

**MICHIGAN STRATEGIC FUND
BOARD MEETING
September 25, 2013
1:30 P.M.
AGENDA**

Call to order

Public Comment *[Please limit public comment to three (3) minutes]*

Communication *[Information – Andrea Robach]*

A. Comprehensive Projects

1. Dairy Farmers of America – Business Development Program,
CDBG and Agricultural Renaissance Zone *[3 Action Items – Ken Murdoch]*

B. CDBG

1. Charlevoix County/ Precision Edge *[Action Item – Ken Murdoch]*
2. Houghton/ Façade Improvements *[Action Item – Deborah Stuart]*

C. 21st Century Michigan Community Revitalization Program

1. Capitol Park Lofts – 1145 Griswold, LLC *[Action Item – Joseph Martin]*
2. The Balmoral – Woodward Brown Associates, LLC *[Action Item – Joseph Martin]*
3. Parkland Muskegon (Reauthorization) *[Action Item – Joseph Martin]*

D. 21st Century Michigan Business Development Program

1. Sakthi Automotive Group, Inc. Amendment *[Action Item – Joshua Hundt]*

E. 21st Century -- Travel Michigan

1. Fulfillment RFP 2014 *[Action Item – George Zimmermann]*
2. Brand USA International Travel Marketing Agreement *[Action Item – George Zimmermann]*

F. 21st Century -- Jobs Funds Programs

1. Small Business Loan Program *[Action Item – Mike Flanagan]*

G. Brownfield MBT Amendments

1. Harbor Shores Fairways/Trailside Project, Harbor Shores HV Construction, LLC
(Large MBT Amendment) *[Action Item – Dan Wells]*

H. Renaissance Zones

1. Lawton Processing, LLC – Revocation *[Action Item – Amy Lux]*

I. Tool & Die Recovery Zones

1. Accu-Mold – Transfer of Benefit *[Action Item – Amy Lux]*
2. Labor Aiding Systems Corp. – Transfer of Benefit *[Action Item – Amy Lux]*

J. Administrative

1. CDBG Delegation of Authority *[Action Item – Deborah Stuart]*
2. Tribal Gaming Memorandum of Understanding *[Action Item – Karla Campbell]*
3. Credit Suisse Amendment *[Action Item – Ricardo Gonzalez]*

Special Assistance: *The location of this meeting is accessible to mobility-challenged individuals. Persons with disabilities needing accommodations for effective participation in the meeting should contact Elaine Jaworsky at 517.373.2727 one week in advance to request mobility, visual and hearing or other assistance.*



MEMORANDUM

Date: September 25, 2013

To: Michigan Strategic Fund Board

From: Kenneth Murdoch, Development Finance Manager
Deborah Stuart, Community Development Incentives Director
Amy E. Lux, Renaissance Zone Program Specialist

Subject: *Dairy Farmers of America, Inc. (“Company” or “Applicant”)*
Village of Cass City of Tuscola County
Michigan Business Development Program Performance-based Grant Request
Renaissance Zone Program – New Agricultural Processing Renaissance Zone Request
CDBG Infrastructure Grant

Request

This is a request from the Applicant for a \$500,000 Michigan Business Development Program Performance-based grant. A \$1,000,000 Community Development Block Grant (“CDBG”) infrastructure grant for wastewater treatment facility improvements needed for Dairy Farmers of America, Inc.’s new dairy manufacturing plant as outlined in Exhibit A. Additionally, Tuscola County (the “County”) and the Village of Cass City (the “Village”) are requesting a new 15-year Agricultural Processing Renaissance Zone designation on behalf of the Company, beginning on January 1, 2014 and ending on December 31, 2028. This project involves the creation of 25 Qualified New Jobs and a capital investment of \$40 million dollars in the Village.

Background

The Company was formed in 1996 when four milk cooperatives (associated Milk Producers, Mid-America Dairymen, Inc., Milk Marketing, Inc., and Western Dairymen Cooperative, Inc.) merged into a single cooperative. The Company’s main business activities include the marketing of their 13,000 members’ milk products, paying them a competitive price, and being a leading manufacturer of cheese and butter.

Their project consists of building and equipping a new dairy manufacturing plant, specializing in milk condensing, at a site the Company owns in the Village of Cass City, Tuscola County. Before ultimately deciding on this location in Michigan, the Company considered building the facility at sites in Western Kansas, Western New York, Western Pennsylvania and Nevada.

The Company has not received any incentives from the MSF in the past. However, the community is in the process of applying for a Michigan Department of Transportation (MDOT) Category “A” grant for road improvements.

The community and Company have been awarded \$300,000 in Michigan Economic Development Corporation (“MEDC”) Corporate Funds for the project. The community will use \$50,000 of the MEDC Corporate Funds for engineering and administrative costs. The Company will use \$250,000 of the MEDC Corporate Funds for a 300,000 gallon equalization tank.

The MEDC criminal and civil background review indicated that the Company has had several class action suits filed against it in the past. These lawsuits have been settled and are not expected to have a negative impact on the project. The Company has other outstanding litigation that is in process and does not negatively impact the project at this time. The grant agreements require that the Company certifies that they remain free of violations that would negatively impact the integrity of the business or be in direct violation of the statute.

Michigan Business Development Program Considerations

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that will locate and operate in Michigan.
- b) The project will be located in the Village of Cass City. The Village has offered an economic commitment to the project” in the form of providing revenue bonding necessary for the wastewater treatment plant and public infrastructure improvements.
- c) The Applicant has demonstrated a need for the funding. The alternative for the project was to construct the new facility in Western Kansas, western New York, Western Pennsylvania, or Nevada.
- d) The Applicant plans to create 25 Qualified New Jobs above a statewide base employment level of 41.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: The Company indicates that investment will begin in the fall of 2013, job creation is expected to commence in 2014 and the project results in a positive ROI for Michigan.

Community Development Block Grant Program

The CDBG Program Requirements are addressed in Exhibit A

Agricultural Processing Renaissance Zone

Under Section 8c(1) of the Michigan Renaissance Zone Act, the State Administrative Board (“SAB”) may designate an Agricultural Processing Renaissance Zone upon the recommendation of the MSF Board and the Michigan Commission of Agriculture and Rural Development (the “MCARD”) with the consent of the applicable city, village, or township and the county.

To support the Company’s project the Village and the County have passed resolutions agreeing to an Agricultural Processing Renaissance Zone for a 15-year term. The MCARD has also passed an approving resolution on behalf of the Company

In exchange for the benefits of a Renaissance Zone, the Company shall enter in to a development agreement with the MSF agreeing to the creation of 25 new full-time jobs and \$40 million in capital investment at the new facility by December 31, 2014.

Recommendation

The MEDC Staff recommends the following:

- Approval of the MBDP Proposal for Dairy Farmers of America, Inc., as outlined in the term sheet attached to the proposed resolution (collectively, “MBDP Proposal”);
- Authorization for a CDBG grant agreement in the amount of \$1,000,000 for the Village of Cass City;
- Approval of the recommendation to the SAB for the designation of an Agricultural Processing Renaissance Zone for Dairy Farmers of America, Inc. at its site in the Village of Cass City for a term of 15 years, beginning January 1, 2014 and ending on December 31, 2028.

Exhibit “A”

Community Development Block Grant Request

The Village of Cass City is requesting a \$1,000,000 in Community Development Block Grant (CDBG) for wastewater treatment facility improvements needed for Dairy Farmers of America, Inc. new dairy manufacturing plant.

Community Development Block Grant Program Requirements

- **National Objective:** This project qualifies for CBDG funding as the project activities are expected to result in the creation of 25 full time positions over the next two years. The Company has agreed that at least 13 of the 25 positions will be held by low to moderate income persons. The project meets a national objective by providing benefit to at least 51 percent low and moderate income persons. The CDBG cost per job is \$40,000, with an average wage of \$20.19 per hour.
- **Eligible activity:** This project involves eligible activities identified in Section 105(a) (2) of Title I of the Housing and Community Development Act of 1974, as amended.
- **Screening Guidelines:** The project was evaluated utilizing the CDBG guidelines. It has been determined that the project meets the following standards to qualify as an eligible project under the CDBG program:
 - **Economic Impact:** The economic impact of this project was evaluated. It was determined that the project would create added value to the local community by bringing in tax revenue, job creation and additional business to local and state suppliers. The Company is ready to begin construction and order equipment and job creation will occur in the near term.
 - **Minimum Local Participation:** The Village of Cass City will be contributing \$5,692,237 (85% of the infrastructure costs) towards the project and is supportive of an Agricultural Renaissance Zone for this project.
 - **Minimum Leverage Ratio:** The private match contribution is noticed in Attachment A and equals \$39.25 million, which results in a leverage ratio of 39.25:1 of the CDBG grant and will be provided by Dairy Farmers of America, Inc.
 - **Financial Viability and Background Check:** The business receiving the benefit from this project has completed a background check. The Company has had several class action suits filed against it in the past. These lawsuits have been settled and are not expected to have a negative impact on the project. The Company has other outstanding legal mitigations that are not expected to have a negative impact on the project. The Company has e been determined to be financial viable.
 - **Development Agreement.** The community and Company will be required to enter into a development agreement, which outlines the responsibilities of the CDBG grant.
 - **Project Budget**
See Attachment A
 - **Project Map**
See Attachment B

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
DAIRY FARMERS OF AMERICA, INC.**

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

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

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

WHEREAS, on December 21, 2011, by Resolution 2011-184, the MSF (i) created the MBDP, (ii) adopted the guidelines for the MBDP (“Guidelines”), and (iii) approved the MSF Fund Manager to negotiate the final terms and conditions of the written agreements to be used to memorialize MBDP awards on the MSF’S behalf in accordance with the Guidelines (“Transaction Documents”);

WHEREAS, Dairy Farmers of America, Inc. (“Company”) has requested a performance based MBDP grant of up to \$500,000, along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

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

WHEREAS, the MSF Advisory Committee has indicated its support of the MBDP Award Recommendation.

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

BE IT FURTHER RESOLVED, the MSF Board approves the MSF Fund Manager to negotiate final milestone performance terms from that contained in the Term Sheet, and additional and other terms so long as the additional and other terms are not otherwise materially adverse to the MSF, to accommodate final signing of the Transaction Documents.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 25, 2013

MICHIGAN STRATEGIC FUND

**RESOLUTION
2013-**

**AGRICULTURAL PROCESSING RENAISSANCE ZONE:
Dairy Farmers of America, Inc.**

WHEREAS, Section 8c of the Michigan Renaissance Zone Act, 1996 PA 376, as amended, authorizes the State Administrative Board to designate up to 30 renaissance zones for agriculture processing facilities upon the recommendations of the Michigan Strategic Fund (“MSF”) and the Michigan Commission of Agriculture and Rural Development (“MCA”) and the consent of the local unit of government in which the proposed renaissance zone will be located;

WHEREAS, with the repeal of the Michigan Business Tax, companies that receive a Renaissance Zone designation after December 31, 2011, will only receive the renaissance zone benefits on real and personal property taxes unless the companies have an existing certificated credit as defined in MCL 208.1107;

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

WHEREAS, the MEDC and the MCA received an application (the “Application”) from the Village of Cass City (the “Village”) and Tuscola County (the “County”) for a renaissance zone designation for Dairy Farmers of America, Inc. (the “Company”) under Section 8c of the Act supported by the Village and the County;

WHEREAS, the Company qualifies as an agricultural processing facility under the Act;

WHEREAS, the MCA recommended the Application, as filed with the MEDC and incorporated by reference, to the State Administrative Board for designation as a renaissance zone; and

WHEREAS, the MEDC recommends that the MSF Board approve the Application for recommendation to the State Administrative Board, for designation of an agricultural processing facility renaissance zone for a period of fifteen (15) years effective December 31, 2013 for property tax purposes and January 1, 2014 for other tax purposes, subject to the following conditions:

1. On or before October 15, 2014, Dairy Farmers of America, Inc. shall have commenced the project as described in Tuscola County’s application for an Agricultural Processing Renaissance Zone by having started construction of the new facility; and
2. A development agreement is entered into among Dairy Farmers of America, Inc. and the MSF that incorporates the terms described in this Resolution on or before December 31, 2013.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves for recommendation to the State Administrative Board an agricultural processing facility renaissance zone under Section 8c of the Act for the Company as described in the Application, for a period of fifteen (15) years effective December 31, 2013 for property tax purposes and January 1, 2014 for other tax purposes, subject to the following conditions:

1. On or before October 15, 2014, Dairy Farmers of America, Inc. shall have commenced the project as described in Tuscola County's application for an Agricultural Processing Renaissance Zone by having started construction of the new facility; and
2. A development agreement is entered into among Dairy Farmers of America, Inc. and the MSF that incorporates the terms described in this Resolution on or before December 31, 2013.

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

BE IT FURTHER RESOLVED, that the MSF Board authorizes the MSF President or Fund Manager, in consultation with the Department of the Attorney General, to enter into a development agreement on behalf of the MSF with the Company; and

BE IT FURTHER RESOLVED, that the MSF Board authorizes the MSF President or Fund Manager to transmit the MSF's recommendation to the State Administrative Board.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 25, 2013

MICHIGAN STRATEGIC FUND

RESOLUTION 2013- _____

APPROVAL OF VILLAGE OF CASS CITY PROJECT

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

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

WHEREAS, the CDBG program has policies, criteria, and parameters which are enumerated in the 2012 Program Guidelines, as amended (the "Criteria") and the 2012 Application Guide (the "Guide"). The MSF by Resolution 2012-28 authorized and approved the Consolidated Plan and the Criteria, and by Resolution 2012-67 authorized and approved the Guide which included guidelines for grants;

WHEREAS, the Village of Cass City (the "Community") has submitted a complete application for approval requesting funding to be used to fund the Dairy Farmers of America Infrastructure Project (the "Project");

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

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF authorizes a grant to the Community not to exceed \$1,000,000 for the payment or reimbursement of costs associated with the Project. The MSF allocates \$1,000,000 from the Michigan CDBG program for the purpose of funding the Community's proposed Project contingent upon the MSF's continued receipt of CDBG funds and availability of adequate funds;

BE IT FURTHER RESOLVED, staff is directed to negotiate the terms of a grant agreement for the Project consistent with this Resolution. The Fund Manager or MSF President is authorized to execute, on behalf of the MSF, all documentation necessary to effectuate the proposed Project; and

BE IT FURTHER RESOLVED, if the Community fails to execute and return the grant agreement to staff within 120 days of the date this Resolution is adopted, this Resolution shall be of no further force and effect and shall be void.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 25, 2013



To see all the details that are visible on the screen, use the "Print" link next to the map.





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

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

Date: 8/26/2013

1. **Company Name:** Dairy Farmers of America, Inc. ("Company" or "Applicant")

2. **Company Address:** 10220 N. Ambassador Drive
Kansas City, Missouri 64153

3. **Project Address ("Project"):** 4104 North Division Street
Cass City, Michigan 48726

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

5. **Maximum Amount of MBDP Incentive:** Up to \$500,000 ("MBDP Incentive Award")

6. **Base Employment Level** 41 The number of jobs currently maintained in Michigan by the Company based on data submitted by the Company to the MEDC reflecting the Company's statewide employment level in Michigan prior to the proposed project. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement ("Agreement") between the MSF and the Company.

7. **Total Qualified New Job Creation:** 25 The minimum number of total Qualified New Jobs the Company shall be required to create in Michigan (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan Income taxes are withheld as required),
(above Base Employment Level)

and each Qualified New Job must be in excess of the Base Employment Level. The final terms and conditions of the requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.

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

8. **Company Investment:** Up to \$40 million in new building construction and machinery and equipment purchases or any combination therefore, for the project

9. **Municipality supporting the Project:** Village of Cass City

a. **Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipality shall support securing revenue bonds to fund a portion of the necessary improvements to the wastewater treatment plant and public infrastructure improvements. The final terms and conditions demonstrating this support shall be included in the final Agreement.

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

a. **Disbursement Milestone 1:** Up to \$250,000 Upon demonstrated creation of 12 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than November 15, 2014.

b. **Disbursement Milestone 2:** Up to \$250,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 13 additional Qualified New Jobs (for a total of 25 Qualified New Jobs) above the Base Employment Level, by no later than November 15, 2015.

11. **Term of Agreement:** Execution of Agreement to November 15, 2017.

12. **Repayment Provisions:**

Repayment provisions are required by law. The Repayment terms and conditions will be effective through the Term of the Agreement and shall be defined in the final Agreement. The final repayment provisions may require repayment of some or all of the disbursements made by the MSF, including if the Company

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

13. Reporting Requirements:

Periodic reporting will be required with this program. The detailed information needed from the Company will be included in the final Agreement, but will include Project reporting for such things as: amount of proposed incentive, amount of actual incentive received by Company; amount of proposed and actual investment made by Company for Project; the committed number of new jobs and the actual number of new jobs created as a result of the Project; the educational attainment of the employees hired; the number of new patents, copyrights, or trademarks applied for and issued to the Company; the number of licensing agreements by the Company and the number of such licensing agreements entered into by the Company with Michigan based firms; and any products commercialized by the Company.

14. Public Announcements:

The Company shall not make, or cause, any announcement of the proposed MBDP Incentive Award parameters outlined in this letter before the date of approval by the MSF of the MBDP Incentive Award, unless prior authorized and coordinated with the MEDC.

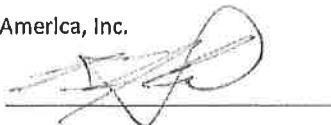
Any final MBDP Incentive Award is contingent upon several factors, including: (i) submission by the Company of a completed application and all other documentation required under the MBDP (ii) satisfactory municipality support (iii) available MSF funding (iv) completion of financial review, business integrity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

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by August 28, 2013, the MEDC may not be able to proceed with any recommendation to the MSF.

