

**MICHIGAN STRATEGIC FUND
APPROVED MEETING MINUTES
August 25, 2015**

Members Present

Paul Anderson
Steve Arwood
Dan Boge
Larry Koops
Andrew Lockwood (on behalf of Treasurer Khouri)
Terri Jo Umlor
Jody DePree Vanderwel
Shaun Wilson
Wayne Wood
Mike Zimmer

Members Absent

None

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

Public Comment: Mr. Arwood asked if any members of the audience wished to address the Board. No members of the public wished to comment.

Communications: No communications

A. CONSENT AGENDA

Resolution 2015-102

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

Proposed Meeting Minutes – July 28, 2015

Jody DePree Vanderwel seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused.**

B. ADMINISTRATIVE

Resolution 2015-103 Brownfield MBT/SBT Amendment Policy

Deb Stuart, Community Incentives Director, provided the Board with information regarding this action item. The Brownfield Tax Credit Program was created under the Michigan Single Business Tax Act. In 2008, the Act was amended to create the Michigan Business Tax (MBT) which replaced the Single Business Tax. Both of these tax credits were administered by the Michigan Economic Development Corporation (MEDC) on behalf of the MSF. The Michigan Business Tax was repealed on December 31, 2011, with the adoption of Corporate Income Tax (CIT). At the time of repeal, it was specified that all existing SBT and MBT tax credits would be honored.

While the Act allows for ten years to complete projects, it was policy that most projects were approved for an initial five year timeframe to complete. This allowed staff to do an evaluation at five years, if any additional time was needed. Due to the limited funding available in other MEDC programs for such projects, MEDC staff continue to recommend amendments for projects that meet Community or

Business Development goals in order for the project to be financially viable. The intent of this policy is to acknowledge current and future amendment consideration and ensure staff is continuing to operate within the MSF's guidance. It is also the intent of this policy to allow the State to achieve project completion that fall within current goals and utilize an existing resource.

Staff Recommendation

MEDC Staff recommends approval of the Brownfield Tax Credit Policy pertaining to the Michigan Brownfield Credit Program for immediate implementation, and restate and amend resolution 2014-122, as described.

Board Discussion

Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the State's transition from small tax credit to the MBT, and subsequent program changes. There being no further questions, Larry Koops motioned for the approval of Resolution 2015-103. Paul Anderson seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused.**

Resolution 2015-104 CDBG Application Guide Amendment

Deb Stuart, Community Incentives Director, provided the Board with information regarding this action item. The Department of Housing and Urban Development (HUD) allocates CDBG funding to the State of Michigan, through the MSF, for further distribution to eligible Units of General Local Government to carry out MSF approved activities.

Proposed changes to page 20, Section "Location" of the 2015 Application Guide, a "traditional downtown" definition is tracked below:

A traditional downtown or traditional commercial center is defined as a grouping of 20 or more contiguous commercial parcels of property that include multi-story containing buildings of historical or architectural significance. The area must have been zoned, planned, built or used for commercial development for 50+ purposes for more than 50 years. The area must consist of, primarily, zero-lot-line development and have pedestrian friendly infrastructure, and an appropriate mix of business and services. The area should have characteristics that create a sense of place.

Staff Recommendation

MEDC staff recommends the MSF amend the adopted CDBG Program Application Guidelines for Program Year 2015 (resolution 2015-039) to restate the definition of a "traditional downtown" as described.

Board Discussion

Mr. Arwood asked if there were any questions from the Board. There being none, Mike Zimmer motioned for the approval of Resolution 2015-104. Andrew Lockwood seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused.**

Resolution 2015-105 CDBG MOU Renewal – MSF/MSHDA

Deb Stuart, Community Incentives Director, provided the Board with information regarding this action item. 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 ("UGLG") to carry out State approved activities.

Since the MSF has approved MSHDA spending 25% of the CDBG allocation in previous agreements, staff is requesting confirmation of delegated authority to the Community Development Pipeline CDBG

Committee (“CDP Committee”) for up to 25% of the CDBG project allocation for housing projects. If the funding is not utilized by MSHDA, as outlined in the Amendment, it will follow the MSF approval process. The delegation is consistent with past agreements, but this Amendment will assure the additional oversight of the CDP Committee.

Staff Recommendation

MEDC Staff recommends that the MSF authorize the MSF President to execute the attached Amendment between the MSHDA and the MSF related to CDBG Funds, and delegate authority to the CDP Committee to approve MSHDA housing projects utilizing its allocation of the State of Michigan’s CDBG funds.

