4,000,000 |
| <u>Total Loans Leveraged</u> | <u>\$5,674,087</u> |

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

| | |
|-----------------------------------|--------------------|
| <u>Revolving = Line of Credit</u> | <u>\$1,750,000</u> |
| Total MSF Contribution | \$1,750,000 |

Under definitions provided by the US Department of Treasury related to the calculation of leverage, the reported leveraged lending as compared to MSF exposure is 3.08:1.

Borrower History

Wolverine Fire Protection Co. was established over 60 years ago by Ed Corcoran. The borrower has grown its operations into a \$35 million company and employs over 80 people. Over the past 3 years, Wolverine has suffered from multiple financial setbacks. Since that time, the Company has hired Rysenia Capital Solutions, LLC to create and implement effective strategies to ensure the Company's long term health, resulting in demonstrated turnaround in 2018. Wolverine is committed to reducing its overhead and continuing to improve its cash flow. See Exhibit A for full borrower history.

Recommendation

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

- a. Approval of the MBGF-CSP proposal contained herein and:
- b. Subject to available funding under the MBGF-CSP at the time of closing ("Available Funding"), completion of due diligence, the results of which are satisfactory to the MEDC (collectively, "Due Diligence"), finalization of a MBGF-CSP Cash Collateral Deposit Agreement, and further subject to the following terms and conditions:

Facility 1 - Wolverine Fire Protection Co. and Bunkhouse Holdings, Inc.

| | | |
|----------------------|--|--|
| Borrower: | Wolverine Fire Protection Co. and Bunkhouse Holdings, Inc. | |
| Lender: | Oxford Bank | |
| Loan Amount: | up to \$4,000,000 | |
| MSF Cash Collateral: | up to \$1,750,000 | |
| Loan Type: | 12 month Line of Credit, monthly payments of interest only | |
| Fees: | Tier II: | 1.75% at Closing |
| | | 1.00% annually thereafter on the MSF Share Balance |



Exhibit A

Credit Presentation

GENERAL INFORMATION

| | | |
|--|---|--|
| Company Name Wolverine Fire Protection Co. | Address 8067 N. Dort Highway | City, State Zip Mt. Morris, Michigan 48505 |
| Entity Type S Corporation | Type of Operation - Primary Plumbing, Heating, and Air-Conditioning Contractors NAICS: 238220 | |
| Lender Michael Chatas | Lender Contact mchatas@oxfordbank.com | |

Bank Facility and MSF Support

The Bank has proposed the following credit facilities:

| | |
|------------------------------|--------------------|
| Term = Real Estate Loan | \$1,674,087 |
| Revolving = Line of Credit | \$4,000,000 |
| <u>Total Loans Leveraged</u> | <u>\$5,674,087</u> |

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

| | |
|-------------------------------|--------------------|
| Revolving = Line of Credit | \$1,750,000 |
| <u>Total MSF Contribution</u> | <u>\$1,750,000</u> |

Under definitions provided by the US Department of Treasury related to the calculation of leverage, the reported leveraged lending as compared to MSF exposure is 3.08:1.

Background

Wolverine Fire Protection Co. was formed by Edward and Faith Corcoran in 1958 and is a leading contractor across all 50 states providing fire protection systems to industrial, commercial, and residential buildings. The nature of the Company's business is fire suppression and fire protection. The Company offers the following services: in-house design, fabrication, installation, testing, inspections, service, and maintenance of the fire sprinkler systems and fire alarm systems. The Company is headquartered in Mt. Morris, Michigan and has another primary location in South Windsor Connecticut. In addition, the Company had several satellite offices located in Nevada (moved and downsized in December 2018), New York (closed between 2017 and 2018), Northern California (closed in May of 2018), and Southern California. The main purpose of closing some of the various offices was to consolidate operations and reduce overhead.

This family owned and operated business is now in its third generation of family participation. The business founded by Ed and Faith, has transitioned to the couple's eleven sons over this span of time, and all eleven have earned a career in the family business. Three of the brothers continue to be employed. There is a total of fifteen second and third generation family members that continue to work in the business, of which, ten are shareholders, each able to vote their percentage of stock for certain corporate matters. The largest of these shareholders is the Faith Corcoran Trust; however, she is not involved in the day-to-day of the business.

The President of the Company is Martin Corcoran. He has held this title for over 28 years and he has over 42 years of experience in the fire protection industry. Martin's experience spans the entire range of the industry including sprinkler fitting, field servicing, estimating, contract administration, project management, quality assurance and business development.

Over the past three years the Company has experienced a few financial setbacks. In 2013, Wolverine purchased a license to do business in New York City. The motivation at the time was very compelling, during a strong long-established relationship with a General Contractor from New York City, however, hindsight proved that it was a poor investment. The ultimate outcome is that Wolverine was greatly misled, which has led to litigation between Bunkhouse Holdings, Inc. subsidiary RCI Fire, LLC, and a Subcontractor who is being indicted on racketeering charges.

In addition to the failed New York City venture, it was discovered in February of 2015 that projects quoted between December of 2013 and June of 2014 were severely misquoted by the Manager of the Detroit office, who had managed that office since 2005. For 2014 and 2015, the Company did anticipate the Detroit office to have some losses approximating \$400K, since these jobs were quoted at non-union rates but constructed by union tradesman. However, the Company did not expect the losses on these jobs to exceed \$2 million between 2014 and 2015. When the Detroit manager left the Company, Wolverine hired an experienced Project Manager from one of its competitors. Unfortunately, this individual was in fact, not as qualified as had been portrayed, and as a result, while this individual served in that capacity, two University of Michigan projects were severely under bid and mismanaged. The gross margin losses on those jobs totaled roughly \$600K, and after administration expenses, the Detroit office lost \$687K in 2016 and \$1.2M in 2017. In early 2018 this individual was terminated from the Company, and the

Detroit office was consolidated to Mt. Morris and the building was leased to a third party tenant.

Despite the financial difficulties in recent history, Wolverine has taken great measures to weather any financial shortcomings and reduce expenses and improve cash flow including but not limited to: All Shareholders in 2017 took a salary decrease, saving the Company approximately \$300K; Mark Corcoran retired early saving the Company \$100K annually; the Faith Corcoran Trust has loaned the Company \$600K while it worked through the temporary cash flow issues (of which, nearly 50% has been paid back); The Company has also consolidated many of their operations around the country which has greatly boosted their FYE 2018 performance, and put Wolverine back on solid footing.

Financing Opportunity

Oxford Bank is working with Wolverine Fire Protection Co. to provide new financing for both its operating company (Wolverine) and its holding company (Bunkhouse Holdings, Inc.) for the refinance of its real estate and working capital line of credit. The borrower has been in business for over 60 years and is owned by 9 members of the Corcoran family. The family owns both the operating company and the holding company. Wolverine has had some financial difficulties over the past three years, but through consolidation of the Company and cuts to salaries across the board, the Company has seen great improvement throughout 2018. The borrower continues to invest in the company and remains diligent in its effort to remain financially sound.

The Bank is asking for the MSF's support through the SSBCI Collateral Support program for its working capital line of credit. The bank is also providing a real estate loan, however, there is no need for collateral support from the MSF on that credit facility.

| Loan # | Purpose | Type | Balance/ Request Amt. | Accrued Interest | Commit. | Interest Rate | Payment Amt. P&I | # Pmts. | Term | Amort | Orig. Date | Mat. Date |
|--------------|-------------------|-----------|-----------------------------|---------------------|---------|------------------|---------------------|---------|------|-------|---------------|--------------|
| | Line of Credit | Revolving | 4,000,000 | | | 6.25 | | 12 | | | | |
| Total | | | 4,000,000 | | | | | | | | | |

| Collateral | Type | Value | Adv Rate | Disc. Value | Prior Lien | Coll. Amt. |
|------------------------|----------|------------------|-------------|------------------|---------------|------------------|
| Accounts Receivable | Eligible | 2,838,000 | 80% | 2,270,400 | | 2,270,400 |
| SSBCI-CSP | Cash | 1,750,000 | 100% | 1,750,000 | | 1,750,000 |
| Total | | 4,588,000 | | 4,020,400 | | 4,020,400 |

| | | | |
|--------------------------------|------------------|-------------------------------------|---------------|
| Total Loan Amount | 4,000,000 | Margin of Collateral to Loan | 1.01 |
| Total Collateral Amount | 4,020,400 | % Loan to Collateral | 99.49% |

Summary

| | | | |
|--------------------------------|------------------|-------------------------------------|---------------|
| Total Loan Amount | 4,000,000 | Margin of Collateral to Loan | 1.01 |
| Total Collateral Amount | 4,020,400 | % Loan to Collateral | 99.49% |

Collateral

The Bank is requesting collateral support on the proposed revolving working capital line of credit ("LOC") up to \$1,750,000 or 43.75% of the \$4,000,000 LOC. The borrower currently has a smaller LOC with another lending institution. Per the bank's credit policy, the Bank is unable to lend on bonded/government jobs. The MSF's enhancement will allow the bank to lend on these jobs. As shown by the above collateral chart, the eligible A/R is not valued high enough to support the proposed loan amount, therefore would not be able to provide the line with out the assistance of the MSF's collateral support program.