Acknowledged as received by:

Dairy Farmers of America, Inc.

By:



Printed Name:

KEVIN J. COSBY

Its:

V.P. - CORPORATE CONTROLLER

Dated:

8/28/13

Michigan Economic Development Corporation

By:



Printed Name:

Ken Murdoch

Its:

Development Finance Manager

Dated:

8/28/13



MEMORANDUM

Date: September 25, 2013

To: Michigan Strategic Fund Board

From: Kenneth Murdoch, Development Finance Manager
Deborah Stuart, Community Development Incentives Director

Subject: Charlevoix County- Precision Edge Surgical Products, LLC
Job Training Community Development Block Grant Request

Request

Charlevoix County is requesting \$350,000 in Community Development Block Grant (CDBG) funds for job training for the Precision Edge expansion project in Charlevoix County and administration of the grant.

Background

Precision Edge Surgical Products, LLC (1448 Lexamar Drive; Boyne City, Michigan 49712) is a medical device manufacturer headquartered in Sault Ste. Marie. The company was formed in 1989 as a bur manufacturing facility in Sault Ste Marie. The company is growing and recently opened a second manufacturing facility in Boyne City as a result of the increase in demand for surgical products. The company will expand production at their Boyne City facility by adding \$2 million of machinery and equipment and will create 30 new qualified jobs. The Sault Ste Marie facility has received previous Economic Development job Training Grants (EDJT) and these grants were successful.

This CDBG grant will assist Precision Edge Surgical Products, LLC with supporting on the job training for their 30 new employees. Funds will be available for up to 90% of new employees' wages for a six month training period. New jobs must be maintained for a minimum of 90 days following the end of the six month training period. Grant funds will be made available upon the completion of the job training for the 30 new employees.

Program Requirements

National Objective: This project qualifies for CBDG funding as the project activities are expected to result in the creation of 30 full time positions over the next two years. The company has agreed that at least 16 of the 30 positions will be held by low to moderate income persons. The project meets a national objective by providing benefit to at least 51 percent low and moderate income persons. The CDBG cost per job is \$11,667, with an average wage of \$12.40 per hour.

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

Screening Guidelines:

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

- **Economic Impact:** The economic impact of this project was evaluated. It was determined that the project would create added value to the local community by bringing in tax revenue,

job creation and additional business to local and state suppliers. The company buys its equipment from a supplier in Elk Rapids, Michigan and uses local suppliers. The company is ready to order the new machinery and equipment and job creation will occur in the near term.

- **Minimum Local Participation:** Boyne City will be offering property tax abatements for this project. The estimated value of these abatements is \$251,000.
- **Minimum Leverage Ratio:** The private match contribution is noticed in Attachment A and equals \$2,000,000, which results in a leverage ratio of 6:1 of the CDBG grant and will be provided by Precision Edge Surgical Products LLC.
- **Financial Viability and Background Check:** The business receiving the benefit from this project has completed a background check with no concerns and has been determined to be financially viable.
- **Project Budget:** See Attachment A.
- **Project Map:** See Attachment B.

Recommendation

The MEDC Staff recommends: After reviewing the proposal, MEDC staff has concluded that the project meets the minimum program requirements to be eligible under the CDBG program. Therefore, staff, recommends that a job training grant agreement, in the amount of \$350,000, be authorized for Charlevoix County for the Precision Edge expansion project.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013- _____

APPROVAL OF COUNTY OF CHARLEVOIX PROJECT

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

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

WHEREAS, the CDBG program has policies, criteria, and parameters which are enumerated in the 2012 Program Guidelines, as amended (the "Criteria") and the 2012 Application Guide (the "Guide"). The MSF by Resolution 2012-28 authorized and approved the Consolidated Plan and the Criteria, and by Resolution 2012-67 authorized and approved the Guide which included guidelines for grants;

WHEREAS, the County of Charlevoix (the "Community") has submitted a complete application for approval requesting funding to be used to fund the Precision Edge Surgical Products, LLC Job Training Project (the "Project");

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

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF authorizes a grant to the Community not to exceed \$350,000 for the payment or reimbursement of costs associated with the Project. The MSF allocates \$350,000 from the Michigan CDBG program for the purpose of funding the Community's proposed Project contingent upon the MSF's continued receipt of CDBG funds and availability of adequate funds;

BE IT FURTHER RESOLVED, staff is directed to negotiate the terms of a grant agreement for the Project consistent with this Resolution. The Fund Manager or MSF President is authorized to execute, on behalf of the MSF, all documentation necessary to effectuate the proposed Project; and

BE IT FURTHER RESOLVED, if the Community fails to execute and return the grant agreement to staff within 120 days of the date this Resolution is adopted, this Resolution shall be of no further force and effect and shall be void.

Ayes:

Nays:

Recused:

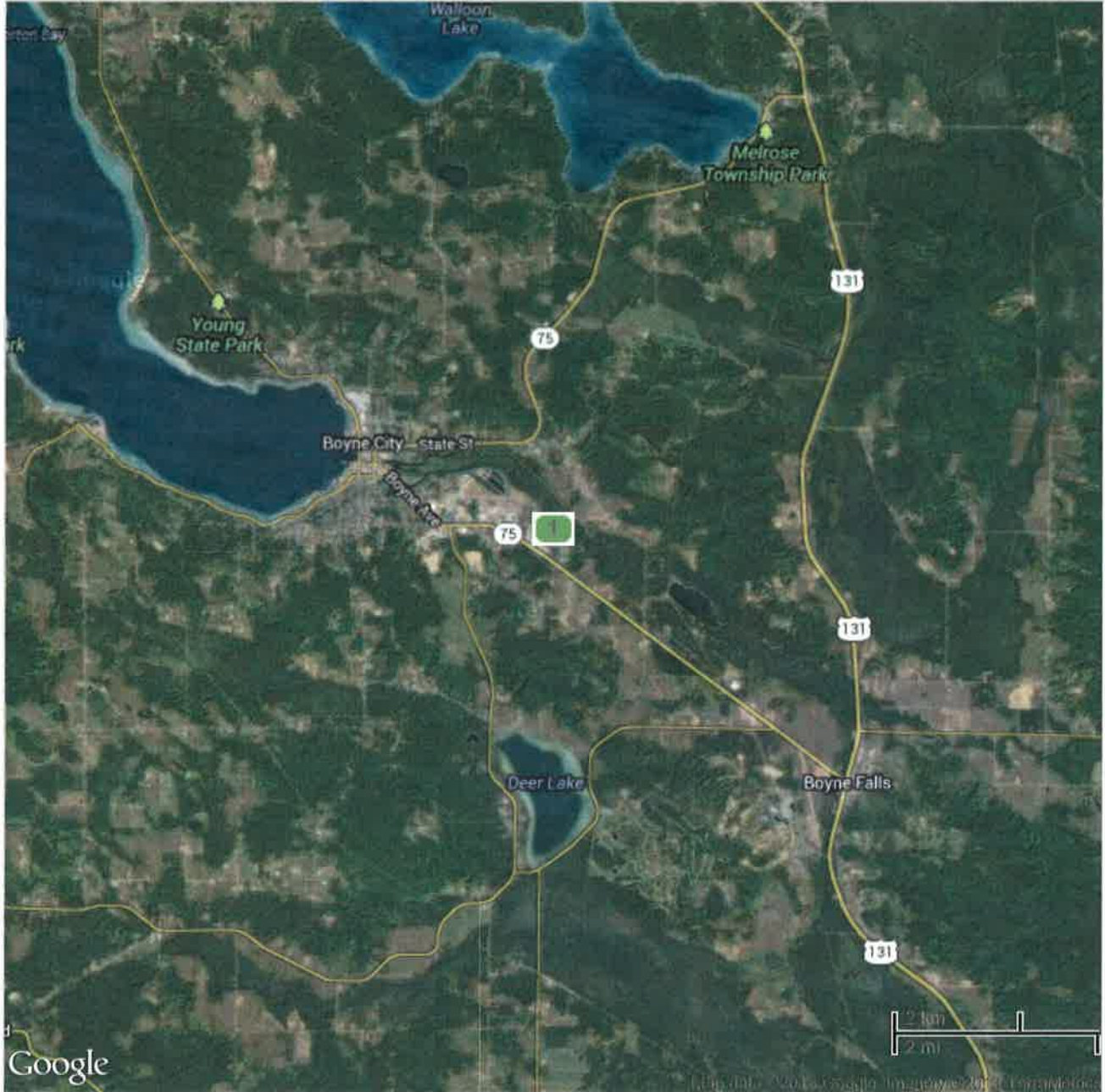
Lansing, Michigan
September 25, 2013

PROJECT BUDGET
MICHIGAN COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

1. Applicant: County of Charlevoix			2. Project Title: Precision Edge Surigical Products, LLC Job Training Project				
3. Project Cost Elements		4. Project Funding Sources (Identify all other funding sources)					
Activities	CDBG	Private					TOTAL
On the Job Training	\$343,000	\$34,300					\$377,300
Machinery and Equipment Acquisition	\$0	\$1,915,600					\$1,915,600
Furniture and Fixtures Acquisition	\$0	\$15,000					\$15,000
Office Machinery and Computers Acquisition	\$0	\$35,100					\$35,100
Administration	\$7,000	\$0					\$7,000
TOTAL	\$350,000	\$2,000,000					\$2,350,000

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MEMORANDUM

Date: September 25, 2013

To: Michigan Strategic Fund Board

From: Jen Tucker, Community Assistance Team Specialist
Deborah Stuart, Community Development Incentives Director

Subject: Community Development Block Grant Program
Façade Improvement Project 2013
City of Houghton, County of Houghton

Request

The City of Houghton is requesting \$640,811 in Community Development Block Grant (CDBG) funds for façade improvements on four building located within their traditional downtown core in Houghton County.

Background

The following provides a summary of the proposed improvements for each property:

- 324 Shelden Avenue - Frank A Douglass Agency: CDBG eligible activities include façade improvements to north, south, and east facing facades, and north entrance reconstruction. Private eligible activities include engineering and architecture, façade improvements, administration, and north entrance reconstruction. The City removing an obsolete covered walkway in conjunction with this project..
- 304 Shelden Avenue - Blue Iris: CDBG eligible activities include façade improvements including wall restoration, window replacement, and storefront rehabilitation. Private eligible activities include engineering and architecture, administration, and façade improvements.
- 417 Shelden Avenue – Joseph Daavettila, CPA: CDBG eligible activities include façade improvements including, but not limited to, storefront rehabilitation, wall restoration, and window replacement. Private eligible activities include engineering and architecture, administration, and façade improvements.
- 500 Shelden Avenue - State Wide Realty: CDBG eligible activities include façade improvements including, but not limited to, storefront rehabilitation, wall restoration, window replacement, signage, lighting, and awning. Private eligible activities include engineering and architecture, administration, and façade improvements.

Program Requirements

- **National Objective:** This project qualifies for CBDG funding as the project activities will benefit all residents of the project area and fifty-four percent (54%) of the residents of the City of Houghton are low and moderate income persons as determined by census data provided by the U.S. Department of Housing and Urban Development.

- **Eligible Activity:** This project involves eligible activities identified in Section 105(a)(4) of Title I of the Housing and Community Development Act of 1974, as amended.
- **Screening Guidelines:** The project was evaluated utilizing the CDBG guidelines. It has been determined that the project meets the following standards to qualify as an eligible project under the CDBG program:
 - **Project Type:** This project was selected because the community demonstrated that projects are located in a traditional downtown and a Downtown Development Authority. All improvements will meet the Secretary of Interior's Standards for Rehabilitation and the community has also shown the local organizational capacity to successfully complete this project. This project was evaluated and given priority based on-
 - Located in a highly visible location
 - Located in a DDA or other like districts
 - Prior use of downtown development incentives (TIFs, abatements, etc.)
 - Local organizational capacity to successfully complete this project
 - Have a full-time community staff member able to administer the project
 - The community has adopted a downtown development plan
 - The project will consist of four or more buildings that have the following characteristics:
 - Multi-story Building
 - Mixed-use components
 - Projects with façade only scope (no interior)
 - Eligible for Historic or Contributing Designation
 - **Minimum Local Participation:** The private match contribution for each property is noted in Attachment A and equals \$216,104 which is twenty five percent (25%) of the total project cost and will be provided by the business owners.
 - **Financial Viability and Background Check:** All businesses receiving the benefits from this project have completed a background check with no concerns and have been determined to be financial viable.
 - **Project Budget:** See Attachment A

RECOMMENDATION

After reviewing the proposal, MEDC staff has concluded that the project meets the minimum program requirements to be eligible under the CDBG program. Therefore, staff recommends that a grant agreement, in the amount of \$640,811, be authorized for the City of Houghton.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013- _____

APPROVAL OF CITY OF HOUGHTON FAÇADE IMPROVEMENT PROJECT

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

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

WHEREAS, The CDBG program has policies, criteria, and parameters which are enumerated in the 2012 Program Guidelines, as amended (the “Criteria”). The MSF by Resolution 2012-28 authorized and approved the Consolidated Plan and the Criteria, and by Resolution 2012-67 authorized and approved the Guide which included guidelines for façade grants;

WHEREAS, the City of Houghton (the “Community”) has submitted a complete application for approval requesting funding to be used to fund the façade improvements to four (4) businesses within their downtown (the “Project”);

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

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF authorizes a grant to the Community not to exceed \$640,811 for the payment or reimbursement of costs associated with the Project, and allocates \$640,811 from the Michigan CDBG program for the purpose of funding the Community’s proposed Project contingent upon the MSF’s continued receipt of CDBG funds and availability of adequate funds; and

BE IT FURTHER RESOLVED, staff is directed to negotiate the terms of a grant agreement for the Project consistent with this Resolution. The Fund Manager or MSF President is authorized to execute, on behalf of the MSF, all documentation necessary to effectuate the proposed Project; and

BE IT FURTHER RESOLVED, if the Community fails to execute and return the grant agreement to staff within 120 days of the date this Resolution is adopted, this Resolution shall be of no further force and effect and shall be void.

Ayes:

Nays:

Recused:

PROJECT BUDGET

MICHIGAN COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

Michigan Economic Development Corporation

Attachment A

1. Applicant: City of Houghton		2. Project Title: Façade Improvement Project 2013				
3. Project Cost Elements		4. Project Funding Sources (identify all other funding sources).				
Activities	CDBG	CDBG Percentage	Local	Private	Private Percentage	TOTAL
324 Shelden (Douglass Agency)						
Façade Restoration	342,270			80,390		422,660
Architectural Fees				34,200		34,200
Administration				2,000		2,000
TOTALS	342,270	75%		116,590	25%	458,860
403 Shelden (Blue Iris)						
Façade Restoration	81,566			16,889		98,455
Architectural Fees				8,800		8,800
Administration				1,500		1,500
TOTALS	81,566	75%		27,189	25%	108,755
417 Shelden (Daavettila)						
Façade Restoration	93,300			18,500		111,800
Architectural Fees				11,100		11,100
Administration				1,500		1,500
TOTALS	93,300	75%		31,100	25%	124,400
500 Shelden (State Wide Realty)						
Façade Restoration	123,675			26,325		150,000
Architectural Fees				13,400		13,400
Administration				1,500		1,500
TOTAL	123,675	75%		41,225	25%	164,900
PROJECT TOTAL						
	640,811			216,104	25%	856,915



MEMORANDUM

Date: September 25, 2013

To: Michigan Strategic Fund Board

From: Joseph Martin, Manager, Community Revitalization and Brownfield Programs
Eric Hanna, Community Development Incentives
Stacy Esbrook, Community Assistance Team Specialist

Subject: 1145 Griswold Street LLC and Develop Michigan, Inc.
Community Revitalization Program
Request for Approval of a \$4,114,456 Loan Participation

Request

1145 Griswold Street LLC and Develop Michigan, Inc. (Applicant's) are requesting approval of a Michigan Community Revitalization Program (MCRP) incentive in the amount of \$4,114,456 in the form of a performance-based loan participation under Other Economic Assistance. The company anticipates that the project could result in eligible investment of \$16,752,827 and total capital investment in the amount of \$22,523,488 in the City of Detroit and the creation of 60 jobs.

Background

1145 Griswold Street LLC is comprised of three key persons: Richard M. Karp, Karp and Associates; Kevin J. Prater, Prater Development Ltd; and Richard J. Hosey III, Realty Investment and Consulting LLC. Mr. Karp has led numerous successful mixed-use developments totaling over \$125 million in his portfolio, notably The Durant, which includes 93 luxury loft apartment and 19,000 square feet of commercial space. Mr. Prater has led Prater Development Ltd. to over \$130 million in development and project management work. This includes active development in the City of Lansing, Flint and Toledo. Mr. Hosey has extensive experience working on tax credit projects, including as a senior originator of deals with Bank of America including Historic Credits for Boston's Fenway Baseball Park and the Broderick Tower in Detroit.

The Applicant has received incentives from the MSF previously. MSF approved a Performance-based loan participation up to \$6,000,000 to 1212 Griswold Street LLC on May 22, 2013 for the first Capitol Park redevelopment project.

The Capitol Park Lofts project calls for the reuse and rehabilitation of a historic building located in the West District of Downtown Detroit. The project will convert a vacant and dilapidated 11-story building, formerly known as the Capitol Park Building, into 63 residential units (9 studios, 45-1 Bedrooms, 9 2-bedrooms) and 18,664 square feet of commercial space. The lofts will be 100% market rate with leases projected at a conservative \$1.40 per month per square feet and will be constructed with high end amenities. The commercial space opens to a public space known as Capitol Park which was recently rehabilitated and is now attractive for congregation and outdoor entertainment. This is one of three critical projects located strategically on the space. 1145 Griswold is the second project of the three to be approved for support under the MCRP program.

