

MICHIGAN STRATEGIC FUND
Board Meeting Agenda
August 26, 2014

Public Comment (Please limit comments to three (3) minutes)
Communications (Information only)

A. Consent Agenda – Action Item

July 22, 2014 Proposed Meeting Minutes
3800 Woodward - Brownfield/TIF Amendment - Dan Wells
Mid Towne Village - SBT/MBT Amendment - Dan Wells
Ratification of Appointment to NITC Board – Mark Morante

B. Business Investment – Action Items

1. Business Growth

Comprehensive Logistics, City of Detroit - Brownfield TIF - *Marcia Gebarowski*
Toyota Motor Engineering and Manufacturing North America, Inc. - MBDP - *Stacy Bowerman*

2. Access to Capital – Chris Cook

Urban Fund – Reallocation of Funding to MSDF
PulverDryer USA, LLC – SSBCI
Expanded Delegated Authority Request– SSBCI

C. Community Vitality – Action Items

Lofts on Michigan – MCRP – *Ryan Kilpatrick*
Orleans Landing Rivertown Phase 1 – MCRP/Brownfield/SBT/MBT Amendment - *Stacy Esbrook*
Du Charme Place, LLC - MCRP/Brownfield TIF - *Stacy Esbrook*
George Matick Auto Campus - Brownfield TIF - *Stacy Esbrook*
El Moore Greens - Brownfield TIF - *Stacy Esbrook*

D. State Branding – Action Items

Detroit Metro Convention & Visitors Bureau - MOU Amendment – *Martinis Thompkins*

MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

**APPROVAL OF AUGUST CONSENT AGENDA
FOR THE MICHIGAN STRATEGIC FUND BOARD**

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

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

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

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

Consent Agenda Items:

1. Adoption of Proposed MSF Meeting Minutes, July 22, 2014
2. 3800 Woodward Project – Brownfield/TIF Amendment
3. Mid Towne Village – SBT/MBT Amendment
4. Ratification of Appointment to NITC Board

Ayes:

Nays: None

Recused: None

Lansing, Michigan
August 26, 2014

**MICHIGAN STRATEGIC FUND BOARD
PROPOSED MEETING MINUTES
JULY 22, 2014**

Members Present:

Paul Anderson
Mike Jackson
Andrew Lockwood (on behalf of Treasurer Clinton)
Mark Morante (on behalf of Chairman Finney)
Terri Jo Umlor
Jody DePree Vanderwel
Shaun Wilson
Mike Zimmerman (on behalf of Director Arwood)

Members Absent:

Bill Martin

Call to Order: Mr. Morante called the meeting to order at 10:02 am

Communications: Andrea Robach, Board Administrator, notified the Board that the Chief Compliance Officer's quarterly report was included in their packet for informational purposes.

Resolutions 2014-092 - 100 July 2014 Consent Agenda

Mr. Morante asked if there were any questions from the Board. There being none, Mike Jackson motioned for the approval of the following:

July 2014 Consent Agenda – **2014-092**
June 24, 2014 Proposed Meeting Minutes
American Tool & Die, Inc. – Recovery Zone Revocation – **2014-093**
Eclipse Tool & Die, Inc. – Recovery Zone Revocation – **2014-094**
Wiesen, Inc. – Recovery Zone Revocation – **2014-095**
Wolverine Tool & Engineering Co. – Recovery Zone Revocation – **2014-096**
Saginaw Cooperative Hospitals, Inc. Renaissance Zone Transfer – **2014-097**
DMI Investment Board Reappointment – **2014-098**
Amendment to CRP Guidelines – **2014-099**
UK & Germany Travel Marketing Representative – Request to Issue RFPs – **2014-100**

Andrew Lockwood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

BUSINESS INVESTMENT

Resolution 2014-101 Arctaris Fund Amendment - SSBCI

Ricardo Gonzales and Mike Flanagan of the Entrepreneurship Team provided the Board with information regarding this action item. On January 23, 2013, the MSF Board approved a commitment of \$4.5 million from the SBMP to Arctaris Michigan Partners, a small business mezzanine fund designed to invest in Michigan-based growth-oriented companies. The MSF commitment was contingent on the Fund raising at least \$18 million in additional private capital, all of which must be invested in Michigan companies. To offset the geographic and market risks associated with this Fund, the MSF committed as a "Class B" investor, offering "first-loss protection" to other private "Class A" investors. This structure has been critical in the Fund's capital raise. The Fund held a first-close in September, 2013 of \$22.5 million, reaching its initial goal. The Fund has continued to raise private funds since that time and has pending commitments, according to the Fund, which would bring the Fund to \$40 million.