Ratios and Indicators

LIQUIDITY / LEVERAGE RATIOS

| Balance Sheet Dates | 12/31/2015 | 12/31/2016 | 12/31/2017 | 12/31/2018 |
|---|------------|------------|------------|------------|
| Balance Sheet Description | | | | |
| Current Ratio:* | 1.27 | 1.08 | 1.10 | 1.11 |
| Quick Ratio(Acid Test):* | 0.74 | 0.71 | 0.70 | 0.82 |
| Working Capital:* | 3,197,000 | 1,123,000 | 1,093,000 | 1,149,000 |
| Debt / Equity:* | 2.00 | 4.03 | 3.51 | 9.94 |
| Debt / Asset:* | 66.69% | 80.12% | 77.84% | 90.86% |
| Current Liabilities / Total Liabilities:* | 100.00% | 100.00% | 100.00% | 85.45% |
| Debt / Tang Net Worth:* | 2.16 | 4.20 | 3.61 | 10.43 |

PROFITABILITY RATIOS

| Inc. & Exp. Beginning Date | 01/01/2015 | 01/01/2016 | 01/01/2017 | 01/01/2018 |
|----------------------------|------------|------------|------------|------------|
| Inc. & Exp. Ending Date | 12/31/2015 | 12/31/2016 | 12/31/2017 | 12/31/2018 |
| Inc. & Exp. Description | | | | |
| Return on Investment:* | 3.0% | -96.1% | -27.4% | |
| Gross Profit Margin: | 43.6% | 36.7% | 25.8% | 30.7% |
| Net Profit Margin: | 0.4% | -7.9% | -2.7% | 5.9% |

Cash Flow / Repayment Capacity

01/01/2015 01/01/2016 01/01/2017 01/01/2018
12/31/2015 12/31/2016 12/31/2017 12/31/2018

| | | | | |
|---|------------------|-------------------|-----------------|------------------|
| CAP RPLC & DEBT REPAYMENT CAPACITY | 1,215,000 | -2,086,000 | -116,000 | 2,338,000 |
| Total Annual Payment | 860,862 | 860,862 | 860,862 | 860,862 |
| Total Debt Service | 860,862 | 860,862 | 860,862 | 860,862 |
| MARGIN AFTER DEBT SERVICING | 354,138 | -2,946,862 | -976,862 | 1,477,138 |
| Commercial DSCR | 1.41 | -2.42 | -0.13 | 2.72 |

Sensitivity Analysis

Debt Service Margin will be Depleted if:

| | | | | |
|--|-------|----------|---------|--------|
| Net Sales/Revenues Decreases by: | 0.84% | -7.22% | -3.21% | 4.36% |
| Operating Expense plus COGS Increase by: | 0.87% | -6.87% | -3.20% | 4.68% |
| Interest Rate Increase by: | 0.00% | -258.93% | -38.08% | 69.68% |

INDUSTRY COMPARISON

Balance Sheet: 12/31/2017

Comparative Historical Data - current year (Based on RMA 2018 Data) - Median Quartile

Income/Expense: 01/01/2017 to 12/31/2017

NAICS: 238220 - Plumbing, Heating, and Air-Conditioning Contractors

Unqualified: 98, Reviewed: 303, Compiled: 80, Tax Return: 331, Other: 548, Total Number Stmt: 1360

| | Client | Industry | Variance | | Client | Industry | Variance | Quartile |
|------------------------------------|--------------|--------------|----------|------------------------------------|--------|----------|----------|----------|
| Assets | | | | Liquidity Ratios | | | | |
| Cash & Equivalents | 2.3 | 18.2 | -15.9 | Current Ratio | 1.1 | 1.6 | -0.5 | 4 |
| Trade Receivables (net) | 0.4 | 41.8 | -41.4 | Quick Ratio (Acid Test) | 0.7 | 1.3 | -0.6 | 4 |
| Inventory | 0.0 | 6.2 | -6.2 | Sales / Receivables | 515.2 | 7.0 | 508.2 | 1 |
| All Other Current | 83.2 | 5.8 | 77.4 | Days' Receivables | 0.7 | 52.0 | -51.3 | 1 |
| Total Current | 85.9 | 72.0 | 13.9 | Cost of Sales / Inventory | 0.0 | 167.8 | -167.8 | 4 |
| Fixed Assets (net) | 0.9 | 18.1 | -17.2 | Days' Inventory | 0.0 | 2.0 | -2.0 | 4 |
| Intangibles (net) | 0.6 | 3.7 | -3.1 | Cost of Sales / Payables | 15.0 | 13.7 | 1.3 | 2 |
| Other Non-Current | 12.7 | 6.1 | 6.6 | Days' Payables | 24.3 | 27.0 | -2.7 | 2 |
| Total Assets | 100.0 | 100.0 | | Sales / Working Capital | 27.8 | 12.1 | 15.7 | |
| Liabilities | | | | Coverage Ratio | | | | |
| Notes Payable | 0.0 | 8.4 | -8.4 | EBIT / Interest | -1.3 | 14.4 | -15.7 | 4 |
| Cur. Mat. L/T/D | 15.6 | 3.1 | 12.5 | Net Prof. + Depr / Cur. Mat. L/T/D | -0.2 | 4.7 | -4.9 | 4 |
| Trade Payables | 11.1 | 19.2 | -8.1 | Leverage Ratios | | | | |
| All Other Current | 28.4 | 16.5 | 11.9 | Fixed / Net Worth | 0.0 | 0.3 | -0.3 | |
| All Other Current | 28.4 | 16.5 | 11.9 | Debt / Net Worth | 3.6 | 1.7 | 1.9 | |
| Total Current | 77.8 | 47.4 | 30.4 | Operating Ratios | | | | |
| Long Term Debt | 0.0 | 15.5 | -15.5 | % Prof. Bf. Taxes / Net Worth | -28.1 | 35.6 | -63.7 | 4 |
| Deferred Taxes | 0.0 | 0.2 | -0.2 | % Prof. Bf. Taxes / Total Assets | -6.1 | 12.4 | -18.5 | 4 |
| Other Non-Current | 0.0 | 3.6 | -3.6 | Sales / Net Fixed Assets | 255.4 | 27.3 | 228.1 | 1 |
| Net Worth | 22.2 | 33.3 | -11.1 | Sales / Total Assets | 2.2 | 3.2 | -1.0 | 4 |
| Total Liab. & Net Worth | 100.0 | 100.0 | | Expense to Sales Ratio | | | | |
| Income Data | | | | % Depreciation / Sales | 1.2 | 1.0 | 0.2 | 3 |
| Contract Revenues | 100.0 | 100.0 | 0.0 | Officers' Compensation/Sales | 0.0 | 3.7 | -3.7 | 1 |
| Gross Profit | 25.8 | 34.0 | -8.2 | | | | | |
| Operating Expenses | 27.4 | 28.4 | -1.0 | | | | | |
| Operating Profit | -1.6 | 5.6 | -7.2 | | | | | |
| All Other Expenses (net) | 1.2 | 0.2 | 1.0 | | | | | |
| Profit Before Taxes | -2.8 | 5.3 | -8.1 | | | | | |