The project is located in a downtown. The project qualifies for an MCRP award because it is functionally obsolete and a historic resource.

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

DEAL STRUCTURE

The project has a combination of developer equity, deferred developer fees, Federal and State Historic Tax Credits, State Brownfield Tax Credits, acquisition debt provided by Invest Detroit, bridge financing provided by JPM Chase, and the MCRP request proposed below which will predominately be permanent debt.

Based on an analysis of the project, it can support debt utilizing conservative rents up to the maximum 25% of eligible cost allowed under the MCRP or in this case approximately \$4.1 Million dollars. The project also contemplates deferring some construction profits as the contractor and developer/owner are all related. It is uncertain if the tax credit investors and bridge lender will allow the contemplated deferred construction profits. If they do not, flexibility may be required to allow the funding to enter the project prior to completion. Accordingly, below staff is proposing both a "hard" senior loan as well as an "option" to enter the transaction earlier based on the final terms and conditions of third party investors and bridge lender.

The "hard" debt is proposed to be originated, underwritten, document and closed by Develop Michigan, Inc. ("DMI") a non-profit lender with which the MSF has an existing business relationship via several loans and an investment. It is contemplated that some or all of the proposed facility to be produced by DMI shall be purchased by the MSF with servicing provided by DMI.

SOURCES

MCRP LOAN (IN MILLIONS)	\$4.1
FED HISTORIC PREF RETURN	\$1.9
STATE HISTORIC TAX EQUITY	\$3.7
BROWNFIELD TAX CREDIT	\$2.2
FEDERAL HISTORIC EQUITY	\$2.9
DEFERRED DEVELOPER FEES	\$3.5
CASH EQUITY	\$1.5
<u>DEFERRED HARD COSTS</u>	<u>\$2.7</u>
TOTAL	\$22.5

MCRP Loan Participation Facility

Borrower: 1145 Griswold Street LLC

Lender: Develop Michigan, Inc.

Loan Amount: Currently estimated at \$4,114,456

MCRP Participated Amount: up to \$4,114,456 but not more than 25% of eligible investment

Interest Rate: minimum of 6.5%, maximum of 8.9%-simple interest (Target is 7.5%)

Term: No longer than 10 years

Amortization: No longer than 30 years

- Origination Fee:** .50%, Paid at time of Forward Commitment (*DMI to receive 100%*)
.50% Paid at the time of Funding (*DMI to receive 100%*)
- Forward Commitment Fee:** 1.25% per year paid monthly beginning 30 days after the closing of the forward commitment (*DMI to receive .25bps*)
- Third Party Fees:** All 3rd party fees to be paid by borrower at or prior to closing.
- Funding:** The MCRP Amount is currently contemplated to be funded to DMI upon closing on construction, bridge, and tax credit equity financing with JPMorgan Chase or another investor / lender acceptable to DMI and MSF. DMI will disburse loan proceeds upon receipt of the Permanent Certificate of Occupancy and additional items as may be required.
- Exit Premium:** The Loan will have an Exit Premium of 1% of the MCRP Amount as of the last day of the 12th month after conversion to a funded loan. The Premium will increase by 1% every 12 months thereafter but is limited to a total of 6% of the Commitment Amount. (*DMI to receive 50% of Premiums paid or 100bps whichever is greater*)
- Loan Servicing:** DMI will perform all financial and operational monitoring of the loan and will provide the MSF with all accounting, reporting, assistance with program compliance and assistance in unwinding or resolving the asset if ever troubled. DMI shall receive *150bps annually* in consideration of servicing taken from the interest payments as they are received.
- Collateral:** The Loan purchased/participated from DMI shall carry a 1st position real estate mortgage, Assignment of Lease and Rents, SNDA and other collateral and rights as may be required by the MSF Fund Manager and agreeable to the tax credit equity providers.
- Recourse:** The Loan shall be full recourse to the developer and other affiliates, owners and related companies as determined by the MSF Fund Manager.
- Final Terms and Conditions:** Due to the complex nature of the transaction the MSF Fund Manager is authorized to agree to final terms and conditions so long as the following conditions are met:
- The MCRP Amount is not exceeded
 - The proposed costs, fees and financial returns contemplated above are not materially adversely impacted
 - No change in other conditions cause a violation of MCRP guidelines or the MSF Act

RECOMMENDATIONS

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

- a) Approval of the MCRP Proposal as outlined above (collectively, "MCRP Proposal");
- b) Closing the MCRP Proposal, subject to available funding under the MCRP at the time of closing ("Available Funding"), completion of due diligence, the results of which are satisfactory to the MEDC (collectively, "Due Diligence"), finalization of all MCRP transaction documents, and further subject to the following terms and conditions:
 - a. Commitment will remain valid until January 23, 2014 days with approval for MSF Fund Manager to extend the commitment an additional 60 days.

APPENDIX A

MCRP PROGRAM AND ITS GUIDELINES

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

SOURCE OF INFORMATION

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

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

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

Located in the Capitol Park district, part of the larger central business district of downtown Detroit, the Capitol Park Building is a critical component of the West District Redevelopment Initiative. This initiative, which includes the acquisition and repositioning of key assets within the district (the David Whitney, the Farwell, and the Capitol Park buildings), is a necessary step to the reestablishment of a fully viable downtown. This strategy has already begun to take hold with coordinated investments by stakeholders including Michigan State Housing Development Authority (“MSHDA”), Detroit Economic Growth Corporation (“DEGC”) and Invest Detroit.

The redevelopment of the district is critical, and the impact will have a meaningful catalytic effect on the neighborhood. The Capitol Park Building is a critical development within the Capitol Park redevelopment initiative. At 11 stories, the building is a prominent treasure of the Capitol Park district. The district and the property represent a key gateway to the downtown. There will be a M1 Rail Line stop at the north end of the district, in addition to the re-activation of the Detroit People Mover connection included in the David Whitney redevelopment.

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

The public will benefit from the project by increasing the aesthetic and economic viability of a historic district within the City of Detroit. It is anticipated that the completion of this project will draw attention from new developers and the availability of conventional financing back to Detroit.

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

The City of Detroit has committed to approving 12-year Obsolete Property Rehabilitation tax abatement in support of this project. The City is currently working through the approval process for this commitment.

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

To date, the project has failed to attract senior debt using traditional financial institution. This is an acute problem for the City of Detroit, despite rising rental rates for residential properties and increasing economic activity. The speed of delivery of comparable projects to the market in Detroit is paramount. Banks abandon markets where they cannot validate costs and values. Seizing on momentum generated by major investments, including the Capitol Park developments, will allow the continuation of positive economic development. Those projects provide

comparable sales, rents and values that allow banks and investors to build confidence. This confidence will hopefully take over and allow us to move our policy focus to different underserved areas.

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

The building is listed on the State Register of Historic Sites and on the National Register of Historic Places. The long vacant building will fully restore the building back to functional use.

F. Creation of jobs:

The project is expected to create 60 permanent full time jobs related to the commercial portion of the property.

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

The project will be financed through a number of state and federal tax credits, developer equity and traditional permanent debt. The project has secured the state brownfield credit as well as the state and federal historic tax credits. Chase is prepared to provide a bridge loan against those credits.

H. Whether the project is financially and economically sound:

The Project comes on the momentum of the closing and construction of the David Whitney Building in March of 2013 and lies within Detroit's West District. The David Whitney is one of the anchor points into the traditional business district off Woodward. The other project, the Broderick Tower, was recently redeveloped into a residential apartment and commercial office building. The Broderick is nearly 100% leased with rents 30% above the underwritten rates. This demonstrates exceptional demand for this type of product in the downtown.

The project has significant cash flow to meet the debt service requirements of the loan amount upon stabilization with a cumulative Debt Service Coverage Ratio of 1.3x between the commercial and residential space, with conservative rental rates on the residential units of \$1.40 per square foot.

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

The building is currently a vacant 11-story building. This project will add into 63 residential units (9 studios, 45-1 Bedrooms, 9 2-bedrooms) and 18,664 square feet of commercial space into the district.

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

The Capitol Park Lofts project is a critical asset of the Central Business District and will feature 63 market-rate residential apartment units and 18,664 square feet of commercial office space, creating a walkable and dense live/work environment.

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

The vacant building that will be rehabilitated as a result of this project is not public.

L. Whether the project promotes sustainable development:

Restoration of a historic building is considered to be a sustainable practice. Improvements to the energy efficiency of the building envelope will be made including wall and ceiling insulation and window restoration.

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

The Capitol Park Building is listed on the State Register of Historic Sites, the National Register of Historic Places.

N. Whether the project addresses area-wide redevelopment:

The Capitol Park Lofts is located in Detroit's central business district and overlooks Capitol Park. The building represents a critical component of the West District Redevelopment Initiative. This initiative, which includes the acquisition and repositioning of key assets within the district (the David Whitney, the Farwell, and the Capitol Park buildings) is a necessary step to the reestablishment of a fully viable downtown. This strategy has already begun to take hold with coordinated investments by stakeholders including MSHDA, DEGC and Invest Detroit in three Capitol Park buildings in late 2009.

O. Whether the project addresses underserved markets of commerce:

Rental housing is in high demand in downtown Detroit, but there is a low stock of quality, market rate housing. This project will add 63 rental units that will fit with the market demand in terms of size and function. Additionally, this project will add approximately over 18,000 square feet of Class-A Commercial office space to the downtown, which is also highly in demand but in very low supply.

P. The level and extent of environmental contamination:

Any lead and/or asbestos found within the building and will be properly abated.

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

The Capitol Park Building will be rehabilitated in accordance with the federal Secretary of the Interior's Standards.

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

This project will not compete with or affect any existing Michigan businesses.

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

There are no additional criteria for consideration.

APPENDIX B



Michigan Economic Development Corporation

300 North Washington Square | Lansing, MI 48913 | 888.522.0103 | MichiganAdvantage.org | michigan.org

MICHIGAN STRATEGIC FUND

RESOLUTION

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM
LOAN PARTICIPATION AWARD FOR 1145 GRISWOLD STREET 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 No. 2011-185, the MSF (i) created the MCRP, (ii) adopted the guidelines for the MCRP, as later amended (“Guidelines”), and (iii) approved the MSF Fund Manager to negotiate the final terms and conditions of the written agreements to be used to memorialize MCRP awards on the MSF’S behalf in accordance with the Guidelines (“Transaction Documents”);

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

WHEREAS, Develop Michigan, Inc. (“Lender”) has provided a loan commitment to 1145 Griswold Street LLC and /or related entities (“Proposed Borrower”) of up to \$4,114,456 toward financing construction activities and infrastructure improvements to real property (“Project”);

WHEREAS, the Lender and the Proposed Borrower have requested a performance based loan participation award from the MSF under the MCRP for the Project in an amount not to exceed up to \$4,114,456 (“Award Request”), along with other general terms and conditions for the Award Request which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC recommends that the MSF approve the Award Request in accordance with the Term Sheet, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; 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

WHEREAS, the MSF Advisory Committee has indicated its support of the MCRP Award Recommendation.

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

BE IT FURTHER RESOLVED, the MSF Board approves the MSF Fund Manager to negotiate the final terms and conditions of, and sign, all Transaction Documents necessary to effectuate the MCRP Award Recommendation.

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan
September 25, 2013

Exhibit A

MCRP Loan Participation Facility

Borrower:	1145 Griswold Street LLC
Lender:	Develop Michigan, Inc.
Loan Amount:	Currently estimated at \$4,114,456
MCRP Participated Amount:	up to \$4,114,456 but not more than 25% of eligible investment
Interest Rate:	minimum of 6.5%, maximum of 8.9%-simple interest (Target is 7.5%)
Term:	No longer than 10 years
Amortization:	No longer than 30 years
Origination Fee:	.50%, Paid at time of Forward Commitment (<i>DMI to receive 100%</i>) .50% Paid at the time of Funding (<i>DMI to receive 100%</i>)
Forward Commitment Fee:	1.25% per year paid monthly beginning 30 days after the closing of the forward commitment (<i>DMI to receive .25bps</i>)
Third Party Fees:	All 3rd party fees to be paid by borrower at or prior to closing.
Funding:	The MCRP Amount is currently contemplated to be funded to DMI upon closing on construction, bridge, and tax credit equity financing with JPMorgan Chase or another investor / lender acceptable to DMI and MSF. DMI will disburse loan proceeds upon receipt of the Permanent Certificate of Occupancy and additional items as may be required.
Exit Premium:	The Loan will have an Exit Premium of 1% of the MCRP Amount as of the last day of the 12 th month after conversion to a funded loan. The Premium will increase by 1% every 12 months thereafter but is limited to a total of 6% of the Commitment Amount. (<i>DMI to receive 50% of Premiums paid or 100bps whichever is greater</i>)
Loan Servicing:	DMI will perform all financial and operational monitoring of the loan and will provide the MSF with all accounting, reporting, assistance with program compliance and assistance in unwinding or resolving the asset if ever troubled. DMI shall receive <i>150bps annually</i> in consideration of servicing taken from the interest payments as they are received.
Collateral:	The Loan purchased/participated from DMI shall carry a 1 st position real estate mortgage, ALR, SNDA and other collateral and rights as may be required by the MSF Fund Manager and agreeable to the tax credit equity providers.

Recourse:

The Loan shall be full recourse to the developer and other affiliates, owners and related companies as determined by the MSF Fund Manager.

Final Terms and Conditions: Due to the complex nature of the transaction the MSF Fund Manager is authorized to agree to final terms and conditions so long as the following conditions are met:

- The MCRP Amount is not exceeded
- The proposed costs, fees and financial returns contemplated above are not materially adversely impacted
- No change in other conditions cause a violation of MCRP guidelines or the MSF Act



MEMORANDUM

Date: September 25, 2013

To: Michigan Strategic Fund Board

From: Joseph Martin, Manager, Community Revitalization and Brownfield Programs
Julius Edwards, Community Development Incentives
Stacy Esbrook, Community Assistance Team Specialist

Subject: Woodward Brown Associates, LLC
The Private Bank
Community Revitalization Program
Request for Approval of a \$3,278,890 Performance-based Other Economic Assistance

Request

Woodward Brown Associates, LLC (Applicant) and The Private Bank (Lender) are requesting approval of a Michigan Community Revitalization Program incentive in the amount of \$3,278,890 in the form of performance-based loan participation under other economic assistance. The Applicant anticipates that the project could result in eligible investment of \$17,691,761 and total capital investment in the amount of \$27,790,284 in the City of Birmingham and the creation of 200 jobs.

Background

Woodward Brown Associates, LLC is owned and managed by Harvey Weiss and Najib Samona. Mr. Weiss and Mr. Samona have partnered on multiple development projects within the past 10 years and created Development Alliance as a family owned and operated business, specializing in commercial, office, industrial and retail real estate development projects. The Alliance and its affiliates own and manage an extensive portfolio of retail, office and mixed-use space. The developments have ranged in size from a single free-standing building to more than 200,000 square feet of retail development.

The Applicant has not received any incentives from the MSF previously.

The Applicant plans to construct a new, 5-story mixed-used structure of approximately 88,000 square feet, to be known as the Balmoral, located on the corner of Woodward Avenue and Brown Street in the City of Birmingham. Uses of the new building will include commercial office, retail and residential. The first floor will include space for a drive-through to accommodate a bank or pharmacy tenant and will include a ramp to below grade parking. Floors two through four will be built for commercial office space, with a small portion devoted to residential space. The fifth floor will be used for residential units, including exterior patio space.

The project is located in a downtown and qualifies for an MCRP award because it is a facility.

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

MCRP Proposed Award Details:

The project involves traditional funding sources of debt and equity and outside of the reimbursement of nearly \$800,000 in environmental activities through the Brownfield Tax Increment Financing does not feature the use of tax credit equity. The land has sat vacant and contaminated for a number of years and was purchased from Bank of America in April of 2010 for \$2.5 million, plus \$175,000 owed to City of Birmingham to complete necessary site work. The last physical building on the site was demolished in 2005, but was previously a commercial strip mall that featured multiple tenants including cleaners/laundry.

The development team has been working in earnest with The Private Bank over the last several years to meet the pre-lease requirements of 70% in order to close and begin construction on the site. The development team has a fully executed lease with a retail tenant on the main floor and three Letters of Intent (LOIs) that would meet the 70% pre-lease requirement. The Private Bank has agreed to provide construction financing and stabilization for a term of three years with interest only payments. The loan may be extended with mutual agreement for two additional one year interest only periods.

The senior debt is proposed to be originated, underwritten, documented and closed by The Private Bank. The Private Bank will size their share of the loan at 75% loan to value, which based on the appraisal, limited their contribution to \$19.5 million (or 70% loan to cost). The MCRP loan will provide 11.5% of the sources with the developer contributing, land, cash, and deferred developer fees to cover the remaining portions. The DSCR on a stabilized basis for The Private Bank Share is 1.30x and combined with the MCRP portion the DSCR equals 1.14x. The project is being underwritten using conservative rental rates. Rates may come in 10 to 15% higher depending on the final lease agreements.

Two primary factors have led the development team to approach staff to request the MCRP award. First, the urban development style, including the undergrounding parking has contributed an extra \$2.5 million that would not be otherwise found in a suburban building. The project will feature over 30 below grade parking spaces that average out to over \$65,000 per space. Secondly, the Class A commercial office space in Birmingham has not recovered since the downturn in 2007. Rental rates were generally hitting \$38.00 to \$42.00 per square foot pre-2007. To date, the project expects rates to come in between \$28.00 and \$32.00 for Class A tenants. The developer has agreed to defer all development fees. The return profile is just under 5% internal rate of return (IRR) to the equity investors. However, the development team and equity providers are not arm's length parties. If you factor in the payment of the deferred developer fee, the return is just under 9% IRR.