However, many of the new and existing Class A investors have indicated concern with the decreasing impact of MSF's first loss protection as the Fund grows. As new commitments are signed to the Fund, the percentage of the MSF's \$4.5 million commitment relative to the total fund size goes down, resulting in less downside protection to spread across investors. The Fund has indicated that many prospective investors will only commit if the MSF percentage stays above 15%.

MEDC staff requests that the MSF Board approve the following recommendation related to its current commitment in the Michigan Income & Principal-Protected Growth Fund (publicly known as Arctaris Michigan Partners, referred herein as "AMP" or "the Fund"), a fund awarded under the SSBCI Small Business Mezzanine Program ("SBMP"): Approval of an additional \$1 million commitment to AMP from the SBMP.

Staff Recommendation

MEDC Staff Recommends the approval of an additional \$1 million commitment to Actaris Michigan Partners from the SSBCI Small Business Mezzanine Program.

Board Discussion

Mr. Morante asked if there were any questions from the Board. Discussion ensued pertaining to the need for the MSF to continue contributing to this market, as the economy continues to recover. There being no further questions, Paul Anderson motioned for the approval of Resolution 2014-101. Terri Jo Umlor seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2014-102 Magna Exteriors and Interiors – MBDP Amendment

Mike Gietzen, Development Finance, provided the Board with information regarding this action item.

Magna Exteriors and Interiors USA, Inc. DBA Magna Interior Trim Components (Magna Interior Trim) is a subsidiary of Magna International, Inc. Magna International, Inc. and its subsidiaries design, develop, and manufacture automotive systems, assemblies, modules and components, and engineers and assembles complete vehicles, primarily for sale to the car and light truck OEMs.

In January 2014 Magna Interior Trim had acquired two new contracts to supply door trim molded parts and sub components, consoles, door molded parts, and subassemblies. Since the January MBDP approval the company has acquired an additional contract which has resulted in job creation numbers higher than originally anticipated in both facilities increasing the original 274 QNJ's to 443. In order to meet the contract requirements the company will also need to ramp up hiring at a faster rate. The original project ramp up had the 274 jobs being created by March of 2016 but as of the end of June 2014 the company has already created 274 QNJ's and plans to create another 169 employees by December of 2014.

Staff Recommendation

MEDC Staff Recommends the restructure of the original Michigan Business Development Program incentive to the Applicant, which was an \$822,000 Performance-based grant for the project that involved the creation of 274 Qualified New Jobs, and a capital investment of up to \$3,639,100 located in China Township and Benzonia Township by increasing the size of the project to the creation of 443 Qualified New Jobs which will increase the performance based grant to \$1,329,000.

Board Discussion

Mr. Morante asked if there were any questions from the Board. There being none, Mike Jackson motioned for the approval of Resolution 2014-102. Andrew Lockwood seconded the motion. **The motion carried: 8 ayes, 0 nays; 0 recused.**

Resolution 2014-103 – H.A. Automotive Systems, Inc. - MBDP

Marcia Gebarowski, Development Finance, provided the Board with information regarding this action item.

This is request from the Applicant for a \$2,250,000 Performance-based grant. This project involves the creation of 368 Qualified New Jobs, and a capital investment of up to \$28.8 million in the City of Troy,

Oakland County. The Applicant is a subsidiary of Shanghai Changhui Industry Development Company, Ltd. (“Changhui”), an automotive lighting components supplier established in 1994 and headquartered in Shanghai China. Changhui manufactures automotive and motorcycle lamps, conducts technology development, technology consulting and engages in import and export services. Changhui is a primary supplier to Shanghai Koito Automotive Lamp Co, Shanghai VW, Shanghai GM as well as Guangzhou Toyota.