Last Updated 03/11/2019 2:07:46 PM From RMA 2018 Data

OWNERSHIP / GUARANTORS

| Name | Address | Relationship | % Own | Amt Guar. |
|--|---------|--------------|-------|-----------|
| Martin Corcoran | | Guarantor | 11 | |
| The Faith G. Corcoran Trust Dated February 24, 1982, As Amen | | Guarantor | 20 | |
| Luke Corcoran | | Guarantor | 11 | |
| Timothy Corcoran | | Guarantor | 11 | |
| Amy Shanks | | Guarantor | 11 | |
| Jeff Corcoran | | Guarantor | 11 | |
| Meghan Amenta | | Guarantor | 11 | |
| Adam Corcoran | | Guarantor | 8 | |
| Connor Corcoran | | Guarantor | 3 | |

| | | |
|---------------------------------------|--|---|
| Source SSBCI | | Program CSP |
| Committed Date | Loan Closing Date | Total Loan \$4,000,000 |
| MSF Share \$1,750,000 | Additional Leverage (at closing) \$1,674,087 | Additional Leverage (ongoing) |
| Leverage | Closing Fee 1.75% of MSF share | Annual Fee 1% of MSF annual balance |
| FTE @ Closing (in State) 80 | FTE @ Closing (out of state) | Projected FTE Increase 10 |
| FTE @ Annual Review | FTE Net Increase/Decrease | Support \$ per new job \$175,000 |
| Associate | # Co's 2 | Loan Type Revolving |

Employment

Wolverine Fire Protection Co. has 80 full-time equivalent employees in Michigan. The Company anticipates adding 5 fulltime employees within the next 6 months and an additional 5 within the next 2 years. The annual salary for employees of Wolverine Fire Protection Co. is \$82,000.

Source of Information

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

Capital Access Program History

The Michigan Economic Development Corporation's (MEDC) Capital Access Programs began in 2009 with a state allocation of \$26 million. In 2011, the Federal government deployed an additional \$79 million to the State of Michigan to continue its efforts towards providing access to capital for small businesses. The programs under the Capital Access department assist small business and financial lending institutions by providing collateral support or loan participation. In either case, there is always a closing fee and annual fee charged, in addition to all principal returned as well as any fees and interest expense that the MEDC may receive through its support with the transactions. To date the program has funded over \$184 million to 252 companies, leveraged over \$922 million in Private Investments, received a total of \$10.7 million in program revenue, and has had losses of less than 1% of the total loan funded.

Exit Strategy

The Bank has implemented the following loan covenants in conjunction with its existing financing to Wolverine Fire Protection Co.

- Minimum Debt Service Coverage of 1.20x - pre-distributions
 - Measured annually beginning 12/31/2019
- Minimum Debt Service Coverage of 1.00x - post-distributions
 - Measured annually beginning 12/31/2019

These covenants are intended to require re-investment in the balance sheet of Wolverine and ultimately the release of the pledged collateral from the MSF.

Conditions

- Commitment will remain valid for 90 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.
- Unlimited, unsecured personal guaranty of Martin Corcoran
- Limited subordinated guarantees from the various owners of the co-borrowers which are anticipated to follow the Bank's guarantees.
- The proposed financing will be subject to a Minimum Debt Service Coverage Ratio, as calculated by the Bank. Required debt service coverage ratio will be set at a level acceptable to Bank and CST.

SCORING & RATING

SCORING & RATING : MBGF_CSP_2019

Score = **3.00**

3 Average

Model Used: MEDC CRE Model - Board

Last Scored: 03/12/2019 9:08 AM Aileen Cohen

Financial Statements and Forms calculated from:

Balance Sheet: Inc. / Exp.:
12/31/2018 12/31/2018

| Criteria | | Criteria Score | Wt % | Weighted Criteria Score | Review |
|---------------------------------|---------------------------|----------------|-------|-------------------------|--------|
| Debt / Tang Net Worth: | 10.43 | 1.00 | 20.00 | 0.200 | |
| Debt Coverage Ratio: | 2.72 | 5.00 | 20.00 | 1.000 | |
| MSF Leverage Ratio | 3.24 | 2.00 | 20.00 | 0.400 | |
| Management / Borrower Character | Good team/Depth in key ar | 4.00 | 20.00 | 0.800 | |
| Business & Industry Trends | Seasoned business / possi | 3.00 | 20.00 | 0.600 | |
| | | | | 3.000 | |

* Adjusted for Loan To/From Affiliates/Shareholders

MEMORANDUM

Date: March 26, 2019

To: Michigan Strategic Fund Board

From: Brittney Hoszkiw, Senior Community Assistance Team Specialist
Emanuel Odom, Program and Investment Specialist
Rob Garza, Brownfield and MCRP Senior Program Specialist

Subject: Request for Approval Michigan Community Revitalization Program Award
Kercheval and Van Dyke

REQUEST

IDRE3 LLC and Kercheval Associates LLC (“Applicant”) are requesting a Michigan Community Revitalization Program (MCRP) Performance-Based Award in the amount of \$3,500,000 to support a community development project that will build a new four-story mixed-use building. Staff is requesting the authority to make the MCRP Award in the form of either a Performance-Based Direct Loan or an Other Economic Assistance Loan Participation. The Applicant anticipates that the project will result in a total capital investment in the amount of \$22,500,000 along with the creation of approximately 22 permanent full-time equivalent jobs with an average hourly wage of \$12.

FINANCING OPPORTUNITY -MCRP OTHER ECONOMIC ASSISTANCE LOAN PARTICIPATION

The requested MCRP Award of up to \$3,500,000 would be a component of a total \$15,500,000 in construction to permanent loan financing. The proposed award will improve the financial viability of the project and allow a significant portion of its units to have affordable rental rates for residents with incomes below the area median income. Without the MCRP Award, the development would not be able to support the necessary amount of debt financing to complete the project. The summary of development sources and the proposed structure of a direct loan or loan participation is outlined below. With the financing structure described, it is anticipated that the investors will be able to achieve a return of under 5% through operating income.

LOAN TERMS

MSF Facility: MCRP Other Economic Assistance Loan Participation or Direct Loan

Borrower: IDRE3 LLC and/or Kercheval Associates LLC

Total Capital Investment: Currently estimated at \$22,500,000

MSF Eligible Investment: Currently estimated at \$17,947,059

| | |
|---------------------------------|--|
| MSF Share: | Up to the lesser of 20% of “Eligible Investment” or \$3,500,000 |
| Term: | Not to exceed 144 months, including an interest only period of up to 36 months. |
| Amortization: | Not to exceed 360 months, following the interest only period. |
| Interest Rate: | 1.00% per annum |
| Repayment Terms: | <p>Monthly interest only payments for up to 36 months, followed by monthly principal and interest payments with the balance due at maturity.</p> <ul style="list-style-type: none"> • Payments to the MSF will be limited to an amount necessary to maintain a debt service coverage ratio of 1.00 to 1.00. |
| Collateral: | Anticipated to be a security in the real estate and reserves, subordinated to only that of senior lender’s interest |
| Guarantee: | Anticipated to be limited guarantees of the owners of the Borrower. |
| MSF Fees: | The MSF shall be paid a one-time fee equal to one percent of the MSF’s loan or share of the loan participation. |
| Deferred Developer Fees: | \$1,000,000 with 100% of fees to 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 \$3,500,000 to be disbursed following closing of the financing and other performance criteria. |
| Reserves: | Lease-up, Operating and Replacement reserves will be required and determined based on Lender’s review of residential and commercial market data, currently anticipated to be \$542,500 for the Rent Up reserve, \$689,822 for the Operating Reserve and \$28,845 for the Replacement Reserve. |
| Other Conditions: | <p>The MSF’s investment will be contingent upon the following:</p> <ul style="list-style-type: none"> • Construction documents (includes a “Guaranteed Maximum Price” construction contract) • Final Development Budget • Minimum Owner Equity Investment of \$2,500,000 |

SUMMARY OF DEVELOPMENT SOURCES:

| | | |
|-------------------------|---------------------|----------------|
| Capital Impact Partners | \$14,000,000 | 62.22% |
| MSF Share | \$3,500,000 | 15.56% |
| City of Detroit HOME | \$1,500,000 | 6.67% |
| Developer Equity | \$2,500,000 | 11.11% |
| Deferred Fees | \$1,000,000 | 4.44% |
| TOTAL | \$22,500,000 | 100.00% |

SUMMARY OF DEVELOPMENT USES:

| | |
|-------------------------|---------------------|
| Acquisition | \$450,000 |
| Hard Construction Costs | \$17,247,059 |
| Eligible Soft Costs | \$700,000 |
| Other | \$4,102,941 |
| TOTAL | \$22,500,000 |

LOCAL SUPPORT

Local support for the project includes \$1,500,000 in HOME funds to support the project financing. The City of Detroit has also approved a Neighborhood Enterprise Zone tax abatement valued at over \$5,000,000. The City of Detroit is engaged with the MEDC's Redevelopment Ready Communities (RRC) program. The project qualifies because it is a facility.