Sources

PRIVATE BANK SHARE (IN MILLIONS)	\$19.5
MCRP SHARE	\$ 3.2
DEVELOPER EQUITY	\$ 3.0
DEFERRED DEVELOPER FEE	\$ 2.1
TOTAL	\$27.8

MCRP Participation Details

Lender:	The Private Bank
Borrower:	Woodward Brown Associates, LLC
Loan:	Currently anticipated at \$22,778,890
MSF Share:	\$3,278,890, not to exceed 25% of the eligible investment
Private Bank Share:	Currently anticipated at \$19,500,000
MSF Interest Rate:	4% per annum
Term:	Shall match that of The Private Bank's loan, not to exceed seven years, including five years of monthly interest only payments.
Payments:	Annual payment of interest only for first five years, then principal and interest for remaining term amortized no greater than 25 years.
Collateral:	First position real estate mortgage and assignment of leases and rents. <i>Collateral will apply to The Private Bank share first then to the MSF Share.</i>
Guarantee:	The facility will be supported by the joint and several guaranty of the principal owners limited to 50% of the loan amount. <i>Guarantee will apply to The Private Bank share first then to the MSF Share.</i>
Amortization:	Not to exceed 25 years following the interest only period.
Funding:	The MSF will fund up to \$3,278,890 to occur upon completion of a soft/dry closing with the Private Bank on its financing. Construction disbursement to project will be made proportional to the Private Bank.
Fees:	1% commitment fee and all third party costs associated with closing of the MSFs loan.
Refinance:	The MSF Fund Manager is authorized to agree to a refinance event in an amount not to exceed the then outstanding principle of the MSF Share and a term not to exceed a total of 15 years from the closing of the original transaction.
Final Terms and Conditions:	Due to the complex nature of the transaction the MSF Fund Manager is authorized to agree to final terms and conditions so long as the following conditions are met: <ul style="list-style-type: none">• The MCRP Amount is not exceeded• The proposed costs, fees and financial returns contemplated above are not materially adversely impacted• No change in other conditions cause a violation of MCRP guidelines or the MSF Act

Recommendation

The MEDC staff recommends approval of an MCRP performance-based loan participation in the amount of \$3,278,890 for Woodward Brown Associates, LLC. The commitment will remain valid until January 23, 2014 (120 days after approval) with approval for the MSF Fund Manager to extend the commitment an additional 60 days.

APPENDIX A

MCRP PROGRAM AND ITS GUIDELINES

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

SOURCE OF INFORMATION

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

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

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

The Balmoral project will add density and walkability to the very prominent corner of Woodward Avenue and Brown Street in downtown Birmingham. Located next to Peabody's restaurant, a regional draw to the area, the Balmoral will replace a vacant lot with five stories of commercial, retail and residential space. The City constructed a public parking deck directly west of the project site over ten years ago to support the development of the site. The highly anticipated completion of the Balmoral will fill the noticeable gap along Woodward Avenue and will provide the city with the long awaited return to their investment.

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

The Balmoral will attract and promote general pedestrian traffic throughout the downtown area and adjacent neighborhoods. The increase in downtown residents, employees and patrons resulting from this project will attract additional development to the downtown area.

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

The City of Birmingham and the Michigan Department of Environmental Quality have approved a Act 381 tax increment financing (TIF) plan in the amount of \$793,744 to address eligible brownfield activities on the property.

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

Two primary factors have led the development team to approach staff to request the MCRP award. First, the urban development style, including the undergrounding parking has contributed an extra \$2.5 million that would not be otherwise found in a suburban building. The project will feature over 30 below grade parking spaces that average out to over \$65,000 per space. Secondly, the Class A commercial office space in Birmingham has not recovered since the downturn in 2007. Rental rates were generally hitting \$38.00 to \$42.00 per square foot pre-2007. To date, the project expects rates to come in between \$28.00 and \$32.00 for Class A tenants. The developer has agreed to defer all development fees. The return profile is just under 5% IRR to the equity investors. However, the development team and equity providers are not arm's length parties. If you factor in the payment of the deferred developer fee, the return is just under 9% IRR.

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

The project will construct a new five-story building with underground parking on a Brownfield property. No historical, blighted or otherwise vacant buildings will be redeveloped as a result of this project.

F. Creation of jobs:

The project is expected to create 200 permanent full time jobs related to the commercial and restaurant/retail portions of the project. The average hourly wage is estimated to be \$24.

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

The project will be financed through TIF reimbursements, developer equity and traditional permanent debt.

H. Whether the project is financially and economically sound:

The development team has been working in earnest with The Private Bank over the last several years to meet the pre-lease requirements of 70% in order to close and begin construction on the site. The development team has a fully executed lease with a retail tenant on the main floor and three LOIs that would meet the 70% pre-lease requirement. The Private Bank has agreed to provide construction financing and stabilization for a term of three years with interest only payments. The loan may be extended with mutual agreement for two additional one year interest only periods.

The senior debt is proposed to be originated, underwritten, documented and closed by The Private Bank. The Private Bank will size their share of the loan at 75% loan to value, which based on the appraisal, limited their contribution to \$19.5 million (or 70% loan to cost). The MCRP loan will provide 11.5% of the sources with the developer contributing, land, cash, and deferred developer fees to cover the remaining portions. The DSCR on a stabilized basis for The Private Bank Share is 1.30x and combined with the MCRP portion the DSCR equals 1.14x. The project is being underwritten using conservative rental rates. Rates may come in 10 to 15% higher depending on the final lease agreements.

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

The project will convert a vacant gravel lot with five stories of commercial, retail and residential space, including underground parking. An additional 88,000 square feet of space will be added to the downtown as a result of this project.

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

The Balmoral will be a mix of commercial, retail and residential space in downtown Birmingham. By replacing the vacant gravel lot with a highly dense five-story building, the project will add to the walkability of the downtown.

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

No abandoned public buildings will be converted to private use as a result of this project.

L. Whether the project promotes sustainable development:

The Development will include sustainable/green building concepts such as energy efficient building envelope design, low VOC finishes, high performance glass, use locally produced construction materials whenever possible, energy recovery ventilation units, and water saving features.

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

The project will build a new structure and therefore will not rehabilitate a historic resource.

N. Whether the project addresses area-wide redevelopment:

The project contributes to the overall redevelopment and in-fill strategy within Oakland County to address long vacant, challenging development sites.

O. Whether the project addresses underserved markets of commerce:

Commercial office space is in high demand in the walkable downtown area of Birmingham.

P. The level and extent of environmental contamination:

The soil and groundwater contaminants will be remediated or capped in accordance with the approved Brownfield Plan on the eligible property.

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

The eligible property is not a historic resource and is not subject to 36 CFR 67.

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

This project will not compete with or affect any existing Michigan businesses.

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

There are no additional criteria for consideration.

APPENDIX B



MICHIGAN STRATEGIC FUND

RESOLUTION

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM
LOAN PARTICIPATION AWARD FOR WOODWARD BROWN ASSOCIATES, 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 No. 2011-185, the MSF (i) created the MCRP, (ii) adopted the guidelines for the MCRP, as later amended (“Guidelines”), and (iii) approved the MSF Fund Manager to negotiate the final terms and conditions of the written agreements to be used to memorialize MCRP awards on the MSF’S behalf in accordance with the Guidelines (“Transaction Documents”);

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

WHEREAS, The Private Bank (“Lender”) has provided a loan commitment to Woodward Brown Associates, LLC and /or related entities (“Proposed Borrower”) of up to \$22,778,890 toward financing construction activities and infrastructure improvements to real property (“Project”);

WHEREAS, the Lender and the Proposed Borrower have requested a performance based loan participation award from the MSF under the MCRP for the Project in an amount not to exceed up to \$3,278,890 (“Award Request”), along with other general terms and conditions for the Award Request which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC recommends that the MSF approve the Award Request in accordance with the Term Sheet, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; 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

WHEREAS, the MSF Advisory Committee has indicated its support of the MCRP Award Recommendation.

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

BE IT FURTHER RESOLVED, the MSF Board approves the MSF Fund Manager to negotiate the final terms and conditions of, and sign, all Transaction Documents necessary to effectuate the MCRP Award Recommendation.

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan
September 25, 2013

Exhibit A

MCRP Participation Details

Lender:	The Private Bank
Borrower:	Woodward Brown Associates, LLC
Loan:	Currently anticipated at \$22,778,890
MSF Share:	\$3,278,890, not to exceed 25% of the eligible investment
Private Bank Share:	Currently anticipated at \$19,500,000
MSF Interest Rate:	4% per annum
Term:	Shall match that of The Private Bank's loan, not to exceed 7 years, including 5 years of monthly interest only payments.
Payments:	Annual payment of interest only for first five years, then principal and interest for remaining term amortized no greater than 25 years.
Collateral:	First position real estate mortgage and assignment of leases and rents. <i>Collateral will apply to The Private Bank share first then to the MSF Share.</i>
Guarantee:	The facility will be supported by the joint and several guaranty of the principal owners limited to 50% of the loan amount. <i>Guarantee will apply to The Private Bank share first then to the MSF Share.</i>
Amortization:	Not to exceed 25 years following the interest only period.
Funding:	The MSF will fund up to \$3,278,890 to occur upon completion of a soft/dry closing with the Private Bank on its financing. Construction disbursement to project will be made proportional to the Private Bank.
Fees:	1% commitment fee and all third party costs associated with closing of the MSFs loan.
Refinance:	The MSF Fund Manager is authorized to agree to a refinance event in an amount not to exceed the then outstanding principle of the MSF Share and a term not to exceed a total of 15 years from the closing of the original transaction.
Final Terms and Conditions:	Due to the complex nature of the transaction the MSF Fund Manager is authorized to agree to final terms and conditions so long as the following conditions are met: <ul style="list-style-type: none">• The MCRP Amount is not exceeded• The proposed costs, fees and financial returns contemplated above are not materially adversely impacted• No change in other conditions cause a violation of MCRP guidelines or the MSF Act

MEMORANDUM

DATE: September 25, 2013

TO: Michigan Strategic Fund Board

FROM: Joseph Martin, Manager, Michigan Community Revitalization & Brownfield Programs

SUBJECT: Reauthorize the Michigan Community Revitalization Approval for:
Parkland Muskegon, Inc.
940 Monroe Avenue NW, Suite 155
Grand Rapids, Michigan 49503

Action

MEDC staff is seeking reauthorization of the original approval of the Michigan Community Revitalization Program incentive for Parkland Muskegon, Inc.

Background

On February 27, 2013, the Michigan Strategic Fund board approved a \$1,950,000 performance based loan for Parkland Muskegon, Inc. under the Michigan Community Revitalization Program (MCRP). The project involves the renovation of one of the only remaining buildings left following the demolition of most of the structures that formerly comprised the downtown Muskegon Mall. Renovation of the eight-story building along with the new construction of a two-story addition alongside will include a total of 72 one and two bedroom residential units. Site improvements will include landscaping and parking for the residents. Please find attached a project area map and the original MSF approval.

The original approval provided a maximum of 150 days to complete all due diligence and finalize all MCRP transaction documents. During the allotted time period, a final loan agreement was not executed.

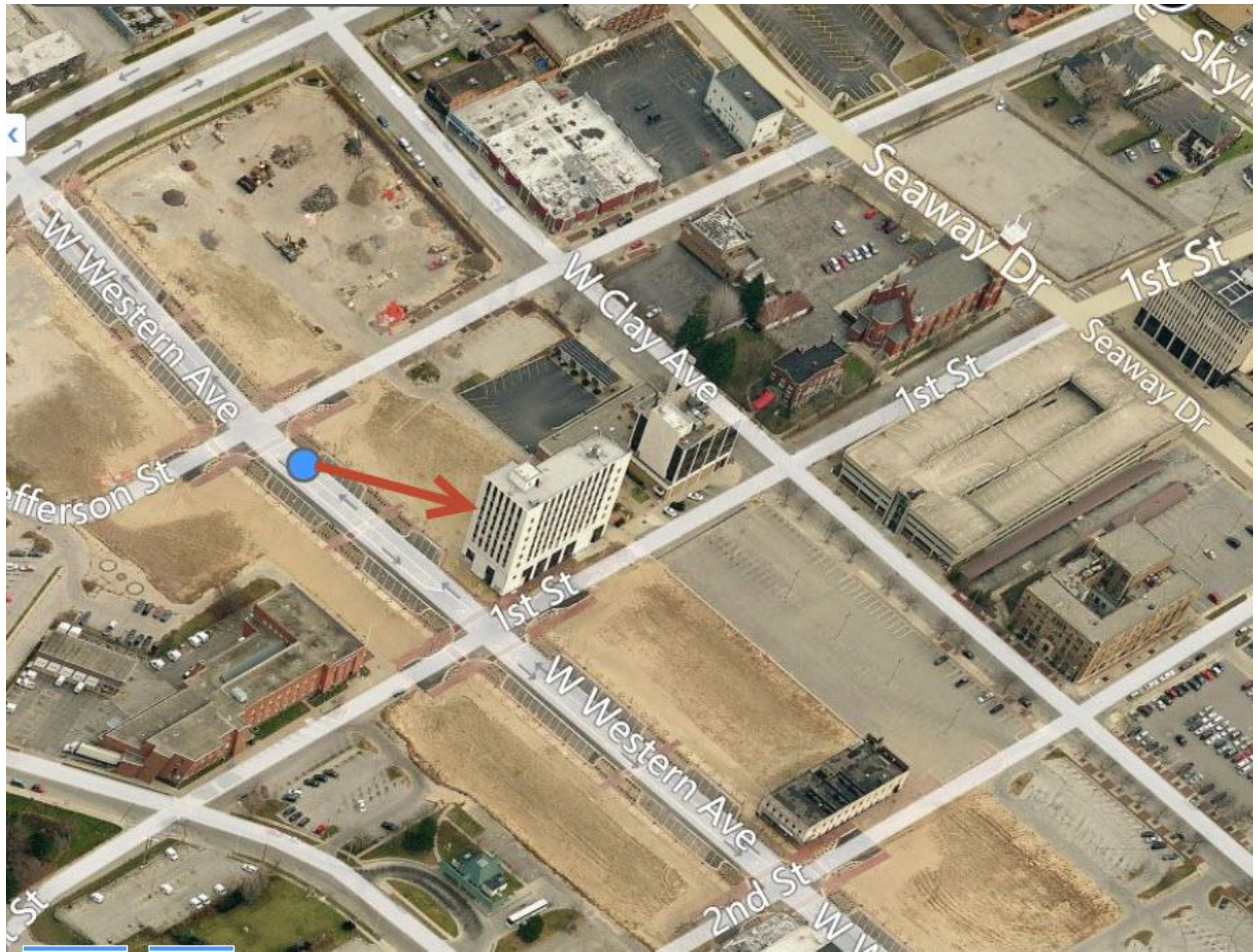
An MCRP agreement was not finalized as the project sponsors have been negotiating a more favorable permanent long-term senior loan through the Muskegon Community Foundation. This is in addition to a line of credit from First Community Bank or other lenders.

MEDC Project Management staff has been working with the Applicant to finalize the due diligence and other documentation necessary to execute a loan agreement.

Recommendation

The MEDC staff recommends approval of the MCRP loan, as outlined above and in the attached briefing memo dated February 27, 2013, and the reauthorization of the commitment to remain valid until January 23, 2014 (120 days after approval) with approval for the MSF Fund Manager to extend the commitment an additional 30 days.

PROJECT MAP





MEMORANDUM

DATE: February 27, 2013

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

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

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

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

MCRP PROGRAM AND ITS GUIDELINES

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

SOURCE OF INFORMATION

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

HISTORY OF THE APPLICANT

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

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

PROJECT DESCRIPTION

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

Michigan Economic Development Corporation

300 North Washington Square | Lansing, MI 48913 | 888.522.0103 | MichiganAdvantage.org | michigan.org

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

FINANCING OPPORTUNITY – MCRP REQUEST

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

Whether the project is financially and economically sound:

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

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

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

LOAN FACILITY

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

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

MICHIGAN STRATEGIC FUND CONSIDERATIONS

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

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

- F. The level of private sector and other contributions, including, but not limited to, federal funds and federal tax credits:**
The MEGA Board approved a 20% MBT Brownfield Credit in July 2008 totaling \$1,640,000. The total private investment for the entire property is \$10.7 million.
- G. Whether the project increases the density of the area:**
The density will be increased because the project adds 72 residential units to the downtown core.
- H. Whether the project promotes mixed-use development and walkable communities:**
The project promotes a walkable community based on the location of the building and its proximity to downtown amenities, such as the post office and the theatre.
- I. Whether the project converts abandoned public buildings to private use:**
The property does not contain any public buildings.
- J. Whether the project promotes sustainable development:**
This project will be utilizing several LEED qualifying aspects. The re-use of such a large, vacant building prevents demolition and disposal issues. It alleviates the consumption of new material. The developer will be utilizing water and energy efficiency aspects for residents.
- K. Whether the project involves the rehabilitation of a historic resource:**
The property does not contain a historic resource.
- L. Whether the project addresses area-wide redevelopment:**
This project includes the development of three downtown adjacent and contiguous parcels.
- M. Whether the project addresses underserved markets of commerce:**
This project addresses underserved markets because the former mall site in downtown Muskegon has been largely vacant for several years and has resulted in a lack of residential options available.
- N. The level and extent of environmental contamination:**
The property has been determined to be a facility due to contamination related to historic fill conditions. Soil and groundwater samples identified contamination at concentrations above the Part 201 Generic Residential Cleanup Criteria.
- O. If the rehabilitation of the historic resource will meet the federal Secretary of the Interior's standards for rehabilitation and guidelines for rehabilitating historic buildings (36 CFR 67):**
The project does not contain a historic resource; therefore, the federal Secretary of Interior's standards do not apply.
- P. Whether the project will compete with or affect existing Michigan businesses within the same industry:**
This project fills a residential need in the downtown and will not compete with other Michigan businesses.