Staff Recommendation

MEDC Staff recommends the approval of the MBDP proposal as outlined in the resolution term sheet.

Board Discussion

Mr. Morante asked if there were any questions from the Board. There being none, Mike Zimmer motioned for the approval of Resolution 2014-103. Shaun Wilson seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2014-104 Challenge Mfg. Company, LLC – MBDP – Waterford Township

Resolution 2014-105 Challenge Mfg. Company, LLC – Act 381 Work Plan – City of Pontiac

Marcia Gebarowski, Development Finance, provided the Board with information regarding these action items. Challenge Manufacturing Company, LLC (the “Applicant”) requests use of the Brownfield Act 381 Program for the project located at 2100 South Opdyke Road, Pontiac, Oakland County and the Michigan Business Development Program (“MBDP”) for their project located at 6375 West Grand River, Lansing, Clinton County.

The Applicant, founded in 1981, is leading Tier 1 manufacturer of engineered metal stampings and modular assemblies for the automotive industry. The Applicant, headquartered in Walker, Michigan, operates four facilities in West Michigan with over 2,000 employees. They plan to construct a 400,000-450,000 square foot assembly plant at the Pontiac site once brownfield conditions on the site have been alleviated. Eligible activities that will be undertaken to alleviate brownfield conditions and complete the project include site demolition to remove existing concrete in order to prepare the site for redevelopment; site preparation activities including land balancing/grading, geotechnical engineering, temporary erosion control, and temporary facilities.

As a result of new contracts awarded to them, the Applicant needs to establish new manufacturing operations. The Applicant plans to acquire approximately 33 acres and construct a 430,000 square foot facility at 6375 W. Grand River in Watertown Township, Clinton County.

Staff Recommendation

MEDC Staff recommends approval of use of the Brownfield Act 381 Program for the project located in the City of Pontiac, Oakland County, as well as approval of the MBDP Proposal as outlined in the resolution term sheet.

Board Discussion

Mr. Morante asked if there were any questions from the Board. There being none, Paul Anderson motioned for the approval of Resolution 2014-104. Andrew Lockwood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.** Jody DePree Vanderwel motioned for the approval of Resolution 2014-105. Mike Jackson seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2014-106 – YanFeng – MEGA Tax Credit Amendment

Marcia Gebarowski, Development Finance, provided the Board with information regarding this action item.

This is a request from the Applicant for an amendment to its existing Standard MEGA Tax Credit to increase the maximum eligible qualified new jobs to secure growth at its facility in Harrison Charter Township as well as warehousing and distribution facility in the City of Warren. This project involves the creation of 519 Qualified New Jobs and a capital investment of up to \$56.2 million in the Charter Township of Harrison, Macomb County.

The Company was awarded multiple new contracts to manufacture center consoles, door panels and instrument panels for several automotive OEM’s. This new work will double the company’s production volume in North America between 2016 and 2017. The Company plans to add manufacturing capacity at their current facility

located at 42150 Executive Dr. in Harrison Township. The expansion will require the Company to purchase their existing manufacturing facility and to construct an addition of both office and manufacturing space and create 519 new jobs in Harrison Township. The average weekly wage for the newly created positions is expected to be approximately \$789.

Staff Recommendation

MEDC Staff recommends the following amendments to the Standard MEGA Tax Credit (Resolution 2010-172): Increase the number of Qualified New Jobs from 131 to 650 over the Company's Base Employment Level of 18 beginning tax year 2013; Amend the Project Description to include City of Warren, Macomb County as a location eligible for the Company to create Qualified New Jobs.

Board Discussion

Mr. Morante asked if there were any questions from the Board. There being none, Mike Jackson motioned for the approval of Resolution 2014-106. Jody DePree Vanderwel seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2014-107 Brembo North America, Inc. – MBDP

Resolution 2014-108 Brembo North America, Inc. – MEGA Amendment

Resolution 2014-109 Brembo North America, Inc. – CDBG

Josh Hundt, Development Finance, provided the Board with information regarding these action items.