MCRP PROGRAM AND GUIDELINES

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

The project complies with all of the Board-approved MCRP parameters with the exception of the following:

- Minimum Debt Service Coverage Ratio requirement of 1.20 to 1.00 is not projected to meet or exceed the requirement. However, cash flow will be supported by a rental reserve and operating reserve combined to total \$1,200,000. Additionally, future cash potential will be improved as a portion of the affordability requirements expire.

PROJECT BACKGROUND

The proposed project is a mixed-use infill of a new four-story building to be constructed in the West Village neighborhood of Detroit. The development will include 92 residential units on the second through fourth floors occupying approximately 73,294 square feet, with approximately 6,225 square feet of ground floor retail space for total of 79,519 square feet. Half of the units qualify as affordable housing

with a mix of units targeted at rental levels of between 50% and 80% Average Median Income units. There are 80 parking spaces on site and an additional 20 leased from a nearby commercial lot.

There is a significant financing gap in this project primarily due to the project being located in an emerging market in Detroit, and deeply affordable targeted rental units. Additionally, the project is in an area of Detroit that has not experienced new development in the recent past making achievement of the proposed rents significantly riskier than developing in more dense areas of the City such as downtown or midtown. Despite significant support from the City of Detroit through a \$1,500,000 HOME award and over 10% equity contribution of approximately \$2,500,000, a financing gap remains. The project meets a variety of our community development goals including creating density on what was otherwise a vacant lot in a strategic neighborhood in the City of Detroit. The project includes massing, density and design features that make it appropriate for the West Village neighborhood and pedestrian traffic. The project will also result in a true mixed-income development with rental rates at between 50% of AMI and 80% of AMI, and market rate.

APPLICANT HISTORY

The project is being led by the community development financial institution Invest Detroit. Invest Detroit has participated as a partner in another West Village project known as the Coe, which received a \$730,933 MCRP grant. Invest Detroit is completing the project in partnership with Roxbury Group who also has significant development experience in Southeast Michigan on MSF supported MCRP projects such as The Metropolitan and The Griswold. MEDC has completed the background check in accordance with the MSF policy, and the project may proceed for MSF consideration.

RECOMMENDATION

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

- a) A MCRP performance-based loan/other economic assistance loan participation in the amount of up to \$3,500,000 for IDRE3 LLC and/or Kercheval Associates LLC on terms and conditions outlined in Exhibit A found in the resolution.
- b) Waiver of the MCRP Incentive Parameter requirement of a minimum 1.20 to 1.00 debt service coverage ratio for the project.
- c) Authorize the Fund Manager to finalize the structure of the award.

APPENDIX A – Project Map and Renderings



MEMORANDUM

Date: March 26, 2019

To: Michigan Strategic Fund Board

From: Adam Cummins, Community Assistance Team Specialist
Katie Adkins, Commercial Real Estate Investment Manager
Lori LaPerriere, MCRP and Brownfield Program Specialist

Subject: Request for Approval Michigan Community Revitalization Program (MCRP)
Performance-based Grant and a Request for Approval of an Act 381 Work
Plan
515 Ionia, LLC – Belen Building Redevelopment

REQUEST

515 Ionia, LLC (“Applicant”) is requesting a MCRP performance-based grant in the amount of \$254,362 and the City of Lansing Brownfield Redevelopment Authority is requesting approval of a Brownfield Act 381 Work Plan, including local and school tax capture for MSF eligible activities, in the amount of \$220,420. This project will completely renovate two traditional-style mixed-use buildings near the Capitol in downtown Lansing with six new residential units and four commercial/retail spaces. The Applicant anticipates that the project will result in a total capital investment in the amount of \$1,468,779, along with the creation of approximately 12 permanent full-time equivalent jobs with an average wage of \$18.00 per hour.

FINANCING OPPORTUNITY – MCRP PERFORMANCE-BASED GRANT

The Applicant has requested a MCRP Performance Based Grant of \$254,362. A financial gap remains after maximizing their senior financing, leveraging PACE funds and Brownfield TIF and contributing equity in the amount of \$213,925, or 14.56% of total development costs. The bank has stated they are willing to fund up to 75% of the as-completed appraisal. They estimate this amount at \$532,342. With a MCRP award in the amount requested, this project has a 1.20 to 1.00 stabilized debt service coverage ratio by year 3 and an estimated 7% return to the developer. Brownfield eligible activities will alleviate Brownfield conditions across the site making it suitable for redevelopment, while protecting human health and the environment. Without Brownfield tax increment reimbursement, the cost burden related to Brownfield conditions would make the project financially unfeasible.

GRANT TERMS

Total Capital Investment: Currently estimated at \$1,468,779

MSF Eligible Investment: Currently estimated at \$1,017,447

MSF Share: Up to the lesser of 25% of “Eligible Investment” or \$254,362

Funding: The MSF will fund up to \$254,362 to be disbursed following closing of the financing and other performance criteria.

Reserves: Project has a construction contingency of \$80,000

SUMMARY OF DEVELOPMENT SOURCES:

| | | | |
|--------------------|-----------|------------------|----------------|
| MSU Federal Credit | \$ | 532,342 | 36.24% |
| Union | | | |
| MSF Grant | \$ | 254,362 | 17.32% |
| PACE loan | \$ | 247,730 | 16.87% |
| Accelerated TIF | \$ | 220,420 | 15.01% |
| Developer Equity | \$ | 213,925 | 14.56% |
| TOTAL | \$ | 1,468,779 | 100.00% |

SUMMARY OF DEVELOPMENT USES:

| | | |
|-------------------------|-----------|------------------|
| Acquisition | \$ | 150,000 |
| Hard Construction Costs | \$ | 1,219,867 |
| Eligible Soft Costs | \$ | 37,000 |
| Other | \$ | 61,912 |
| TOTAL | \$ | 1,468,779 |

LOCAL SUPPORT

Local support for the project includes approximately \$143,472 in local Brownfield TIF reimbursement for non-environmental (MSF eligible) activities. The City of Lansing is certified with the MEDC's Redevelopment Ready Communities (RRC) program. The project qualifies because it is functionally obsolete.

MCRP PROGRAM AND GUIDELINES

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

The project complies with all of the Board-approved MCRP parameters with the exception of allowing an MCRP award above 20% of eligible investment for a non-historic project. At the time of review, the buildings did not qualify as historic resources, however, the Applicant has applied to have the buildings listed in the National Register of Historic Places. SHPO has approved the request in July 2017 and the request is currently under review by the National Parks Service. The nomination process can take up to 30 months for approval.

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 June 12, 2017. The property has been determined to be deemed functionally obsolete as verified by a Michigan Master Assessing Officer (MMAO) assessor on January 30, 2017.