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

No additional criteria is necessary to note.

INCENTIVE OPPORTUNITY

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

Please see below for more information on the recommended action.

RECOMMENDATIONS

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

- a) Closing the MCRP Proposal, subject to available funding under the MCRP at the time of closing ("Available Funding"), completion of due diligence, the results of which are satisfactory to the MEDC (collectively, "Due Diligence"), finalization of all MCRP transaction documents, and further subject to the following terms and conditions:
 - Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.

**MICHIGAN STRATEGIC FUND
RESOLUTION 2013-114**

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

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

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

WHEREAS, on December 21, 2011, by Resolution 2011-185, the MSF (i) created the MCRP, (ii) adopted the guidelines for the MCRP, as later amended (“Guidelines”), and (iii) approved the MSF Fund Manager to negotiate the final terms and conditions of the written agreements to be used to memorialize MCRP awards on the MSF’S behalf in accordance with the Guidelines (“Transaction Documents”);

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

WHEREAS, by Resolution No. 2013-030, at the request of Parkland Muskegon, Inc. (“Company”) and upon the recommendation of the MEDC, the MSF Board approved a performance based loan under the MCRP of up to \$1.95 million (“2013 February Approval”);

WHEREAS, the Company has pursued senior private lending involving the Muskegon Community Foundation and a line of credit from First Community Bank and due to the complexities surrounding the senior loan(s), the MSF loan to the Company has not been able to close within the time frame authorized by the 2013 February Approval;

WHEREAS, the Company has again requested a performance based loan under the MCRP of up to \$1.95 million (“Award Request”), along with other general terms and conditions which have been updated and are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC has recommended to the MSF Advisory Committee that the MSF approve the Company’s Award Request in accordance with the Term Sheet, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents within 120 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 30 days (“MCRP Award Recommendation”);

WHEREAS, the MSF Advisory Committee has indicated its support of the MCRP Award Recommendation.

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

BE IT FURTHER RESOLVED, the MSF Board approves the MSF Fund Manager to negotiate the final terms and conditions of, and sign, the Transaction Documents necessary to effectuate the MCRP Award Recommendation.

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan
September 25, 2013

EXHIBIT A

Borrower:	Parkland Muskegon, Inc.
Senior Lender:	Muskegon Community Foundation and/or a Line of Credit – Currently Proposed with First Community Bank
MSF Loan Amount:	Up to \$1,950,000, not to exceed 25% of Eligible Investment. \$390,000 forgiven upon completion of project. Loan will be subordinate to the senior lender.
Term:	25 Years
Interest Rate:	Zero percent (0%)
Repayment:	Repayments are to begin after MSF disbursement. \$40,000 principal annually. In addition to the \$40,000 annual payment, the project will receive the assignment of 100% of Brownfield Tax Increment Finance Revenues applied against principal. Balloon at the end of 25 years.
Prepayment:	No prepayment penalty at any time.
Guarantee:	Currently contemplated to include the personal Guarantee of Jonathan Lee Rooks, subordinate to senior loan. The final terms and conditions of the Guarantee to be acceptable to the MSF Fund Manager, the Borrower, and the Senior Lender.
Funding:	Permanent Certificate of Occupancy and other performance criteria to be contained in final loan documents.



MEMORANDUM

Date: September 25, 2013

To: Michigan Strategic Fund Board

From: Josh Hundt, Manager - Development Finance Manager

Subject: *Sakthi Automotive Group USA, Inc. ("Company" or "Applicant")
Performance-based grant request*

Request

The Company was required as part of Milestone 1, to secure ownership of the manufacturing facility located at 6401 W. Fort St, Detroit Michigan, create 7 Qualified New Jobs above their base employment and obtain approval of municipality support. The Company has met the intent of Milestone 1. However, due to the Business Entity structure, ownership of the property was secured by Sakthi Real Estate Holdings, Inc. on behalf of the Company. This entity does not meet the Affiliate definition as outlined in the Agreement.

Due to the items listed above the Company was not able to meet the requirements as set forth in Milestone 1 by the deadline of August 30, 2013.

Background

On May 23, 2012 the Michigan Strategic Fund approved a \$1,500,000 award for Sakthi Automotive Group USA, Inc. under the Michigan Business Development Program ("MBDP"). The company proposed to open a new automotive component manufacturing facility in the City of Detroit which would result in the creation of 170 Qualified New Jobs and \$18.6 million in capital investment. The City of Detroit committed to provide a property tax abatement in support of the project.

Recommendation

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

- a) Amend Milestone 1 to reflect the Company, or its Affiliates, secure ownership of the manufacturing facility at 6401 W. Fort Street, Detroit, Michigan 48209 and obtain municipality support related to the project;
- b) All other aspects of the approval remain unchanged.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

**APPROVAL OF AMENDMENT TO MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT
TO
SAKTHI AUTOMOTIVE GROUP USA, 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, (ii) adopted the guidelines for the MBDP (“Guidelines”), and (iii) approved the MSF Fund Manager to negotiate the final terms and conditions of the written agreements to be used to memorialize MBDP awards on the MSF’S behalf 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, Sakthi Automotive Group USA, Inc. (“Company”) requested a performance based MBDP grant for \$1,500,000 (“Grant Request”), along with other general terms and conditions which were outlined in the term sheet attached to Resolution 2012-53 which was approved on May 23, 2012 by Resolution 2012-53;

WHEREAS, the Company entered into a Grant Agreement with the MSF on February 20, 2013;

WHEREAS, due to changed circumstances the Company has requested an amendment to its Grant Agreement to amend Key Milestone Number One to reflect that the Company or its affiliate Sakthi Real Estate Holdings, Inc. must secure ownership of the real property with the physical address of 6401 West Fort Street, Detroit, Michigan (the “Amendment Request”); and

WHEREAS, the MEDC recommended the Amendment Request to the MSF Advisory Committee and the MSF Advisory committee has indicated its support of the Amendment Request.

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

BE IT FURTHER RESOLVED, the MSF Board approves the MSF Fund Manager to negotiate an amendment to the Grant Agreement pursuant to the Amendment Request, and additional and other terms so long as the additional and other terms are not otherwise materially adverse to the MSF, to accommodate final signing of an amendment.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 25, 2013



MEMORANDUM

Date: September 25, 2013

To: Michigan Strategic Fund Board

From: George Zimmermann, Vice President, Travel Michigan
Michigan Economic Development Corporation

Subject: *Travel Michigan Fulfillment Guide Recommendation*

REQUEST

That the Michigan Strategic Fund (“MSF”) award and enter into a contract for the fulfillment and inquirer data entry services.

BACKGROUND

On May 22, 2013, the MSF approved the release of a Request for Proposals (“RFP”) for the fulfillment and inquirer data entry services for all consumer requests for Travel Michigan information.

The RFP was posted on the MSF’s website for fifty-nine (59) days. Responses were received from Aldinger, Inc., American Collegiate Marketing, Inc., and First Fulfillment, Inc. All three proposals underwent review by a joint evaluation committee (“JEC”) appointed by the MSF Fund Manager.

Two of the proposals were determined to be qualified and the scores reflect that. The JEC made the decision to open the price proposals for the two bids. First Fulfillment, Inc.’s price is lower and the technical proposal demonstrates that First Fulfillment, Inc. is able to meet the goals and objectives of the RFP and to offer the best value to the MSF and the State of Michigan.

RECOMMENDATION

Based upon the scoring and evaluation of the JEC, MEDC Staff recommends that the MSF Board award and enter into a contract for the fulfillment and inquirer data entry services, with First Fulfillment, Inc., a Michigan corporation, for the period of October 1, 2013 to September 30, 2016, and two one-year additional extensions, exercisable at the sole discretion of the MSF Fund Manager.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

SELECTION OF VENDOR FOR TRAVEL MICHIGAN FULFILLMENT GUIDE

WHEREAS, on May 22, 2013, the Michigan Strategic Fund (“MSF”) issued a Request for Proposals for the Travel Michigan Fulfillment Guide and authorized the MSF Fund Manager to appoint a Joint Evaluation Committee (“JEC”) to review the proposals;

WHEREAS, the JEC has evaluated all proposals and ranked the proposal by First Fulfillment, Inc. highest among all Fulfillment Guide proposals;

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

WHEREAS, the MEDC recommends and the MSF desires to select the firm of First Fulfillment, Inc., a Michigan corporation, as the vendor for the Travel Michigan Fulfillment Guide; and

WHEREAS, the MSF also desires to make an initial allocation of \$38,200 to fund the Travel Michigan Fulfillment Guide.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the selection of First Fulfillment, Inc., a Michigan corporation, as the vendor for the Travel Michigan Fulfillment Guide for an initial term of three years with the option to renew the contract for two additional one year terms at the sole discretion of the MSF Fund Manager.

BE IT FURTHER RESOLVED, that the MSF authorizes an initial allocation of \$38,200 for the Travel Michigan Fulfillment Guide.

BE IT FURTHER RESOLVED, that the Board authorizes the MSF Fund Manager to negotiate final contract terms and to execute the Official State of Michigan Travel Guide contract on the MSF Board’s behalf so long as the final contract terms and conditions are not materially adverse to the interest of the MSF.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 25, 2013

Applicant	<p>Technical Proposal 1 Stated the full name, address phone and fax number of the organization and, if applicable, the branch office or other subordinate element that will perform, or assist in performing, the work hereunder. Indicated whether it operates as an individual partnership, or corporation; if as a corporation included the state in which it is incorporated. If appropriate, the proposal stated whether the organization is licensed to operate in the State of Michigan.</p>	<p>Technical Proposal 2 Stated in succinct terms their understanding of the problem(s) presented in the RFP.</p>	<p>Technical Proposal 3 Included a narrative summary description of the proposed effort and of the service(s) /product(s) that will be delivered.</p>	<p>Technical Proposal 4 Provided a detailed research outline and timeline for accomplishing the work.</p>	<p>Technical Proposal 5 Described the prior experience of the organization which they consider relevant to the successful accomplishment of the project defined in the RFP. Included sufficient detail to demonstrate the relevance of such experience. Proposal included a description of qualifying experience to include project descriptions, costs and starting and completing dates of projects successfully completed; also included the name, address and phone number of the responsible official of the client organization who may be contacted.</p>	<p>Technical Proposal 6 Identified a project manager and staff assigned by name and title. Included biographies, experience and work team's qualifications for this initiative. Indicated staff turnover rates. Showed where the project team will be physically located during the time they will be engaged in the work. Indicated the amount of dedicated management time for the bidder's project manager and other key individuals.</p>	Score	Avg
Aldinger, Inc.	20	30	90	80	55	20	295	73.75
American Collegiate Marketing, Inc.	20	50	70	60	40	20	260	65
First Fulfillment, Inc.	20	40	100	60	45	20	285	71.25

Joint Evaluation Committee Members

Amanda Munson

Robin Peebles

Kelly Wolgamott

George Zimmermann



MEMORANDUM

Date: September 25, 2013

To: Michigan Strategic Fund Board

From: George Zimmermann, Vice President, Travel Michigan
Michigan Economic Development Corporation

Subject: Brand USA International Travel Marketing Agreement

REQUEST

This request is for the MSF Board to enter into an agreement with Brand USA for the purpose of establishing a co-branding campaign in the amount of \$104,367.00.

BACKGROUND

Brand USA is the two-year public-private partnership created to market the U.S. as a tourism destination around the world. Brand USA offers buy in and other advertising opportunities to U.S. destinations, state tourism offices, city and regional convention and visitor bureaus and for-profit attractions. The purpose of our agreement with Brand USA is to establish a co-branding campaign with them for Ontario, Canada. By including the Brand USA logo on our Pure Michigan television ads running in Ontario, Brand USA will provide funding for 30% of the cost of this advertising. This agreement allows us to establish this co-marketing relationship with Brand USA for Ontario. This campaign will allow a match of federal funds for the advertisements.

This campaign is an extension of an existing membership that we have with the Council of Great Lakes and the Great Lakes USA campaign. The additional advertisement will allow Michigan specific advertising in the international market.

RECOMMENDATION

The MEDC recommends that the MSF Board allocate \$104,367.00 and authorize the Fund Manager to enter into an agreement with Brand USA for the purpose of establishing a co-branding campaign in accordance with the federal Travel Promotion Act of 2009.

**MICHIGAN STRATEGIC FUND
RESOLUTION 2013-**

**AUTHORIZATION OF ALLOCATION FOR INTERNATIONAL MARKETING
BRAND USA**

WHEREAS, the State of Michigan initiated a travel marketing campaign, to accelerate efforts to promote the State's tourism industry;

WHEREAS, under Section 108 of 2013 PA 59, the Legislature made an appropriation of \$29,000,000 to the Pure Michigan program under the 21st Century Jobs Fund;

WHEREAS, as a result of an extension of an existing membership with the Council of Great Lakes and the Great Lakes USA, the MSF desires to allocate \$104,367 to Brand USA to support additional international travel marketing activities;

WHEREAS, because of the existing membership, there is no other vendor that can provide the unique international travel marketing campaign because it is an extension of an existing multi-state marketing campaign which qualifies for federal matching funds; and

WHEREAS, the MSF desires to authorize the allocation of \$104,367 to Brand USA and authorize the Fund Manager to enter into an agreement for the international marketing activities in accordance with the federal Travel Promotion Act of 2009.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board authorizes the allocation of \$104,367 to Brand USA and authorize the Fund Manager to enter into an agreement for the international marketing activities in accordance with the federal Travel Promotion Act of 2009;

Ayes:

Nays:

Recused:

Lansing, Michigan
September 25, 2013



MEMORANDUM

Date: September 25, 2013

To: Michigan Strategic Fund Board

From: Michael Flanagan, Director – Capital Services
Chris Cook, Capital Services Associate

Subject: *MSDF - Small Business Loan Program; Authorization and Guidelines*

Request

The Small Business Loan Program (“SBLP” or “Program”) is designed to increase the availability of capital to Community Development Finance Institutions (“CDFI”) and similarly oriented lenders (collectively “small business lenders”), which are the typical financiers of our underserved small and micro businesses. The SBLP will rely upon and complement bank, credit union and/or other non-depository lenders (collectively “lending institutions”) seeking to provide loan(s) to small business lender(s) to support small and micro-businesses. The Program will provide support through loan loss reserve account(s) (which can also be referred to as “collateral support” or “funded guarantees”) that can be accessed in order to offset potential losses, thereby incentivizing private lenders into the small and micro market that they have historically avoided.

Small business lenders that wish to enroll in the Program will be evaluated by the lending institution and MSF staff based upon historical performance, financial capacity, and knowledge of the local market, among other factors. The role of the small business lender will be to provide the outreach, technical assistance, origination, underwriting and servicing of small and micro loans. Based on terms mutually acceptable to the small business lender, the lending institution, and the MSF, supporting loan loss reserve account(s) can be situated and accessed on either the front end by the small business lender, or on the back end by the lending institution providing the initial loan. Loan loss reserve accounts will be established at the lending institution or at a mutually agreed upon third party depository institution and will remain in place for the term of the loan. Additional capital that is required by the small business lenders to pay for technical assistance associated with the increased loan volume is anticipated to come from philanthropic contributions.

The SBLP will operate under the Michigan Supplier Diversification Fund (“MSDF”). Returns on any unused portion of loan loss reserves will be returned to the MSDF and may be reused for any eligible program included as a part of the MSDF. Additionally, approval is being requested to operate the SBLP using SSBCI funding under MSF general powers.

Background

Small and micro-sized businesses have unique financial needs, which are not efficiently met by commercial lenders due to the size of the loans, as well as the limited operating history, lack of traditional collateral and/or the credit history of the business owner. In order to fill this gap in the market, government and non-profit lenders use government or philanthropic dollars to make loans and deliver technical assistance to business owners based on the quality of the business opportunity as well as the strength of the owner. The benefits of lending to small and micro-sized businesses include job creation as well as the stabilization and resurgence of low to moderate income communities.

Small business lenders serve a vital role in the market by providing small and micro-sized businesses with capital, as well as critical training on business fundamentals such as accounting standards, legal advice, marketing support, and strategic planning support. The availability of inexpensive capital is critical to these lenders in order to provide the needed financing and related support services to small and micro-sized companies. Low cost capital can typically only be accessed through the SBA and philanthropic organizations. More recently, private lending institutions have become interested in the space for multiple reasons, including the ability to fulfill Community Reinvestment Act (“CRA”) requirements, attract future customers, and enter new markets. However, in these cases, government and philanthropic support is needed to offset the private lender cost of funds and risk profile of the small and micro loan portfolios. In these instances, a small amount of public funding may be used in order to provide additional security to the private lender, specifically by providing funding for a loan loss reserve, helping to reduce the risk profile.