Brembo North America, Inc. and Calhoun County request the approval of a Community Development Block grant ("CDBG") for on the job training in the amount of \$1,500,000. The Applicant is also requesting approval of a Michigan Business Development Program ("MBDP") performance-based grant in the amount of \$2,000,000. Additionally, the Applicant is requesting approval of an amendment to its existing Standard MEGA Tax Credit to extend the length of the credit and to increase the maximum eligible qualified new jobs. The Applicant anticipates that the project will result in \$78,428,000 in total capital investment in the Albion Township, Calhoun County and the creation of 254 jobs.

Brembo North America, Inc. is the largest wholly owned subsidiary of Brembo S.P.A, a world leader of brake systems for automotive vehicles. Brembo North America, Inc. was incorporated in 1988. The Company manufactures and distributes brake systems to automotive original equipment manufacturers, professional racing teams, other performance customers, and through the automotive aftermarket. The Company's customers in North America include all the major automotive original equipment manufacturers, manufacturers, and racing teams.

Staff Recommendation

MEDC Staff Recommends the approval of MBDP as outlined in the resolution 2014-107 term sheet, the amendment of the existing Standard MEGA Tax Credit as outlined in the resolution 2014-108 guidelines, and the CDBG as outlined in resolution 2014-2014-109.

Board Discussion

Mr. Morante asked if there were any questions from the Board. There being none, Andrew Lockwood motioned for the approval of Resolution 2014-107. Paul Anderson seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.** Mike Jackson motioned for the approval of Resolution 2014-108. Terri Jo Umlor seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.** Jody DePree Vanderwel motioned for the approval of Resolution 2014-109. Mike Zimmer seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2014-110 General Motors, LLC & GM Subsystems Manufacturing, Inc. – Global Retention MEGA Tax Credit Amendment

Resolution 2014-110a Plug-In Battery Pack Credit Amendment

Josh Hundt, Development Finance, provided the Board with information regarding these action items.

This is a request from the Applicant for an amendment to its existing Retention MEGA Tax Credit to increase the maximum eligible qualified retained jobs, add an affiliate entity, and modify the repayment provision. This

project involves the creation of 1,750 new jobs and a capital investment of up to \$800 million in Michigan. Additionally, this is a request from the Applicant for an amendment to its existing Plug-in Battery Pack Credit to allow for carry forward language to be included in the agreement for battery pack units not claimed in year two to be added to the total number produced in year three.

Since the most recent amendment to the MEGA Credit in 2012, General Motors, LLC has continued to grow in Michigan. General Motors is considering further investment in Michigan that may result in the creation of 1,750 additional jobs in the State of Michigan and up to \$800 million in additional new investment by the Company. These figures are in excess of the 33,000 jobs currently being retained and up to \$2.8 billion in investment in Michigan as a result of the credit.

Staff Recommendation

MEDC Staff recommends the approval of the Global Retention MEGA Tax Credit Amendment as outlined in resolution 2014-110, as well as the approval of the Plug-In Battery Pack Credit Amendment as outlined in resolution 2014-110a.

Board Discussion

Mr. Morante asked if there were any questions from the Board. There being none, Mike Jackson motioned for the approval of resolution 2014-110. Jody DePree Vanderwel seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.** Terri Jo Umlor motioned for the approval of Resolution 2014-110a. Mike Jackson seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2014-111 Suniva, Inc. – MBDP

Trevor Friedeberg and Josh Hundt, Development Finance, provided the Board with information regarding this action item. This is request from the Applicant for a \$2.5 million Performance-based grant. This project involves the creation of 350 Qualified New Jobs, and a capital investment of up to \$12.5 million in Saginaw Township and Saginaw County. Suniva, Inc., incorporated in 2007, is the only US based high-efficiency monocrystalline solar cell manufacturer. Suniva spun out of DOE-sponsored research into photovoltaic development at Georgia Tech in 1992. Suniva uses its intellectual property, patents and design methodology to produce solar cells that achieve the highest conversion efficiency at low cost. Incentive assistance will allow the Company to overcome cost barriers that exist in Michigan and help the Company bring cell manufacturing to Saginaw County, Michigan.

Staff Recommendation

MEDC Staff recommends approval of the MBDP proposal as outlined in the resolution term sheet.