There are 68.4622 non-homestead mills available for capture, with State mills from school operating and SET millages equaling 23.9028 mills (34.91%) and local millage equaling 44.5594 mills (65.09%). Tax increment capture will begin in 2020 and is estimated to continue for 18 years. The requested tax capture for MSF eligible activities breaks down as follows:

| | | | |
|-------------------|----------|----|----------------|
| State tax capture | (34.91%) | \$ | 76,948 |
| Local tax capture | (65.09%) | \$ | 143,472 |
| TOTAL | | \$ | 220,420 |

COST OF MSF ELIGIBLE ACTIVITIES

| | | | |
|-----------------------------------|--|----|----------------|
| Demolition | | \$ | 70,900 |
| Lead, Asbestos, or Mold Abatement | | | 41,000 |
| Infrastructure Improvements | | | 54,400 |
| Site Preparation | | + | 14,500 |
| Sub-Total | | \$ | 180,800 |
| Contingency (15%) | | + | 27,120 |
| Sub-Total | | \$ | 207,920 |
| Brownfield/Work Plan Preparation | | + | 12,500 |
| TOTAL | | \$ | 220,420 |

PROJECT BACKGROUND

515 Ionia, LLC – Ionia Street Redevelopment project includes the Orla H. Bailey Buildings, a pair of red brick commercial buildings located at 513-515 and 517-519 West Ionia Street in Lansing, Michigan. Built in the mid-1920s, each of the buildings is a flat roofed, two-story double storefront with space for apartments above. Located just one block northwest of the Michigan State Capitol building, a National Historic Landmark, and five blocks west of the National Register listed Lansing Downtown Historic District, the buildings are representative of the Commercial Brick style of American commercial architecture that prevailed during the city’s post-World War I building-boom. Located in a neighborhood designated as highly distressed, the buildings previously housed a grocery store, barber shop, and other neighborhood service type business for several decades prior to falling into disrepair and remaining vacant for several years. The durability of the brick building facades has kept the structures’ frames intact, while the interiors have experienced severe deterioration.

The Applicant will completely renovate both traditional mixed-use buildings near the Capitol creating a total of six residential units (mix of one and two bedroom) and four commercial/retail spaces for a total of 9,132 square feet. Both buildings will be abated and deconstructed to the frame. All interior finishes and building systems (electrical, HVAC, Plumbing) will be fully removed. Extensive energy efficient

technologies will be integrated, including: renewable energy generation on site including the installation of solar photovoltaic cells, combined heat and power, an electric vehicle charger, onsite stormwater management, thermal envelope improvements, and advanced lighting and appliances. The finishes will appeal to the historical context of the buildings, while attracting the intended lessees at market rates. Additionally, the buildings have been recommended for listing on the National Register by the Michigan State Housing Development Authority, State Historic Preservation Office, as indicated in a July 14, 2017 letter. The Secretary of the Interior Standards will be followed during the rehabilitation of both buildings.

APPLICANT HISTORY

515 Ionia, LLC is a single-purpose entity related to Vesta Building Industries. Although the Applicant has not had a project supported by the MSF in the past, they have experience with similar projects including the Vesta office, 1219 Turner St., Lansing, MI and Ozone Brewhouse, 305 Beaver St., Lansing, MI. MEDC has completed the background check in accordance with the MSF policy, and the project may proceed for MSF consideration.

RECOMMENDATION

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

- a) Local and school tax capture for the Act 381 eligible activities totaling \$220,420. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$76,948.
- b) A MCRP performance-based grant in the amount of up to \$254,362 for 515 Ionia, LLC.
- c) Waiver of the MCRP Incentive Parameter that limits awards to 20% of eligible investment for a non-historic project.

APPENDIX A – Project Map and Renderings



RESOLUTIONS

MICHIGAN STRATEGIC FUND

**RESOLUTION
2019-035**

**APPROVAL OF MARCH 2019 CONSENT AGENDA
FOR THE MICHIGAN STRATEGIC FUND BOARD**

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

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

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

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

Consent Agenda Items:

Proposed Meeting Minutes – February 26, 2019
Niowave, Inc. – MBDP Termination and Conversion to Promissory Note
Toyota Motor Engineering and Manufacturing North America – MBDP Amendment
KLA Tencor – Good Jobs for Michigan Amendment
Samsung SDI – MBDP Amendment
KPIT – MBDP Amendment
Harbor Shores BHBT Land Development, LLC – Brownfield MBT Amendment
Metropolitan Hotel Partners, LLC – MCRP Amendment
Temple Group Holdings, LLC – MCRP Amendment

Ayes: Carl Camden, Jeremy Hedges, Larry Koops, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Shaun Wilson

Nays: None

Recused: None

Lansing, Michigan
March 26, 2019



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

February 26, 2019

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 2019.

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 2019-036

AMENDMENT TO MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT NIOWAVE, INC.

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

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

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

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

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

WHEREAS, the Guidelines require that MBDP awards over \$1,000,000 be approved by the MSF Board;

WHEREAS, on November 20, 2013, the MSF approved an \$3,000,000 Michigan Business Development Program Performance based grant for Niowave, Inc. (the “Company”) for an expansion of their operations in the City of Lansing (the “MBDP Grant”);

WHEREAS, on August 23, 2016, the MBDP Grant was amended to extend the deadline to meet Qualified Investment and change the Project definition;

WHEREAS, on December 19, 2017, the MBDP Grant was amended to decrease the grant to \$1,500,000, reduce Qualified New Jobs to 30, reduce Qualified Investment to \$8,500,000 and reduce the Annual Payments to \$232,142.86 for 7 years for a total of \$1,625,000.02;

WHEREAS, on December 11, 2018, the Company made the first Annual Payment and now has a balance of \$1,392,857.16;

WHEREAS, the Company requests that the Michigan Business Development Program performance based grant be amended to repay the remaining \$1,392,857.16 in yearly installments beginning on November 30, 2019 and continuing for the following 6 years (the “Amendment Request”);

WHEREAS, the MEDC recommends that the MSF approve 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, the MSF Board authorizes the MSF Fund Manager to negotiate and execute the final terms and conditions of the final documents necessary to effectuate the Amendment Request.

Ayes: Carl Camden, Jeremy Hedges, Larry Koops, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Shaun Wilson

Nays: None

Recused: None

Lansing, Michigan
March 26, 2019



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

February 26, 2019

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 2019.

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
2019-037**

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT
PROGRAM GRANT AMENDMENT TO
TOYOTA MOTOR ENGINEERING & MANUFACTURING
NORTH AMERICA, INC.**

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

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

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

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

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

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

WHEREAS, the MSF Board approved a \$4,000,000 Michigan Business Development Program performance-based grant on August 26, 2014 for the expansion of an existing facility in York Charter Township (the “Project”);

WHEREAS, the MSF Board approved an amendment to increase the Michigan Business Development Program performance-based grant to \$5,000,000 on January 27, 2015 for the increase in Qualified New Jobs and capital investment and allow for job creation in Ann Arbor Charter Township in addition to York Charter Township (the “Project”);

WHEREAS, the Company requests that the MSF Board approve an amendment to the Michigan Business Development Program performance-based grant by adding the related entities Toyota Motor North America Inc., Caltly Design Research Inc., and Toyota Research Institute Inc. for the purpose of counting Base Employment and Qualified New Jobs (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: Carl Camden, Jeremy Hedges, Larry Koops, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Shaun Wilson

Nays: None

Recused: None

Lansing, Michigan
March 26, 2019



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

February 26, 2019

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 2019.

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
2019-038**

AMENDMENT TO GOOD JOBS FOR MICHIGAN AWARD

KLA-TENCOR CORPORATION

WHEREAS, Public Act 109 of 2017 authorized the Michigan Strategic Fund (the “MSF”) to create and operate the Good Jobs for Michigan Program (the “GJFM Program”);

WHEREAS, on September 26, 2017, the MSF created the GJFM Program and adopted guidelines for the GJFM Program;

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

WHEREAS, on October 23, 2018, via MSF Resolution 2018-173 (the “Awarding Resolution”), the MSF Board approved an award under the GJFM Program for KLA-Tencor Corporation (the “Company”) authorizing the Company to receive withholding tax capture revenues for its project of up to 100 percent for eight years, not to exceed \$16,171,948;

WHEREAS, the Awarding Resolution incorrectly identified that Ann Arbor Charter Township and Pittsfield Charter Township had to approve the Company’s expansion project by resolution;

WHEREAS, MEDC Staff recommends the MSF approve an amendment to the Awarding Resolution to identify Washtenaw County as the source of the local resolution approving the Company’s expansion project (the “GJFM Amendment Recommendation”);

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

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

Ayes: Carl Camden, Jeremy Hendges, Larry Koops, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Shaun Wilson

Nays: None

Recused: None

Lansing, Michigan
March 26, 2019



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

February 26, 2019

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 2019.