Recommendation

Staff makes the following recommendations with respect to the program:

- Authorization for a Public Hearing for the SBLP;
- Authorize funding of SBLP using SSBCI funds, subject to approval from US Treasury, and to operate under the general powers of the MSF; and
- Authorize the Fund Manager or MSF Chairperson to approve individual small business lenders for support in accordance with previously approved MSDF and SSBCI delegations of authority.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2013-**

**SMALL BUSINESS LOAN PROGRAM
NOTICE OF PUBLIC HEARING**

WHEREAS, Public Acts 215 and 225 of 2005 established the 21st Century Jobs Fund initiative;

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

WHEREAS, pursuant to MCL.125.2088d(1) the MSF created the Michigan Supplier Diversification Fund (“MSDF”) as a loan enhancement program;

WHEREAS, the MEDC recommends that the MSF approve the creation and operation of the Small Business Loan Program (the “SBLP” or “Program”) under the MSDF;

WHEREAS, pursuant to MCL 125.2088c(5), before adopting a resolution that establishes or substantially changes a 21st century investment program the MSF Board must hold a public hearing to offer persons an opportunity to present data, views, questions and arguments;

WHEREAS, a 21st century investment program includes any commercial loan guarantees under a loan enhancement program operated by the MSF;

WHEREAS, WHEREAS, the MSF desires to hold a public hearing with respect to the Proposed Resolution and the SBLP on October 9, 2013 to offer persons an opportunity to present data, views, questions and arguments; and

WHEREAS, the MSF desires to approve the attached Notice of Public Hearing and the Proposed Resolution (collectively, the “Notice of Public Hearing”) and to authorize the MSF Fund Manager to be present at the hearing and participate in the public discussion regarding the Proposed Resolution and the SBLP.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Fund Manager is authorized to publish the Notice of Public Hearing implementing the requirements of MCL 125.2088c(5); and

BE IT FURTHER RESOLVED, that the MSF designates the MSF Fund Manager to be present at the public hearing and participate in the public discussion of the Proposed Resolution and the SBLP.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 25, 2013

NOTICE OF PUBLIC HEARING

On October 9, 2013, the Michigan Strategic Fund Board ("MSF Board") will hold a public hearing with respect to the attached proposed resolution of the MSF Board approving changes to the 21st Century Jobs Fund program. The proposed resolution seeks to approve the Small Business Loan Program and related guidelines (the "Proposed Resolution").

The hearing will commence at 10:00 a.m. and will be held in the Lake Huron Conference Room of the Michigan Economic Development Corporation ("MEDC") located at 300 North Washington Square, Lansing, Michigan 48913. Interested persons wishing to express any data, views or arguments regarding the Proposed Resolution will be given an opportunity to do so at the public hearing. Written comments will be accepted by the MSF Board at Michigan Strategic Fund Board, c/o Mike Flanagan, 300 North Washington Square, Lansing, MI 48913, or electronically to flanagm@michigan.org, but must be mailed or electronically transmitted on or before the date and time of the hearing.

This hearing will provide a reasonable opportunity for interested persons to express their views, both orally and in writing, on the Proposed Resolution.

The MEDC will provide necessary reasonable accommodation upon seven (7) days' notice to the MEDC. Individuals with disabilities needing a reasonable accommodation to effectively participate in this public hearing should contact MEDC by writing or calling the person listed below.

Dated: September 25, 2013

LeAnn Albright
Michigan Strategic Fund Board
300 North Washington Square
Lansing, Michigan 48913
(517) 241-6238

MICHIGAN STRATEGIC FUND

**PROPOSED RESOLUTION
2013-**

**APPROVAL OF THE SMALL BUSINESS LOAN PROGRAM,
DELEGATION OF AUTHORITY, AND ALLOCATION OF FUNDING**

WHEREAS, Public Acts 215 and 225 of 2005 established the 21st Century Jobs Fund initiative;

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

WHEREAS, pursuant to MCL.125.2088d(1) the MSF created the Michigan Supplier Diversification Fund (“MSDF”) as a loan enhancement program;

WHEREAS, the MEDC recommends the creation and operation of the Small Business Loan Program (the “SBLP” or “Program”) under the MSDF and approval of the attached guidelines to be utilized for the SBLP (the “SBLP Guidelines”);

WHEREAS, pursuant to MCL 125.2088c(5), the MSF held a public hearing on October 9, 2013 to offer persons an opportunity to present data, views, questions and arguments on the SBLP and the SBLP Guidelines;

WHEREAS, the MSF Board desires to: (i) create and operate the Program under the MSDF and (ii) adopt the attached SBLP Guidelines;

WHEREAS, under Section 125.2005(7) of the Act, the MSF Board may delegate to its president, vice-president, staff or others those functions and authority the MSF Board deems necessary or appropriate;

WHEREAS, the MSF Board desires to authorize the Chairperson of the MSF Board to (1) approve the awards to be funded under the SBLP in accordance with the SBLP Guidelines (2) negotiate the final terms and conditions of the award in accordance with the SBLP Guidelines; and (3) execute all documents necessary to effectuate the awards made under the SBLP (the “Delegation of Authority”);

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

WHEREAS, pursuant to MCL 125.2088h(3) and MCL 125.2088h(7), the MSF Board shall direct the investment and reinvestment of the Investment Fund as provided under Chapter 8A of the MSF Act (“Chapter 8A”);

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

WHEREAS, the MEDC recommends that the MSF fund the SBLP using \$2,000,000 from the Investment Fund and that repayments to the MSF from awards authorized under the SBLP be returned to the MSDF for future use under the MSDF; and

WHEREAS, the MSF Board desires to approve using \$2,000,000 from the Investment Fund and that repayments to the MSF from awards authorized under the SBLP be returned to the MSDF for future use under the MSDF.

NOW, THEREFORE, BE IT RESOLVED, the MSF hereby approves: (i) the creation and operation of the Program under the MSDF; (ii) the adoption of the attached SBLP Guidelines; (iii) the allocation of \$2 million from the Investment Fund to the SBLP and that repayments to the MSF from awards authorized under the SBLP be returned to the MSDF for future use under the MSDF; and (iv) the Delegation of Authority; and

BE IT FURTHER RESOLVED, subject to the control and direction of the MSF Board, the MEDC will provide the administrative services to the MSF for the SBLP.

Ayes:

Nays:

Recused:

Lansing, Michigan
October 23, 2013

Small Business Loan Program Guidelines

Eligible Small Business Lenders

- In order to be eligible to receive support through the Small Business Loan Program, an eligible small business lender (“Small Business Lender”) shall be required to be a certified CDFI, an SBA approved micro-lender, an agency approved by USDA as a Rural Microentrepreneur Assistance Program (“RMAP”) lender, or approved by the MSF as a Regional Revolving Loan Fund Manager.
- The Small Business Lender must demonstrate that it has issued micro-loans or small business loans for at least 3 years prior to the award at a rate of no less than 12 loans per year on average. The enterprise must provide loss rate information on its business and micro loan portfolio which in the judgment of MEDC staff and the MSF Fund Manager is minimally acceptable in terms of net losses versus loans issued.
- The Small Business Lender must be approved by a bank, credit union, or other non-depository lending source to receive a loan, the proceeds of which will be used solely for loan capital that will be lent to small or micro-sized businesses as approved by the Small Business Lender. The term of the financing from the bank or credit union may not exceed 10 years. The bank, credit union, or non-depository lender providing the financing to the small business lender must be regulated by a State or Federal agency.
- Preference will be given to Small Business Lenders targeting businesses in communities designated as “entitlement” by the US Department of Housing and Urban Development and in communities determined by the MSF Fund Manager to be significantly underserved by other lenders.
- The Small Business Lender shall provide the MSF Fund Manager with reviewed or audited financial statements which reflect in the discretion of the MSF Fund Manager sufficient capacity to continue to operate effectively for the length of the proposed agreements.
- Loan loss reserve accounts will not exceed 20% of the loan from the lending institution

Loan Requirements

- Loans issued by an approved Small Business Lender will be generally between \$40,000 and \$200,000 and will in no case exceed \$250,000, will not be more than 60 months in either term or amortization, and must be in some way collateralized, including but not limited to an interest in all assets acquired using loan proceeds.
- Loans will carry the personal guarantee of all owners holding 20% or greater interest in the borrower and any related companies such as but not limited to real estate holding company’s associated by ownership to the borrower.

Reporting Requirements

The Small Business Lender shall provide to the MSF on a quarterly basis the following information:

- Number and dollar amount of loans funded using MSF supported financing
- Industry by NAICS Code in which the borrower underwritten in the program operates
- Gross Revenue and Net Income trend by borrower and small business lender’s overall portfolio.
- Actual employment (FTE) and increase/decrease in employment based on the date the loan was issued.
- Additional data as may be requested by the MSF Fund Manager related to the program.

The small business lender shall provide audited financial statements to the MSF on an annual basis

Eligible Borrowers

- Borrowers shall be operating companies or passive holding companies leasing property to a related operating company.
- If the borrower is a passive holding company, an operating company domiciled within the facility owned by the borrower must guarantee the loan along with all owners 20% or greater in both passive borrower and operating companies.
- Borrowers must be engaged in retail sales of goods or services, manufacturing, warehouse distribution, wholesale and trade, technology, destination tourism, businesses of a creative nature and or such other business not further specified here which the MSF Fund Manager may deem appropriate.
- The loan proceeds must be used for a “business purpose”. A business purpose includes, but is not limited to, start-up costs, working capital, business procurement, franchise fees, equipment, inventory, as well as the purchase, construction, renovation or tenant improvements of an eligible place of business that is not for passive real estate investment purposes.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2013-**

**AMENDMENTS TO THE STATE SMALL BUSINESS CREDIT INITIATIVE
MICHIGAN BUSINESS GROWTH FUND COLLATERAL SUPPORT PROGRAM GUIDELINES**

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 Michigan Strategic Fund Board (“MSF Board”) approved: (i) the creation of the Michigan Business Growth Fund (the “MBGF”), an SSBCI Program created by the MSF to disburse SSBCI funds in accordance with the SSBCI, and (ii) as part of the MBGF, the creation of a collateral support program designed to enhance the collateral position of commercial borrowers to promote advancement of credit facilities from lenders (the “MBGF-CSP”), and (iii) the guidelines for the MBGF-CSP (“MBGF-CSP Guidelines”), and (iv) the delegation of authority for MSF Fund Manager or MSF Chairperson to negotiate and sign the terms and conditions of the MBGF-CSP Agreement as authorized by the MSF Board;

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

WHEREAS, the MEDC recommends that the MSF make certain amendments to the MBGF-CSP Guidelines, as described in Exhibit A to this resolution, subject to approval by US Treasury (the “Amended MBGF-CSP Guidelines”); and

WHEREAS, the MSF desires to adopt the Amended MBGF-CSP Guidelines, subject to approval from US Treasury.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board adopts the attached Amended MBGF-Guidelines, subject to approval from US Treasury; and

BE IT FURTHER RESOLVED, the MSF Board authorizes the MSF Fund Manager or the MSF Chairperson to take all steps necessary to secure approval of the Amended MBGF-CSP Guidelines from US Treasury.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 25, 2013

SSBCI –MBGF- COLLATERAL SUPPORT PROGRAM GUIDELINES

- To be eligible for the SSBCI-MBGF-Collateral Support Program a borrower must fall under the definition of a firm which creates or retains base economic jobs. More specifically, a company must have a unique Federal Employer Identification number and participate in one or more of the following; mining, manufacturing, research and development, wholesale and trade, film and digital media production, office operations, or a business that is qualified as a high technology business as described in MCL 207.803(n) as amended. Alternatively, a company must be a certified CDFI, an SBA approved micro-lender, approved by USDA as a Rural Microentrepreneur Assistance Program (“RMAP”) lender, or approved by the MSF as a Regional Revolving Loan Fund Manager
- The participating lending institution may execute a Deposit Agreement under which the terms of deposit, interest accrual, and pledge restrictions will be described.
- The Program shall collect at its determination from the lead lending institution its credit analysis, borrower financial statements, risk rating justification, cash flows and other documents which the Program deems necessary in order to determine both 1) that the opportunity meets the economic development criteria established by the Program and 2) that the bank has performed a sufficient and acceptable analysis of the borrowers project and financial condition. This analysis should indicate that participation in the program will result in an extension of credit by the bank.
- The program shall enhance the collateral position of the borrowers by depositing cash into accounts at participating lending institutions which will then be pledged as collateral on behalf of the borrower on a transaction by transaction basis.
- Participating lending institutions shall be required to make periodic reports to the MSF. Those reports will include any and all necessary information required by the Federal SSBCI program.
- The program balance shall be reduced proportionately with the principal reduction of the loan so as to eliminate over-reliance on program deposits as part of the collateral commitment on the loan.
- All reductions to account balances, interest, fees and charges, and recaptured balances shall be used in accordance with acceptable state law, federal SSBCI requirements, and the provisions of the Allocation Agreement. The repayment of principal and interest shall return to the MBGF.
- Generally, the program shall target loans of \$5,000,000 or less and shall not provide support for loans with a principal balance of greater than \$20,000,000.
- Generally, the program shall target firms with 500 or fewer employees and shall not provide support to companies with more than 750 employees.
- The program may charge fees which will be no more than 3% at closing and may charge no more than 3% annually based on the outstanding credit support at the anniversary date of the loan.
- The Program shall further comply with any other laws, rules, provisions, guidelines or regulations as prescribed by the federal SSBCI program or state or other federal law.



MEMORANDUM

Date: September 25, 2013

To: Michigan Strategic Fund Board

From: Dan Wells, Brownfield Program Specialist

Subject: Harbor Shores HV Construction, LLC
Large Brownfield MBT Credit Amendment #3 Approval

Request

Harbor Shores HV Construction, LLC requests a third amendment be made to the Hotel/Water Park/Town Homes Project in the city of Benton Harbor, county of Berrien originally approved by the MEGA Board on December 19, 2006. The applicant requests to add four qualified taxpayers; Maria G. Hopp Trust, Marc and Dawn Williams, Michael and Deborah O'Connor, and Falcon Custom Homes, Inc., and to change the scope of the previously approved project.

Background

Harbor Shores HV Construction, LLC
Harbor Shores BHBT Land Development, LLC
201 Graham Avenue
Benton Harbor, Michigan 49022

Contact: Jeff Gilbertsen, Vice President

Project Eligible Investment:	\$15,800,000
Requested Credit Amount:	\$1,580,000
Requested Credit Percentage:	10%

The MEGA Board approved a Large Brownfield Redevelopment Single Business Tax (SBT) Credit for the Harbor Shores Hotel/Water Park/Town Homes project on December 19, 2006. The original project involved a mixed use development across 33 acres, including the construction of a hotel, indoor water park, single-family (24 units) and residential town homes (approximately 78 units). Eligible investment was \$92,300,000 and the credit was \$9,230,000. On November 17, 2010 the project was amended to remove the hotel and water park and reduce the eligible investment to \$15,800,000 and credit to \$1,580,000. The parcels of land originally identified for the hotel and water park were removed from the SBT project area, leaving only the residential portion of the project on the southern two-thirds of the project area, designated as F-1 on the attached map. This residential area is named "Fairways", and is currently under construction. Two qualified taxpayers were also added at that time and time was extended to complete eligible investment by five years.

A second amendment was approved January 19, 2012 adding an additional qualified taxpayer. The third amendment request is to add four qualified taxpayers; Maria G. Hopp Trust, Marc and Dawn Williams, Michael and Deborah O'Connor, and Falcon Custom Homes, Inc., and change the scope of the project by restoring a portion of the project area that was removed by the first amendment. The parcel to be added

back into the project area is 8B, which lies on either side of Klock Road (see attached map), and will include construction of up to 19 single family homes, named “Trailside Cottages”.

No permanent jobs are anticipated to be created by this project. The total capital investment will be approximately \$15.8 million for both the “Fairways” and “Trailside Cottages” projects.