Board Discussion

Mr. Arwood asked if there were any questions from the Board. There being none, Larry Koops motioned for the approval of Resolution 2015-105. Shaun Wilson seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused.**

C. COMMUNITY VITALITY

Resolution 2015-106 & 107 Casamira Detroit, LLC/City of Detroit – MCRP & Act 381

Stacy Esbrook, Community Assistance Team, provided the Board with information regarding these action items. The project requests to use both the Brownfield Act 381 Program and the Michigan Community Revitalization Program (“MCRP”) for the project located at 90, 100, and 680 Delaware Street in Detroit, Michigan. The Applicant plans to redevelop Casamira Apartments, a 44 unit apartment building consisting of one and two-bedroom apartments and a parking lot accommodating 45 cars covering a total of 1.17 acres. The majority (29) of the 44 units will be market-rate apartments, and the remaining 15 will be affordable units marketed to 50%-60% Area Median Income (“AMI”) residents.

Casamira Detroit, LLC (“Applicant”) is requesting approval of a Community Revitalization Program performance-based grant in the amount of \$1,000,000. The Applicant anticipates that the project will result in eligible investment of \$6,867,905, total capital investment in the amount of \$10,176,032 and the creation of 2 jobs. The City of Detroit Brownfield Redevelopment Authority has submitted an Act 381 Work Plan request for the approval of local and school tax capture for eligible activities in the amount of \$821,475.

Staff Recommendation

MEDC Staff recommends approval of local and school tax capture for the Act 381 non-environmental eligible activities totaling \$821,745 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$400,349. Staff also recommends approval of a MCRP performance-based direct investment grant in the amount of \$1,000,000 for Casamira Detroit, LLC.

Board Discussion

Mr. Arwood asked if there were any questions from the Board. Extensive discussion ensued pertaining to the eligible costs, financing structure, and the intent of the applicant once project is complete, which is to maintain ownership of the property. There being no further questions, Larry Koops motioned for the approval of Resolutions 2015-106 & 107. Andrew Lockwood seconded the motion. The motion carried: 10 ayes; 0 nays; 0 recused.

Resolution 2015- 20 Monroe Building Company, LP-Bobville – Brownfield MBT Amendment

Ryan Kilpatrick, Community Assistance Team, provided the Board with information regarding this action item. 20 Monroe Building Company Limited Partnership requests the following amendments be made to the Bobville Project in the City of Grand Rapids, originally approved for a large Urban Development Area Project Brownfield credit by the MEGA Board on December 14, 2010: Addition of Qualified Taxpayer Venue Tower, LLC; change in scope of the approved project; and request for an additional three years to complete the project.

Approximately 67 permanent, full-time jobs are anticipated to be created by the commercial and residential portions of the project at an average hourly wage of \$14. The total capital investment for both phases is estimated to be \$30.7 million, increasing the total capital investment on the site from \$22 million in the original approval.

Staff Recommendation

The MEDC staff recommends approval of the Large Brownfield tax credit amendment request to: change the scope of the project, add qualified taxpayer Venue Tower, LLC, and extend time to complete the project until December 14, 2018.

Board Discussion

Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the status of the project in relationship to the crash of the real estate market, and the dedication of both the Developer and Community to its completion. There being no further questions, Larry Koops motioned for the approval of Resolution 2015-108. Jody DePree Vanderwel seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused.**

Resolution 2015-109 The Gateway at Belknap/City of Grand Rapids – Act 381 Work Plan

Ryan Kilpatrick, Community Assistance Team, provided the Board with information regarding this action item. The City of Grand Rapids Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of \$2,569,765. The Gateway at Belknap project will include 12,300 square feet of newly constructed retail space as well as 86 new, market rate residential units and a two-level, sub-grade parking structure. Approximately 60 permanent full-time jobs are anticipated to be created by the project at an average hourly wage of \$20. The total capital investment will be approximately \$18.7 million.

The school taxes will be utilized to alleviate Brownfield conditions to redevelop approximately 2.8 acres of property located at 500-508 Coit Avenue NE, 215-255 Hastings Street NE, 519-547 Clancy Avenue NE and 214 Trowbridge Street NE in the City of Grand Rapids. The City of Grand Rapids Brownfield Authority has approved \$1.37 million in local tax increment finance capture to support the project and the City of Grand Rapids has approved a Neighborhood Enterprise Zone with an estimated value of \$262,000 to 21 units of the residential portions of the project.

Staff Recommendation

MEDC Staff recommends approval of the request by City of Grand Rapids Brownfield Redevelopment Authority to capture local and school taxes for the MSF eligible activities totaling \$2,569,765 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$1,328,312.

Board Discussion

Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the need for affordable housing in the surrounding area, the target market and the demolition of the existing homes.