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
2019-039**

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM
GRANT AMENDMENT TO
SAMSUNG SDI AMERICA, INC.**

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

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

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

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

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

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

WHEREAS, the MSF Board approved a \$10 million Michigan Business Development Program Performance based grant on November 27, 2018 to expand the Company’s manufacturing presence through the creation of its first high volume automotive battery pack manufacturing facility in the United States (the “Project”);

WHEREAS, the Company requests that the MSF Board approve an amendment to the Michigan Business Development Program performance-based grant to remove the language “At least 461” from the qualified new job requirement and replace it with “461” (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: Carl Camden, Jeremy Hedges, Larry Koops, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Shaun Wilson

Nays: None

Recused: None



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

February 26, 2019

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 2019.

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
2019-040**

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

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

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

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

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

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

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

WHEREAS, the MSF Board approved a \$1,100,000 Michigan Business Development Program Performance based grant on August 28, 2018 for the creation of 171 Qualified New Jobs and \$2,800,000 in new investment the city of Novi, Oakland County (the “Project”);

WHEREAS, the Company requests that the MSF Board approve an amendment to the Michigan Business Development Program performance-based grant Agreement to transfer the Agreement from KPIT Infosystems, Inc. to KPIT Technologies, Inc. (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: Carl Camden, Jeremy Hedges, Larry Koops, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Shaun Wilson

Nays: None

Recused: None

Lansing, Michigan
March 26, 2019



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

February 26, 2019

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 2019.

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
2019-041**

**Harbor Shores Hideaway (Parcel K Development) Project
Harbor Shores BHBT Land Development, LLC
Powell Construction Services, LLC
BROWNFIELD REDEVELOPMENT MBT CREDIT – AMENDMENT #2
Benton Charter Township**

At the meeting of the Michigan Strategic Fund (“MSF”) held on March 26, 2019 in Lansing, Michigan;

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

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

WHEREAS, by Resolution 2009-210 on December 15, 2009, the MEGA Board awarded a Brownfield MBT Tax Credit to Harbor Shores BHBT Land Development, LLC and Powell Construction Services, LLC (the “Applicant”) to make eligible investment up to \$21,000,000 at an eligible property in Benton Charter Township (the “Project”), and by Resolution 2012-135 on October 24, 2012, the MSF Board approved an amendment;

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

WHEREAS, a request has been submitted to amend the Project to add the following homeowners as Qualified Taxpayers;

- Kevin L. and Nancy S. Bright
- Edith F. Fouch
- Robert W. and Nicole Wysocki
- James V. Riccioni and Mary E. Riccioni
- Todd A. Witmer and Clare F. Witmer
- Thomas and Erin Rezmer
- Richard and Petra Clayton
- Stephen P. and Beth A. Chesna
- Michael V. and Maura A. Lugli
- James L. and Sharon L. Gleeson Revocable Trust
- Gordon Thomas and Elizabeth Marie Chisholm
- John D. and Donna R. Piazza
- Donald A. Crouch and Janice L. Wilcox
- Janet E. Radde
- Marlene Holubar

- Jeffrey W. and Peggie F. Conrad
- Kevin K. Kellenberger and Norma Tirado-Kellenberger
- Manfred and Anita G. Grams
- Arlene B. Porritt Family Trust
- Carol L. Sizer
- Barbara Ciesar
- Marcia and David Machermer
- Pamela M. Meyer
- Brian and Laurie Norris
- Michael and Deanna C. Fortier
- Frank Stan and Deborah Quinn Nekic; and

WHEREAS, a request has been submitted to further amend the Project by reducing the number of cottages constructed from 55 to 42;

WHEREAS, a request has been submitted to further amend the Project by changing the material scope of the project into two phases:

Phase I – Construction of 15 cottages and a clubhouse. This phase was completed, and a Certificate of Completion was provided on December 28, 2012;

Phase II – Construction of 27 cottages; and

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF, and recommends approval of the amendment by the MSF Board, provided that the maximum credit amount does not exceed \$2,345,610;

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board amends the Project by adding the following Qualified Taxpayers:

- Kevin L. and Nancy S. Bright
- Edith F. Fouch
- Robert W. and Nicole Wysocki
- James V. Riccioni and Mary E. Riccioni
- Todd A. Witmer and Clare F. Witmer
- Thomas and Erin Rezmer
- Richard and Petra Clayton
- Stephen P. and Beth A. Chesna
- Michael V. and Maura A. Lugli
- James L. and Sharon L. Gleeson Revocable Trust
- Gordon Thomas and Elizabeth Marie Chisholm
- John D. and Donna R. Piazza
- Donald A. Crouch and Janice L. Wilcox
- Janet E. Radde
- Marlene Holubar
- Jeffrey W. and Peggie F. Conrad
- Kevin K. Kellenberger and Norma Tirado-Kellenberger
- Manfred and Anita G. Grams
- Arlene B. Porritt Family Trust

- Carol L. Sizer
- Barbara Ciesar
- Marcia and David Machermer
- Pamela M. Meyer
- Brian and Laurie Norris
- Michael and Deanna C. Fortier
- Frank Stan and Deborah Quinn Nekic; and

BE IT FURTHER RESOLVED, that the Project is amended by authorizing the reduction in the number of cottages constructed from 55 to 42;

BE IT FURTHER RESOLVED, that the Project is amended to be completed in two phases as follows:

Phase I – Construction of 15 cottages and a clubhouse. This phase was completed, and a Certificate of Completion was provided on December 28, 2012;

Phase II – Construction of 27 cottages.

BE IT FURTHER RESOLVED, that the Project is required to submit a Certificate of Completion request for the final phase within one year of project completion.

Ayes: Carl Camden, Jeremy Hedges, Larry Koops, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Shaun Wilson

Nays: None

Recused: None

Lansing, Michigan
March 26, 2019



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

February 26, 2019

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 2019.

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
2019-042**

**APPROVAL OF AN AMENDMENT TO A MICHIGAN COMMUNITY REVITALIZATION
PROGRAM LOAN AWARD FOR
THE METROPOLITAN HOTEL PARTNERS, LLC OR OTHER RELATED ENTITIES**

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 2016-239 on November 22, 2016 the MSF Board awarded a MCRP Loan Award to The Metropolitan Hotel Partners, LLC or Other Related Entities, in furtherance of the Project of up to \$6,500,000 (“Award”);

WHEREAS, the MEDC is recommending that the MSF approve the amendment recommendation to extend the Milestone Four due date to December 31, 2019, with all other requirements remaining in place from the original approval (“MCRP Amendment Recommendation”).

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

Ayes: Carl Camden, Jeremy Hendges, Larry Koops, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Shaun Wilson

Nays: None

Recused: None

Lansing, Michigan
March 26, 2019



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

February 26, 2019

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 2019.

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
2019-043**

**APPROVAL OF AN AMENDMENT TO A MICHIGAN COMMUNITY REVITALIZATION
PROGRAM OTHER ECONOMIC ASSISTANCE AWARD TO
TEMPLE GROUP HOLDINGS LLC, OR RELATED ENTITY OR ENTITIES**

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 2018-161, on September 25, 2018 the MSF Board awarded an MCRP Other Economic Assistance Performance-Based Loan Participation award to Temple Group Holdings LLC, in furtherance of the Project in an amount up to \$5,697,000 (“Award”);

WHEREAS, by Resolution 2018-167, on October 23, 2018 the MSF Board provided consent to authorize the MSF Fund Manager to negotiate the final collateral position of the MCRP loan prior to closing, with all other requirements remaining in place from the original approval;

WHEREAS, the MEDC is recommending that the MSF approve the amendment recommendation to extend the interest only period to up to 42 months to match the terms of the Senior Lender, with all other requirements remaining in place from the original approval as referenced in Exhibit A (“Term Sheet”);

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

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

BE IT FURTHER RESOLVED, the MSF Board authorizes the MSF Fund Manager to negotiate the final terms and conditions and execute all final documents necessary to effectuate the MCRP Amendment Recommendation.