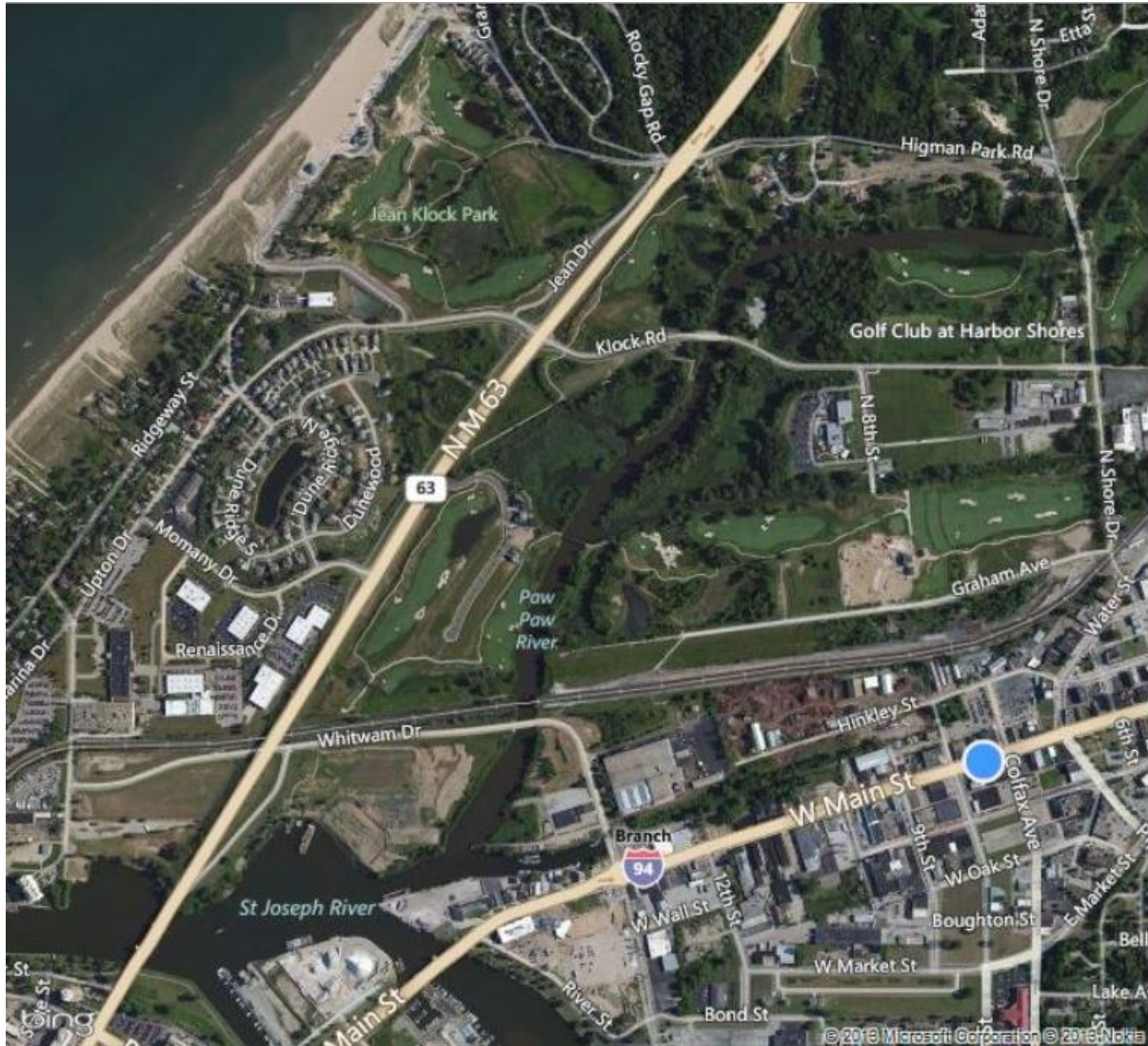
Eligible Investment Breakdown

Site Improvements	\$ 400,000
New Construction	<u>+ 15,400,000</u>
TOTAL	\$ 15,800,000

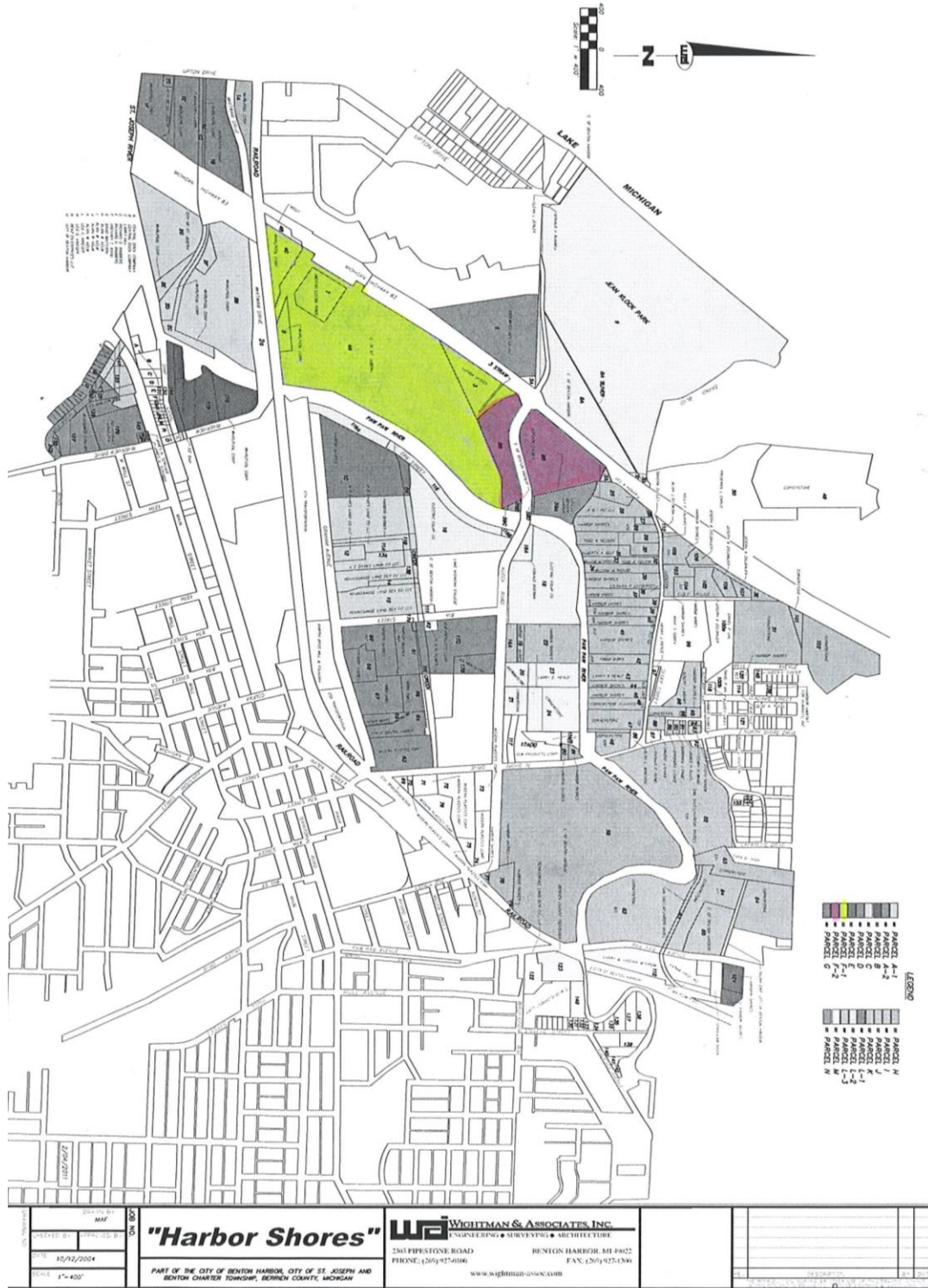
Recommendation

The MEDC recommends the approval of the requested amendment to add four qualified taxpayers; Maria G. Hopp Trust, Marc and Dawn Williams, Michael and Deborah O’Connor, and Falcon Custom Homes, Inc., and to change the scope of the previously approved project.

PROJECT AREA



Harbor Shores Map- Pink shows area removed under amendment #1 that will now be restored.



<p>DATE: 10/12/2004 SCALE: 1"=400'</p>	<p>"Harbor Shores" PART OF THE CITY OF BENTON HARBOR, CITY OF ST. JOSEPH AND BENTON CHARTER TOWNSHIP, BERNHEIM COUNTY, MICHIGAN</p>	<p>W WIGHTMAN & ASSOCIATES, INC. ENGINEERING • SURVEYING • ARCHITECTURE 2501 FIFTH AVENUE, BENTON HARBOR, MI 49822 PHONE: (269) 937-6100 FAX: (269) 937-5300 www.wightman-assoc.com</p>	<p>LEGEND</p> <ul style="list-style-type: none"> PARCEL A-1 PARCEL A-2 PARCEL B PARCEL C PARCEL D PARCEL E PARCEL F PARCEL G PARCEL H PARCEL I PARCEL J PARCEL K PARCEL L PARCEL M PARCEL N
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MICHIGAN STRATEGIC FUND

Resolution 2013 –

**Harbor Shores HV Construction, LLC
Brownfield Redevelopment MBT Credit – Amendment #3
City of Benton Harbor**

At the meeting of the Michigan Strategic Fund (“MSF”) held on September 25, 2013 in Lansing, Michigan.

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

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

WHEREAS, by Resolution 2006-105 on December 19, 2006, amended by Resolution 2010-195 on November 17, 2010, the MEGA Board awarded a Brownfield MBT Tax Credit to Harbor Shores HV Construction, LLC and Harbor Shores BHBT Land Development, LLC (the “Applicants”) to make eligible investment up to \$15,800,000 at an eligible property in the City of Benton Harbor (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, the Applicants have submitted a request to amend the Project by add properties that were removed in Amendment #1 to include construction of approximately 19 single family homes, and by adding the following additional qualified taxpayers to the Project: Maria G. Hopp Trust; Marc and Dawn Williams; Michael and Deborah O’Conner; and Falcon Custom Homes, Inc.; and

WHEREAS, the Michigan Economic Development Corporation provides administrative services to the MSF, and recommends approval of the amendment by the MSF Board provided that the tax credit remain capped at \$1,580,000.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board amends the Project by modifying the scope of the Project by adding the following additional qualified taxpayers to the Project: Maria G. Hopp Trust; Marc and Dawn Williams; Michael and Deborah O’Conner; and Falcon Custom Homes, Inc.

BE IT FURTHER RESOLVED, that the Project is amended by adding the properties that were removed in Resolution 2010-195 for the construction of approximately 19 single family homes.

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2006-105, as amended, are reaffirmed and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

Ayes:
Nays:
Recused:

Lansing, Michigan
September 25, 2013



MEMORANDUM

Date: September 25, 2013
To: Michigan Strategic Fund Board
From: Amy E. Lux, Renaissance Zone Program Specialist
Subject: *Lawton Processing, LLC*
Agricultural Processing Renaissance Zone – Revocation

Action

Michigan Economic Development Corporation (“MEDC”) Staff requests the Michigan Strategic Fund (“MSF”) Board approve the recommendation to revoke Lawton Processing, LLC’s (the “Company”) Agricultural Processing Renaissance Zone to the State Administrative Board (“SAB”). There are 11 years remaining on the Company’s 15-year Renaissance Zone term, designated on June 16, 2009 and currently set to expire on December 31, 2024.

Background

The Company’s parent, Packer’s Canning Company, Inc. d/b/a Honee Bear Canning Company, is in the business of canning and packaging various agricultural products, such as potatoes, cherries, beans, blueberries, and asparagus, at their facility in the Township of Porter, Van Buren County. In 2009, the Company received an Agricultural Processing Renaissance Zone designation for a site across the street from their current facility to support the refurbishment and operation of a facility outfitted to package and process retail-size frozen food. The project was projected to generate more than \$17 million in capital investment and 160 new full-time jobs by the conclusion of 2013. As a condition to receiving the Renaissance Zone, the Company entered into a development agreement (the “Agreement”) with the MSF, within which the Company committed to the capital investment and job creation milestones, as well as, commencing construction on the facility within one-year of the designation, June 16, 2010. The construction commencement deadline is also a statutory requirement contained in the Renaissance Zone Act, 1996 PA 376, as amended.

Based on representations made by the Company in their annual progress reports, and confirmed in subsequent discussions with the Michigan Department of Agriculture and Rural Development, local partners, MEDC staff and the Company’s leadership, construction commencement has yet to occur due to a collapse of a joint venture arrangement. In addition, the Company, having reported no capital investment in the Renaissance Zone site to date, is delinquent on their commitment to invest \$17,700,000 by May 20, 2013 as outlined in the Agreement. The Company has conceded that the project is not likely to come to fruition despite its efforts to reignite the venture. The MEDC notified the Company of their non-compliance and initiated the 90-day cure period required in the Agreement, which has since lapsed.

Due to the Company’s failure to commence construction by the one-year deadline and failure to comply with the terms of the Agreement, the MSF Board has both contractual and statutory authority to recommend revocation of the Company’s Agricultural Processing Renaissance Zone designation to the SAB.

Recommendation

MEDC Staff recommends that the MSF Board approve the resolution recommending the revocation of Lawton Processing, LLC’s Renewable Energy Renaissance Zone to the SAB. All properties will go back on the tax rolls effective December 31, 2013 for property tax purposes and immediately for other tax purposes.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

REVOCATION OF AN EXISTING AGRICULTURAL PROCESSING RENAISSANCE ZONE DESIGNATION: Lawton Processing, LLC

WHEREAS, Section 8c of the Michigan Renaissance Zone Act, 1996 PA 376, as amended, authorizes the State Administrative Board to designate up to 30 renaissance zones for agriculture processing facilities upon the recommendations of the Michigan Strategic Fund (“MSF”) and the Michigan Commission of Agriculture and Rural Development (“MCA”) and the consent of the local unit of government in which the proposed renaissance zone will be located;

WHEREAS, on June 16, 2009, the SAB approved an Agricultural Processing Renaissance Zone for Lawton Processing, LLC (the “Company”) after receiving recommendation of approval from the MSF for the Company’s property beginning January 1, 2010;

WHEREAS, Section 8c(6) of the Act requires a development agreement be entered into between the MSF and the agricultural processing facility which committed the Company to numerous milestones with regards to job creation and new investment, and a requirement to commence construction on the property within one (1) year of designation;

WHEREAS, Section 8c(3) of the Act allows the SAB to revoke the designation of all or a portion of an Agricultural Processing Renaissance Zone if the SAB determines the agricultural processing facility: (1) failed to commence operation; (2) ceases operation; or (3) fails to commence construction or renovation within one (1) year from the date the renaissance zone for the agricultural processing facility is designated;

WHEREAS, the Company, due to financing issues, has failed to commence construction on the property within one year of receiving the renaissance zone designation, as required by the terms of its development agreement and the Act;

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the renaissance zone program, and was informed by the Company that the Company had failed to commence construction on the property within one (1) year from the date the renaissance zone for the agricultural processing facility was designated;

WHEREAS, the MEDC has also notified the Township of Porter (the “Township”) and Van Buren County (the “County”) of its recommendation that the Company’s agricultural processing renaissance zone designation be revoked;

WHEREAS, pursuant to the development agreement, staff on behalf of the MSF has sent notice to the Company to cure its noncompliance or it will recommend revocation and the ninety-day cure period has since lapsed; and

WHEREAS, the MEDC recommends that the MSF Board approves for recommendation to the State Administrative Board the revocation of the Company’s agricultural processing renaissance zone designation.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves for recommendation to the State Administrative Board the revocation of the Company's agricultural processing renaissance zone designation; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
September 25, 2013



MEMORANDUM

Date: September 25, 2013
To: Michigan Strategic Fund Board
From: Amy Lux, Renaissance Zone Program Specialist
Tom Durkee, Tribal Business Development Manager
Subject: *Accu-Mold, LLC*
Tool and Die Recovery Zone – Transfer of Ownership

Request

Accu-Mold, LLC (the “New Company”) requests, with the support of the applicable local government, the City of Portage (the “City”), the Michigan Strategic Fund (“MSF”) Board approve the transfer of Tool & Die Recovery Zone benefits to the New Company from Accu-Mold, Inc. (the “Original Company”). Six years remain in the 15-year Recovery Zone designation, which is set to expire December 31, 2019.

Background

The Original Company was in the business of injection mold design, build, and repair. The MSF Board awarded the Original Company a Tool & Die Recovery Zone designation with the United Tooling Coalition on December 16, 2004. The Original Company subsequently transferred to the Southwest Michigan Tooling Collaborative (the “Collaborative”).

The Original Company was purchased by Accu-Mold, LLC (the “New Company”), which has retained the same scope of business and most of the same employees from the Original Company. The New Company is owned by Mno Bmadsen, the non-gaming economic development arm of the Pokagon Band of Potawatomi Indians. The MEDC tribal business development unit provided technical and funding assistance to the tribe for the purchase. The Pokagon Band of Potawatomi Indians have already made \$3.5 million in private investment in the company.

With a total of 18 full-time workers, the New Company currently maintains 3 more employees than the Original Company had at designation and the New Company is poised to expand its operations, upgrading their equipment and conceivably doubling their workforce over the next few years. To support the estimated \$1 million expansion plan, the Michigan Economic Development Corporation’s Tribal Business Development unit has awarded the New Company a \$500,000 one-to-one matching grant. The expansion investment will be in addition to the \$330,000 of capital investment already invested in the site by the Original Company since designation.

The New Company has an appropriate NAICS code and is actively leasing the Recovery Zone property. In addition, the New Company has been accepted as a member of the Collaborative and the City has passed a new resolution in support of the transfer of Recovery Zone benefits to the New Company. Therefore, the New Company meets the eligibility requirements in Section 8d of the Michigan Renaissance Zone Act.