There being no further questions, Jody DePree Vanderwel motioned for the approval of Resolution 2015-109. Larry Koops seconded the motion. **The motion carried: 10 ayes, 0 nays; 0 recused.**

Resolutions 2015-110 & 111 Holiday Townhouse/City of East Lansing – Act 381 & MBT

Amendments

Marilyn Crowley, Community Assistance Team, provided the Board with information regarding these action items. The project involves the redevelopment of approximately 1.5 acres of property located at 308-346 West Grand River Drive in the City of East Lansing. Holiday Townhouse, LLC requests the following amendments be made to the Holiday Townhouse Project, originally approved by the MEGA Board Chairperson on May 16, 2006: add Qualified Taxpayer Gateway of East Lansing, LLC, and change the scope of the previously approved project for Phase III. The previously approved credit amount of \$1,042,943 remains as approved. Approximately 5 permanent full-time jobs are anticipated to be created by the retail portion of the project at an average hourly wage of \$10. The total capital investment will be approximately \$8.5 million for Phase III, with a total of \$20 million for Phases I-III, well above the original estimate of \$12 million in 2006.

To complete Phase III, eligible activity costs are expected to be approximately \$1,896,800, increasing the total by \$1,815,149 to \$3,678,762. Phase III costs include demolition, site preparation, infrastructure improvements, and Brownfield plan preparation. Approximately \$1.6 million is for a multistory parking deck with 62 spaces.

Staff Recommendation

MEDC Staff recommends the approval of the requested Brownfield MBT amendments to add Qualified Taxpayer Gateway of East Lansing, LLC, and change the scope of the previously approved project for Phase III. Phase III will be considered complete at the time the core and shell is finished and the rough inspection sign-off by City of East Lansing building inspectors for electrical, plumbing, mechanical and framing is obtained. MEDC also recommends approval of the request by City of East Lansing Brownfield Redevelopment Authority to amend the work plan to capture local and school taxes for the MSF eligible activities totaling \$3,668,065 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$1,255,212.

Board Discussion

Mr. Arwood asked if there were any questions from the Board. There being none, Andrew Lockwood motioned for the approval of Resolutions 2015-110 & 111. Mike Zimmer seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused.**

D. STATE BRANDING

Kelly Wolgamott & Michelle Grinnell of the Pure Michigan Travel & Tourism team provided the board with information regarding the following action items.

Resolution 2015-112 McCann-Erickson Marketing Contract Amendment

This request is for the MSF Board to approve an additional \$1,714,096.33, FY2015 funds to the existing contract with McCann Erickson USA, Inc. for tourism marketing and advertising services in the amount of \$25,125,530.88. This amount is for production, Michigan media support, Brand USA/PPC/fall media and Detroit Airport international signage.

Staff Recommendation

MEDC Staff recommends that the MSF Board allocate \$1,714,096.33, and authorize the Fund Manager to

enter into an extension of the contract agreement with McCann Erickson USA, Inc. for travel marketing and advertising services.

Board Discussion

Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to how State appropriated funding flows through the MSF. There being no further questions, Paul Anderson motioned for the approval of Resolution 2015-112. Jody DePree Vanderwel seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused.**

Resolution 2015-113 Weber-Shandwick Marketing Contract Amendment

This request is for the MSF Board to approve additional FY2015 funds to the existing contract with Weber Shandwick for public relations content and planning for Travel Michigan in the amount of \$100,000. The amended contract amount for Travel Michigan PR services is \$1,035,175.

Staff Recommendation

MEDC Staff recommends that the MSF Board allocate \$100,000 and authorize the Fund Manager to enter into an extension of the contract agreement with Weber Shandwick, for Travel Michigan public relations services.

Board Discussion

Mr. Arwood asked if there were any questions from the Board. There being none, Larry Koops motioned for the approval of Resolution 2015-113. Wayne Wood seconded the motion. The motion carried: 10 ayes; 0 nays; 0 recused.

Resolution 2015-114 Pure Michigan Travel Guide Contract Award

On February 24, 2015, the MSF authorized the release of an RFP is to enter into a contract with a full-service, integrated marketing partner and publisher for development, sales, production and proactive distribution of three seasonal Official State of Michigan Travel Guides, featuring articles with a focus on high quality content, editorial expertise, compelling photography and innovative—but proven—proactive distribution solutions. Seven proposals were received in response to the Pure Michigan Travel Guide RFP. Responses were evaluated based upon a two-step selection process. The JEC evaluated all proposals and ranked the proposal from Meredith Corporation for Midwest Living with highest score. Of the price proposals that were opened, Meredith also was the lowest bid.

Staff Recommendation

MEDC Staff recommends that the MSF award the official Pure Michigan Travel Guide to Meredith Corporation for Midwest Living. The contract period will be effective from approximately October 1, 2015 to September 30, 2018, with an allocation of up to \$800,000.00 for each fiscal year of the three-year contract term, and the option of two, additional one-year extensions.

Board Discussion

Mr. Arwood asked if there were any questions from the Board. There being none, Dan Boge motioned for the approval of Resolution 2015-114. Paul Anderson seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused.**

Wayne Wood dropped off the call at 11:07 am.

Mr. Arwood adjourned the meeting at 11:10 am.