Ayes: Carl Camden, Jeremy Hedges, Larry Koops, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Shaun Wilson

Nays: None

Recused: None

Lansing, Michigan
March 26, 2019

EXHIBIT A

“Term Sheet”

| | |
|--|--|
| <u>Loan Facility</u> MSF Facility | MCRP Loan Participation |
| Borrower: | Temple Group Holdings, LLC or Other Related Party |
| Lender: | Chemical Bank |
| Total Amount of Loans: | Anticipated to be \$37,947,000 |
| Lender Share: | Anticipated to be \$32,250,000 |
| MSF Share: | Up to the lesser of 20% of Eligible Investment or \$5,697,000 |
| Term: | To match that of the Lender, not to exceed 84 90 months , including interest only period of 24 42 months . |
| Amortization: | To match that of the Lender, not to exceed 300 months following an interest only period. |
| Interest Rate: | 3.5% per annum |
| Repayment Terms: | Up to 24 42 months interest only, followed by monthly principal and interest with balance due at maturity |
| Collateral: | Lien position on mortgage and assignment of rents and leases to be negotiated by Fund Manager prior to closing-for the property located at 640 Temple Street, Detroit, MI 48201, and adjoining and commonly owned parcels (the Property); ii-Assignment of Municipal and State Incentives; iii-Assignment of Managing Member’s interest in the Borrower; iv-Assignment of all Construction and Development related contracts; v-Assignment of all Management Contracts and/or Franchise Agreements; vi-Other collateral as required by Bank. MSF share of collateral will be subordinated to that of the Lender. |
| Guarantee: | To match that of the Lender, anticipated to be the unlimited personal guaranty of Gretchen Valade, The Gretchen Valade Irrevocable trust dated 1/15/2009, The Gretchen Valade Revocable Trust dated 5/5/1982, Christos Moisides & Trust, David Sutherland & Trust and the unlimited corporate guaranty of Byzantine Holdings, LLC. MSF Interest to be subordinated to that of the Lender. |
| MSF Fee: | The MSF shall be paid a one-time fee equal to one percent of the MSF’s award. The Lender may charge the borrower for this fee. |
| Funding: | The MSF will fund up to \$5,697,000 to be disbursed following closing of the Loan and achievement of other performance criteria. |

Other Conditions:

The MSF's investment will be contingent upon receipt and review of the following:

- A minimum owner equity contribution of \$14,390,779 to the project
- Executed Guaranteed Maximum Price Construction Contract
- Final Development Budget
- State approval of OPRA tax abatement.
- Review and acceptance of Hotel Operator and Hotel Management Agreement and/or Hotel Franchise Agreement.
- Historic Part I and Part II approvals and any amendments from the National Park Service.
- Final Operating Agreement detailing equity pay-in schedule
- Other due diligence as may be required by MEDC staff.
- Such other conditions as determined by Lender.



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

February 26, 2019

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 2019.

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
2019-044**

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN
WATERFORD TOWNSHIP BROWNFIELD REDEVELOPMENT AUTHORITY
SUMMIT PLACE MALL REDEVELOPMENT 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 Waterford Township Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 201, 205, 327, and 435 North Telegraph Road and 330 Summit Drive within the Township of Waterford, known as the Summit Place Mall Redevelopment Project (the “Project”);

WHEREAS, the Township of Waterford is not a “qualified local government unit” but is eligible to provide demolition and lead and asbestos and mold removal as provided under 2007 PA 204;

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 69.03% to 30.97% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of demolition and lead and asbestos abatement as presented in the Work Plan dated February 18, 2019. 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 \$8,692,415 for the principal activity costs of non-environmental activities and a contingency,

a maximum of \$4,150,599 in interest, a maximum of \$15,000 for Brownfield/Work Plan preparation, and a maximum of \$6,500 for Brownfield/Work Plan implementation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$8,880,082.

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 Township, 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 school tax capture is allowable only for property used for manufacturing, warehouse, corporate office, research & development or technical center operations, collectively referred to as business development uses. School tax capture for additional uses may be allowed if approved by the MSF Fund Manager and if such use(s) is/are crucial to the success of the allowable business development uses. Furthermore, an entity's decision to relocate from a Michigan location to the newly constructed facilities may result in suspension of the school tax capture if the relocating entity does not demonstrate plans for: 1) expanding the size of its relocated facility; 2) employing a higher number of individuals than employed prior to its move into the facility; or 3) any other valid business reason approved by the MSF Fund Manager.

Ayes: Carl Camden, Jeremy Hendges, Larry Koops, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Shaun Wilson

Nays: None

Recused: None

Lansing, Michigan
March 26, 2019



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

February 26, 2019

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 2019.

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
2019-045**

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN
COUNTY OF OAKLAND BROWNFIELD REDEVELOPMENT AUTHORITY
THE FORD WIXOM SITE 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 County of Oakland Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 29311 South Wixom Road within the City of Wixom, known as the Ford Wixom Site Development Project (the “Project”);

WHEREAS, the City of Wixom is not a “qualified local government unit” but is eligible to provide demolition and lead and asbestos and mold removal as provided under 2007 PA 204;

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

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

NOW, THEREFORE, BE IT RESOLVED, the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as 50.19% to 49.81% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of demolition as presented in the Work Plan dated February 12, 2019. 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 \$3,450,000 for the principal activity costs of non-environmental activities and a contingency, a maximum of \$15,000 for Brownfield/Work Plan preparation, and a maximum of \$15,000 for Brownfield/Work Plan implementation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$1,746,612.

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 County, 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 school tax capture is allowable only for property used for manufacturing, warehouse, corporate office, research & development or technical center operations, collectively referred to as business development uses. School tax capture for additional uses may be allowed if approved by the MSF Fund Manager and if such use(s) is/are crucial to the success of the allowable business development uses. Furthermore, an entity's decision to relocate from a Michigan location to the newly constructed facilities may result in suspension of the school tax capture if the relocating entity does not demonstrate plans for: 1) expanding the size of its relocated facility; 2) employing a higher number of individuals than employed prior to its move into the facility; or 3) any other valid business reason approved by the MSF Fund Manager.

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

Ayes: Carl Camden, Jeremy Hedges, Larry Koops, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Shaun Wilson

Nays: None

Recused: None

Lansing, Michigan
March 26, 2019



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

February 26, 2019

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 2019.

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
2019-046**

**THE FORD WIXOM SITE DEVELOPMENT PROJECT AREA A
FORD MOTOR COMPANY
BROWNFIELD REDEVELOPMENT MBT CREDIT – AMENDMENT #1
CITY OF WIXOM**

At the meeting of the Michigan Strategic Fund (“MSF”) held on March 26, 2019 in Lansing, Michigan;

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

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

WHEREAS, by Resolution 2011-154 on December 13, 2011, the MEGA Board awarded a Brownfield MBT Tax Credit to Ford Motor Company (the “Applicant”) to make eligible investment up to \$80,000,000 at an eligible property in the City of Wixom (the “Project”);

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

WHEREAS, a request has been submitted to amend the Project to construct up to 6 buildings or approximately 1,340,000 square feet of commercial or industrial space, add 5 years to complete the project, and add Detroit Wixom, LLC as a qualified taxpayer; and

WHEREAS, a completed and fully executed Brownfield MBT amendment application (the “Amendment Request”) was received by the MSF prior to the ten-year statutory expiration date of the Brownfield MBT credit; and

WHEREAS, the Amendment Request meets all requirements of the MSF Brownfield MBT Amendment Policy; and

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF, and recommends approval of the amendment by the MSF Board, provided that the maximum credit amount does not exceed \$10,000,000;

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board amends the Project by modifying the scope of the Project by constructing 6 buildings or 1,340,000 square feet of commercial or industrial space. Provided that any environmental contamination encountered at the site will be dealt with as required to protect the public health, safety and welfare, and the environment.

BE IT FURTHER RESOLVED, that Detroit Wixom, LLC is hereby added as a qualified taxpayer.

BE IT FURTHER RESOLVED, that the Project is amended to extend the date of completion by 5 years to December 13, 2021.