Recommendation

The MEDC Staff recommends the MSF Board approve the transfer of Tool & Die Recovery Zone benefits from Accu-Mold, Inc. to Accu-Mold, LLC at the site originally designated in the City of Portage, under the same terms and conditions, for remainder of the designation to expire December 31, 2019, subject to the condition that the New Company report annually to the MSF through the life of the Recovery Zone.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2013-**

**TRANSFER OF THE RECOVERY ZONE BENEFIT FOR AN EXISTING
TOOL & DIE RENAISSANCE RECOVERY ZONE: Accu-Mold, LLC**

WHEREAS, the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, authorizes the Michigan Strategic Fund (“MSF”) Board to designate up to thirty-five (35) tool and die renaissance recovery zones (“Recovery Zone”) anywhere in the State of Michigan;

WHEREAS, on December 16, 2004, the MSF Board designated a 15-year Recovery Zone for the United Tooling Coalition, effective January 1, 2005;

WHEREAS, the United Tooling Coalition originally included Accu-Mold, Inc. (the “Original Company”), a qualified tool and die business under the Act, located at 7622 S. Sprinkle Road, Portage, Michigan 49002 on parcel number 10-00013-098-0 (the “Property”);

WHEREAS, the Original Company subsequently switched Collaborative membership to the Southwest Michigan Tooling Collaborative (the “Collaborative”);

WHEREAS, the Original Company was purchased by Accu-Mold, LLC (the “New Company”), which is continuing the Original Company’s tool and die operations;

WHEREAS, with the repeal of the Michigan Business Tax, companies that receive a Tool and Die Recovery Zone designation after December 31, 2011, will only receive the renaissance zone benefits on real and personal property taxes unless the companies have an existing certificated credit as defined in MCL 208.1107;

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

WHEREAS, the MEDC received a request from the New Company to transfer the benefit of the Recovery Zone designation from the Original Company to the New Company for the remaining duration of Recovery Zone with an expiration date of December 31, 2019;

WHEREAS, by resolution, City of Portage consented to transfer the benefit of the Recovery Zone designation from the Original Company to the New Company for the remaining duration of the Recovery Zone with an expiration date of December 31, 2019, and

WHEREAS, the MEDC fully considered the New Company’s request and recommends the MSF Board approve the transfer the benefit of the Recovery Zone from the Original Company to the New Company for the Property.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the transfer of the Recovery Zone designation from Accu-Mold, Inc. to Accu-Mold, LLC for the remaining duration of the Recovery Zone, effective immediately, with an expiration date of December 31, 2019 at 7622 S. Sprinkle Road, Portage, Michigan 49002 on parcel number 10-00013-098-0; and

BE IT FURTHER RESOLVED, that the New Company shall provide a written report to the MSF by January 31, 2014, and annually each January 31 thereafter through 2020 that includes the following information:

1. the amount of capital investment, including, but not limited to, real and personal property investment, in the Property;
2. the number of individuals employed at the Property at the beginning and the end of the reporting period, as well as the number of individuals transferred to the Property from another entity owned by the Company, if any;
3. new jobs, including full-time jobs, created at the Property and the average wage for these new jobs;
4. the status of the Company's business operations;
5. the most recent State Equalized Value (SEV) and taxable value of the Property and personal property located at the Property, including personal property located at the Property that existed prior to the date of Recovery Zone designation;
6. any other information reasonably requested by the MSF regarding the Property; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
September 25, 2013



MEMORANDUM

Date: September 25, 2013
To: Michigan Strategic Fund Board
From: Amy Lux, Renaissance Zone Program Specialist
Subject: *Labor Aiding Systems Corporation*
Tool and Die Recovery Zone – Transfer of Ownership

Request

Labor Aiding Systems Corporation (the “New Company”) requests, with the support of the applicable local government, Napoleon Township (the “Township”), that the Michigan Strategic Fund (“MSF”) Board approve the transfer of Tool & Die Recovery Zone benefits to the New Company from Labor Aiding Systems, Inc. (the “Original Company”). Seven years remain in the 15-year Recovery Zone designation, which is set to expire December 31, 2020.

Background

The Original Company was in the business of producing fixtures used in the testing and assembly of automotive interiors, as well as, fixtures used by office furniture companies. The MSF Board awarded the Original Company a Tool & Die Recovery Zone designation with the Automation & Tooling Alliance of North America (the “Collaborative”) on December 21, 2005.

On May 1, 2013, the New Company subsequently purchased the assets of the Original Company, retaining the same scope of business and most of the same employees from the former entity. The Original Company had 28 full-time employees at the time of designation; the New Company has retained 25 full-time employees with plans to hire 14-15 new employees in the future. The New Company also plans to build on the \$190,000 in capital investment spent by the Original Company, by expanding current products in to new markets.

The New Company has an appropriate NAICS code and has entered into a lease for the term of the Recovery Zone that assigns property tax liability to the New Company. In addition, the New Company has been accepted as a member of the Collaborative and the Township has passed a new resolution in support of the transfer of Recovery Zone benefits to the New Company. Therefore, the New Company meets the eligibility requirements in Section 8d of the Michigan Renaissance Zone Act.

Recommendation

The MEDC Staff recommends the MSF Board approve the transfer of Tool & Die Recovery Zone benefits from Labor Aiding Systems, Inc. to Labor Aiding Systems Corporation at the original site in Napoleon Township for the remainder of the designation, set to expire December 31, 2020, subject to the condition that the New Company report annually to the MSF through the life of the Recovery Zone.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2013-**

**TRANSFER OF THE RECOVERY ZONE BENEFIT FOR AN EXISTING
TOOL & DIE RENAISSANCE RECOVERY ZONE: Labor Aiding Systems Corporation**

WHEREAS, the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, authorizes the Michigan Strategic Fund (“MSF”) Board to designate up to thirty-five (35) tool and die renaissance recovery zones (“Recovery Zone”) anywhere in the State of Michigan;

WHEREAS, on December 21, 2005, the MSF Board designated a Recovery Zone for the Automation & Tooling Alliance of North America (the “Collaborative”), effective January 1, 2006;

WHEREAS, the Collaborative originally included Labor Aiding Systems, Inc. (the “Original Company”), a qualified tool and die business under the Act, located at 3101 Hart Road, Jackson, Michigan 49201 on parcel number 000-14-30-351-001-10 (the “Property”);

WHEREAS, the Original Company was purchased by Labor Aiding Systems Corporation (the “New Company”), which is continuing the Original Company’s tool and die operations;

WHEREAS, with the repeal of the Michigan Business Tax, companies that receive a Tool and Die Recovery Zone designation after December 31, 2011, will only receive the renaissance zone benefits on real and personal property taxes unless the companies have an existing certificated credit as defined in MCL 208.1107;

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

WHEREAS, the MEDC received a request from the New Company to transfer the benefit of the Recovery Zone designation from the Original Company to the New Company for the remaining duration of Recovery Zone with an expiration date of December 31, 2020;

WHEREAS, by resolution, Napoleon Township consented to transfer the benefit of the Recovery Zone designation from the Original Company to the New Company for the remaining duration of the Recovery Zone with an expiration date of December 31, 2020, and

WHEREAS, the MEDC fully considered the New Company’s request and recommends the MSF Board approve the transfer the benefit of the Recovery Zone from the Original Company to the New Company for the Property.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the transfer of the Recovery Zone designation from Labor Aiding Systems, Inc. to Labor Aiding Systems Corporation for the remaining duration of the Recovery Zone, effective immediately, with an expiration date of December 31, 2020 at 3101 Hart Road, Jackson, Michigan 49201 on parcel number 000-14-30-351-001-10; and

BE IT FURTHER RESOLVED, that the New Company shall provide a written report to the MSF by January 31, 2014, and annually each January 31 thereafter through 2021 that includes the following information:

1. the amount of capital investment, including, but not limited to, real and personal property investment, in the Property;
2. the number of individuals employed at the Property at the beginning and the end of the reporting period, as well as the number of individuals transferred to the Property from another entity owned by the Company, if any;
3. new jobs, including full-time jobs, created at the Property and the average wage for these new jobs;
4. the status of the Company's business operations;
5. the most recent State Equalized Value (SEV) and taxable value of the Property and personal property located at the Property, including personal property located at the Property that existed prior to the date of Recovery Zone designation;
6. any other information reasonably requested by the MSF regarding the Property; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
September 25, 2013



MEMORANDUM

Date: September 25, 2013
To: Michigan Strategic Fund Board
From: Deborah Stuart, Community Development Incentives Director
Subject: Community Development Block Grant Program
Delegation of Authority Request

Action

Staff is requesting authorization from the MSF Board for the MSF Fund Manager and MSF President to approve or deny requests for CDBG funds up to one million dollars.

Background

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

The State’s responsibilities include ensuring the State’s and their Grantee’s compliance with the statute, HUD regulations, and the Consolidated Plan. Due to the program’s federal regulations, projects often have built in delays that can’t be avoided and add extra costs. Preparation for the MSF Board approval typically delays a project that is ready to move forward by three weeks. CDBG grants do not allow for look backs on grant eligible costs, so this additional time makes this program not feasible for many economic development projects with short timelines to start construction.

MEDC staff is recommending that the MSF Board consider delegated authority for the program based on the following:

- Staff has clear MSF annually approved guidelines for the program. On March 27, 2013, the Michigan Strategic Fund approved the 2013 Consolidated Plan and the Application Guide on May 22, 2013. These documents provide specific guidelines and thresholds on operating the program for staff.
- Large CDBG projects that are requesting over one million dollars in total incentives or include other incentives that require MSF Board approval will continue to be presented to the MSF Board. The MSF Board will be notified of any other delegated approvals projects through a quarterly report.
- The delegation threshold amount models other MSF programs, such as the Michigan Business Development Program and the Michigan Community Revitalization Program. Both programs allow for delegated approval of projects that have incentives of one million dollars or less.

Recommendation

MEDC staff has concluded that delegating this authority will mirror other delegations and allow for greater efficiency for a federal program that requires project delays already. Staff recommends the Board authorize the Fund Manager and MSF President to approve or deny requests for CDBG funds up to one million dollars.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013- _____

CDBG DELEGATION OF AUTHORITY

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

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

WHEREAS, the Michigan Economic Development Corporation ("MEDC") provides administrative services to the MSF for the CDBG Program;

WHEREAS, pursuant to MCL 125.2005(7), the MSF Board has the authority to delegate to its president, vice-president, staff, or others the functions and authority that the board deems necessary and appropriate;

WHEREAS, the MEDC recommends that the MSF Board delegate to the MSF Fund Manager and the MSF President the authority to approve CDBG funding requests for one million dollars or less (collectively, "Delegation of Authority");

WHEREAS, the MEDC recommends that a report summarizing the previous quarter's actions related to the Delegation of Authority be presented to the MSF quarterly; and

WHEREAS, the MSF deems it necessary and appropriate to approve the Delegation of Authority to administer the CDBG program.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the Delegation of Authority to the MSF Fund Manager and the MSF President.

BE IT FURTHER RESOLVED, that a report summarizing the previous quarter's actions taken in relation to the Delegation of Authority is presented to the MSF Board on a quarterly basis.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 25, 2013



MEMORANDUM

Date: September 25, 2013

To: Michigan Strategic Fund Board

From: Karla Campbell, MSF Fund Manager

Subject: Legal Services Related to Tribal Gaming

REQUEST

The Michigan Economic Development Corporation (MEDC) and the Michigan Strategic Fund are requesting the reauthorization of the Memorandum of Understanding (MOU) for Legal Services Related to Tribal Gaming Matters.

BACKGROUND

At the meeting held July 25, 2012, a resolution was brought before the MSF approving the attached MOU and authorizing the MSF Fund Manager to sign the MOU on behalf of the MSF. The term of the agreement was May 31, 2012 to September 30, 2013.

RECOMMENDATION

The MEDC staff and the MSF staff recommend the reauthorization of this MOU for the term beginning October 1, 2013 until September 13, 2014.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

**MEMORANDUM OF UNDERSTANDING FOR LEGAL SERVICES
RELATED TO TRIBAL GAMING MATTERS**

WHEREAS, the Michigan Strategic Fund (“MSF”) and the Michigan Economic Development Corporation (“MEDC”) receive economic development and incentive payments from tribal casino gaming pursuant to gaming compacts with the State of Michigan;

WHEREAS, in order to support and preserve those economic development and incentive payments from tribal casino gaming to the MSF and the MEDC, the Department of Attorney General (“AG”) has agreed to provide legal services to the MSF and the MEDC related to tribal casino gaming;
and

WHEREAS, to that end, the AG, the Governor’s Legal Division (“Legal Division”), the MSF, and the MEDC desire to enter into the attached Memorandum of Understanding (“MOU”) to delineate the rights and responsibilities of the AG, the Legal Division, the MSF, and the MEDC with respect to legal services related to tribal casino gaming and the costs to be paid by the MSF for those legal services;

NOW, THEREFORE, BE IT RESOLVED, the MSF approves the attached MOU and authorizes the MSF Fund Manager to sign the MOU on behalf of the MSF.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 25, 2013

MEMORANDUM OF UNDERSTANDING

BETWEEN

THE DEPARTMENT OF ATTORNEY GENERAL

AND

THE GOVERNOR'S LEGAL DIVISION, THE MICHIGAN STRATEGIC FUND, AND THE
MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

Purpose:

This Memorandum of Understanding between the Department of Attorney General, and the Governor's Legal Division, the Michigan Strategic Fund (MSF), and the Michigan Economic Development Corporation (MEDC), specifies the legal services to be provided by the Department of Attorney General related to Indian casino gaming, and the costs to be paid by the MSF, for those legal services. These legal services will be provided to support efforts to preserve and enhance economic incentive payments from Indian casino gaming made pursuant to gaming compacts with the State of Michigan. These payments -- \$60.9 million in 2012 -- are currently paid to the MSF and the MEDC.

Payments and Services:

The Department of Attorney General will provide legal consultation and representation as required by the Governor's Legal Division in matters involving Indian gaming referred to the Department of Attorney General by the Governor's Legal Division. These matters include enforcement of federal and state laws governing Indian gaming, enforcement of gaming compacts, negotiations relating to those compacts, and defense of litigation involving Indian gaming. These services will be provided by the equivalent of 1.25 full-time attorneys and related support staff, on a priority basis, at an annual cost not to exceed \$204,500, including salary, fringe benefit costs, computer and related equipment, and supplies. The Department of Attorney General will provide quarterly billings for these services to the Michigan Strategic Fund and will be reimbursed by inter-agency transaction.

The Department of the Attorney General agrees to provide the Governor's Legal Division and the Michigan Strategic Fund with annual reports due on October 31, 2014. The annual report shall document the use of the funds and report the status of Indian gaming cases and issues referred to the Department of Attorney General by the Governor's Legal Division. Reports shall be submitted to:

David Murley
Deputy Legal Counsel
Governor's Legal Division
P.O. Box 30013
Lansing, MI 48909
murleyd@michigan.gov
517-335-7864

Jennifer Nelson
Chief of Staff and General Counsel
Michigan Economic Development Corp.
300 N. Washington Square
Lansing, MI 48913
jennifer@michigan.org
517-241-1400

Karla K. Campbell
MSF Fund Manager
300 N. Washington Square
Lansing, MI 48913
campbellk@michigan.org
517-241-0571

Amounts required for court reporters, expert witnesses, transcripts, travel, or other related items will be discussed as the need arises and appropriate arrangements made on a case-by-case basis.

Assignments will be made through the Division Chief of the Environment, Natural Resources, and Agriculture Division and priorities determined by the Governor's Legal Division in coordination with the Division Chief. The attorney position will be physically housed in the Environment, Natural Resources, and Agriculture Division of the Department of Attorney General.

Agreement Period:

This agreement is in full force and effect for services rendered from October 1, 2013 to September 30, 2014. Either party may terminate this agreement by giving sixty (60) days written notice to the other party, stating the reasons for termination and its effective date.

DEPARTMENT OF ATTORNEY GENERAL

By: _____
Carol L. Isaacs, Chief Deputy Attorney General

Dated: _____

By: _____
James Selleck, Director, Office of Fiscal Management

Dated: _____

GOVERNOR'S LEGAL DIVISION

By: _____
David Murley, Deputy Legal Counsel

Dated: _____

MICHIGAN STRATEGIC FUND

By: _____
Karla K. Campbell, MSF Fund Manager

Dated: _____

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

By: _____
Jennifer Nelson, Chief of Staff and General Counsel

Dated: _____

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DRAFT



MEMORANDUM

Date: September 25, 2013
To: Michigan Strategic Fund Board
From: Ricardo Gonzalez: Capital Markets
Subject: Credit Suisse
21st Century Investment Fund: Agreement alteration

Request

MEDC Staff, as well as the 21st Century Investment Fund Manager, Credit Suisse (“Fund Manager”) are requesting a change to the 21st Century Investment Fund - Fund Manager Agreement. The two parties would like to revise the language in Section 1.5(b) that requires the Fund Manager to attend MSF Board meetings on a quarterly basis. Instead the MSF Board will require the attendance of the Fund Manager by request only. The Fund Manager will still be required to submit quarterly reports as information items to the Board.

Background

Credit Suisse Customized Fund Investment Group (CFIG) is the Fund Manager for the 21st Century Investment Fund. As such they perform all functions that are typical of a fund of funds manager including fund selection, accounting, and reporting. As part of the Fund Manager Agreement with Credit Suisse, the MSF has required fund management representatives to appear quarterly at MSF Board meetings. It has been determined by MEDC staff and leadership that in person presentations are not always necessary.

Recommendation

MEDC staff recommends that the MSF Board delegate authority to the MSF Fund Manager to revise the 21st Century Investment Fund - Fund Manager Agreement to remove the requirement that representatives of the Fund Manager appear in person to the MSF Board meetings quarterly. However, the agreement will reflect that the Fund Manager will continue to provide quarterly reports to the MSF Board for information purposes and appear in person by request.

**MICHIGAN STRATEGIC FUND
RESOLUTION
2013-**

FUND MANAGER AGREEMENT AMENDMENT

WHEREAS, at its June 7, 2006 meeting, the Michigan Strategic Fund (“MSF”) selected the firm of Credit Suisse Customized Fund Investment Group (“Credit Suisse”) as the fund manager to assist the MSF Board in the development of an investment strategy for 21st century investments and executing the investment strategy on behalf of the MSF Board; and

WHEREAS, at its July 13, 2006 meeting the MSF approved the 21st Century Investment Fund Manager Agreement (“Fund Manager Agreement”) and authorized the MSF Fund Manager to execute the Fund Manager Agreement on behalf of the MSF;

WHEREAS, pursuant to Section 1.5(b) of the Fund Manager Agreement, Credit Suisse is required to attend meetings of the MSF Board on a quarterly basis;

WHEREAS, the MSF Board desires to amend the Fund Manager Agreement to require that Credit Suisse provide written reports on a quarterly basis and to attend MSF Board meetings upon request of the MSF Board (the “Amendment to the Fund Manager Agreement”).

NOW, THEREFORE, BE IT RESOLVED, the MSF Fund Manager is authorized to negotiate final contract terms and to sign the Amendment to the Fund Manager Agreement on the MSF’s behalf, if the final contract terms and conditions are not materially adverse to the interest of the MSF;

BE IT FURTHER RESOLVED, that the MSF Fund Manager is further authorized to negotiate future amendments to the Fund Manager Agreement on the MSF’s behalf, if the final amended terms and conditions are not materially adverse to the interest of the MSF.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 25, 2013