BE IT FURTHER RESOLVED, that the Project is required to submit a Certificate of Completion request for the final phase within one year of project completion.

Ayes: Carl Camden, Jeremy Hedges, Larry Koops, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Shaun Wilson

Nays: None

Recused: None

Lansing, Michigan
March 26, 2019



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

February 26, 2019

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 2019.

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
2019-047**

**THE FORD WIXOM SITE DEVELOPMENT PROJECT AREA B
FORD MOTOR COMPANY
BROWNFIELD REDEVELOPMENT MBT CREDIT – AMENDMENT #1
CITY OF WIXOM**

At the meeting of the Michigan Strategic Fund (“MSF”) held on March 26, 2019 in Lansing, Michigan;

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

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

WHEREAS, by Resolution 2011-155 on December 13, 2011, the MEGA Board awarded a Brownfield MBT Tax Credit to Ford Motor Company (the “Applicant”) to make eligible investment up to \$80,000,000 at an eligible property in the City of Wixom (the “Project”);

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

WHEREAS, a request has been submitted to amend the Project to construct 1 building with approximately 320,000 square feet of commercial or industrial space, add 5 years to complete the project, and add Detroit Wixom, LLC as a qualified taxpayer; and

WHEREAS, a completed and fully executed Brownfield MBT amendment application (the “Amendment Request”) was received by the MSF prior to the ten-year statutory expiration date of the Brownfield MBT credit; and

WHEREAS, the Amendment Request meets all requirements of the MSF Brownfield MBT Amendment Policy; and

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF, and recommends approval of the amendment by the MSF Board, provided that the maximum credit amount does not exceed \$2,833,750;

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board amends the Project by modifying the scope of the Project by constructing 1 building with approximately 320,000 square feet of commercial or industrial space. Provided that any environmental contamination encountered at the site will be dealt with as required to protect the public health, safety and welfare, and the environment.

BE IT FURTHER RESOLVED, that Detroit Wixom, LLC is hereby added as a qualified taxpayer.

BE IT FURTHER RESOLVED, that the Project is amended to extend the date of completion by 5 years to December 13, 2021.

BE IT FURTHER RESOLVED, that the Project is required to submit a Certificate of Completion request for the final phase within one year of project completion.

Ayes: Carl Camden, Jeremy Hedges, Larry Koops, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Shaun Wilson

Nays: None

Recused: None

Lansing, Michigan
March 26, 2019



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

February 26, 2019

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 2019.

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
2019-048**

**SSBCI MBGF-CSP
APPROVAL OF CASH COLLATERAL DEPOSIT AGREEMENT FOR
WOLVERINE FIRE PROTECTION CO./BUNKHOUSE HOLDINGS, INC. AND RELATED
BORROWERS**

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

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

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

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

WHEREAS, Oxford Bank (“Lender”) has proposed a new credit facility to Wolverine Fire Protection Co. and Bunkhouse Holdings, Inc. (and/or related borrowers (the “Proposed Borrowers”)) of \$4,000,000 for a working capital line of credit;

WHEREAS, Proposed Borrowers have requested collateral support from the MSF under the MBGF-CSP in an amount not to exceed the lesser of (i) \$1,750,000 or (ii) up to 43.75% of the total amount of the Bank loan (“MBGF-CSP Support”);

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

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

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

Ayes: Carl Camden, Jeremy Hedges, Larry Koops, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Shaun Wilson

Nays: None

Recused: None

Lansing, Michigan
March 26, 2019



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

February 26, 2019

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 2019.

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
2019-049**

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM
PERFORMANCE BASED AWARD TO
IDRE3 LLC AND/OR KERCHEVAL ASSOCIATES LLC
(THE PARKER DURAND 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 Capital Impact Partners will be providing financing to IDRE3 LLC and/or Kercheval Associates, LLC of approximately \$14,000,000 toward construction of a four-story mixed-use building.

WHEREAS, IDRE3 LLC and/or Kercheval Associates, LLC (“Company”) has requested an MCRP Performance Based Award of up to \$3,500,000, along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Award Request”);

WHEREAS, it is anticipated that the project will not be able to meet the MCRP Incentive Parameters of a minimum debt service coverage ratio of 1.20 to 1.00 and staff is recommending a deviation from this requirement;

WHEREAS, the MEDC has recommended that the MSF approve the Company’s Award Request in accordance with the Term Sheet subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents within 240 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 240 days (“MCRP Award Recommendation”); and

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the MCRP Award Recommendation and deviations from the MCRP Incentive Parameters;

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

Ayes: Carl Camden, Jeremy Hedges, Larry Koops, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Shaun Wilson

Nays: None

Recused: None

Lansing, Michigan
March 26, 2019

“EXHIBIT A”

LOAN TERMS

| | |
|----------------------------------|---|
| MSF Facility: | MCRP Other Economic Assistance Loan Participation or Direct Loan |
| Borrower: | IDRE3 LLC and/or Kercheval Associates LLC |
| Total Capital Investment: | Currently estimated at \$22,500,000 |
| MSF Eligible Investment: | Currently estimated at \$17,947,059 |
| MSF Share: | Up to the lesser of 20% of “Eligible Investment” or \$3,500,000 |
| Term: | Not to exceed 144 months, including an interest only period of up to 36 months. |
| Amortization: | Not to exceed 360 months, following the interest only period. |
| Interest Rate: | 1.00% per annum |
| Repayment Terms: | Monthly interest only payments for up to 36 months, followed by monthly principal and interest payments with the balance due at maturity. <ul style="list-style-type: none">• Payments to the MSF will be limited to an amount necessary to maintain a debt service coverage ratio of 1.00 to 1.00. |
| Collateral: | Anticipated to be a security in the real estate and reserves, subordinated to only that of senior lender’s interest |
| Guarantee: | Anticipated to be limited guarantees of the owners of the Borrower. |
| MSF Fees: | The MSF shall be paid a one-time fee equal to one percent of the MSF’s loan or share of the loan participation. |
| Deferred Developer Fees: | \$1,000,000 with 100% of fees to 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 \$3,500,000 to be disbursed following closing of the financing and other performance criteria. |
| Reserves: | Lease-up, Operating and Replacement reserves will be required and determined based on Lender’s review of residential and commercial market data, currently anticipated to be \$542,500 for the Rent Up reserve, \$689,822 for the Operating Reserve and \$28,845 for the Replacement Reserve. |
| Other Conditions: | The MSF’s investment will be contingent upon the following: <ul style="list-style-type: none">• Construction documents (includes a “Guaranteed Maximum Price” construction contract)• Final Development Budget• Minimum Owner Equity Investment of \$2,500,000 |



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

February 26, 2019

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 2019.

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
2019-050**

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM
PERFORMANCE-BASED GRANT AWARD TO 515 IONIA, LLC**

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

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

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

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

WHEREAS, 515 Ionia, LLC (“Company”) has requested a performance-based grant of up to \$254,362 (“Award Request”), along with other general terms and conditions;

WHEREAS, the project is requesting a waiver of the MCRP Incentive Parameter which limits awards to 20% of eligible investment unless the project qualifies as a historic resource, and staff is recommending a deviation from this requirement;

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

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the MCRP Award Recommendation and deviation from the MCRP Incentive Parameters;

Ayes: Carl Camden, Jeremy Hendges, Larry Koops, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Shaun Wilson

Nays: None

Recused: None

Lansing, Michigan
March 26, 2019



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

February 26, 2019

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 2019.

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
2019-051**

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN
CITY OF LANSING BROWNFIELD REDEVELOPMENT AUTHORITY
BELEN BUILDINGS REDEVELOPMENT 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 513 through 519 W. Ionia Street within the City of Lansing, known as Belen Buildings Redevelopment 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;

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 34.91% to 65.09% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, lead, asbestos, or mold abatement and infrastructure improvements as presented in the Work Plan dated March 12, 2019. 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 \$207,920, for the principal activity costs of non-environmental activities and a contingency, a maximum of \$12,500 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$76,948.

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

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

Ayes: Carl Camden, Jeremy Hedges, Larry Koops, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Shaun Wilson

Nays: None

Recused: None

Lansing, Michigan
March 26, 2019



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

February 26, 2019

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 2019.

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