Board Discussion

Mr. Morante asked if there were any questions from the Board. Discussion ensued pertaining to the volume of energy gathered and the intended use. There being no further questions, Andrew Lockwood motioned for the approval of Resolution 2014-111. Mike Zimmer seconded the motion. The motion carried: 8 ayes; 0 nays; 0 recused.

Resolution 2014-112 Hamilton Street Development, LLC – Renaissance Zone Amendments

Amy Lux, Renaissance Zone Specialist, provided the Board with information regarding this action item.

Hamilton Street Development, LLC (the “Company”) requests and Michigan Economic Development Corporation (“MEDC”) Staff recommends that the Michigan Strategic Fund (“MSF”) Board approve a resolution to:

1. Amend the original granting MSF Resolution 2011-059 to remove conditions 1 and 3;
2. Transfer the current Renaissance Zone Time Extension designation from SSP Associates, P.C. (“SSP Associates”) to the Company;
3. Approve an additional eight-year time extension, bringing the new expiration date to the end of 2029; and

4. Authorize the MSF Fund Manager to enter in to the New Agreement, defined within, with the Company on the MSF's behalf, required to be executed by December 31, 2014.

SSP Associates received a seven-year time extension for a riverfront portion of the City of Saginaw Renaissance Zone to support its project to build a condominium complex with some commercial space along the Saginaw River in the "Old Town" area of the city (the "Project"). Due to various time, legislative, and economic issues, the project has been delayed. In that time, the Project itself has been refined into a multi-phase project with a more definite development plan than was contemplated in the Original Agreement. For these reasons, a transfer of the Renaissance Zone time extension designation from SSP Associates to the Company and an amendment to the Granting Resolution is necessary. In order to update the Project milestones and correct compliance issues, authority for the MSF Fund Manager to enter in to a renegotiated amended and restated development agreement is being requested.

Staff Recommendation

MEDC Staff recommend that the MSF Board approve a resolution to: Amend the original granting MSF Resolution 2011-059 to remove conditions 1 and 3; Transfer the current Renaissance Zone Time Extension designation from SSP Associates to the Company; Approve an additional eight-year time extension; and Authorize the MSF Fund Manager to enter in to the New Agreement with the Company on the MSF's behalf, required to be executed by December 31, 2014.

Board Discussion

Mr. Morante asked if there were any questions from the Board. Discussion ensued pertaining to the details surrounding the legislative delay, and the need for this type of housing in the City of Saginaw. There being no further questions, Mike Jackson motioned for the approval of Resolution 2014-112. Andrew Lockwood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2014-113 Middleville Tool & Die Co. – Bond Authorizing

Chris Cook, Debt Capital, provided the Board with information regarding this action item.

Middleville Tool & Die Co. ("Middleville") and Middleton Enterprises, L.L.C. ("Middleton") are requesting private activity bond financing to invest in new machinery, equipment, and office furnishings as well as add an additional 53,000 sq/ft to their current manufacturing facility located in Yankee Springs Township within Barry County. The project commenced in March of 2014 and is anticipated to be completed by March of 2015 (with certain equipment purchases to follow over the next two to three years). Upon completion, the project is estimated to create a total of approximately 35 new full-time jobs through 2016

Staff Recommendation

Based upon a determination by Warner Norcross & Judd LLP, and the State of Michigan Attorney General's office that the project complies with state and federal law requirements for tax exempt financing, the staff recommends the adoption of a Bond Authorizing Resolution in the amount not to exceed the amount of \$6,300,000.

Board Discussion

Mr. Morante asked if there were any questions from the Board. There being none, Jody DePree Vanderwel motioned for the approval of Resolution 2014-113. Mike Zimmer seconded the motion. The motion carried via roll call vote: 8 ayes; 0 nays; 0 recused.

COMMUNITY VITALITY

Resolution 2014-114 & -115 - 3800 Woodward Medical Building – Brownfield TIF & MBT Amendment

Dan Wells, Brownfield Program Specialist, provided the Board with information regarding this action item. The City of Detroit Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of \$8,033,979. Woodward Offices, LLC also requests the following amendments be made to the 3800 Woodward Avenue Project originally approved by the MEGA Board on June

10, 2011: addition of a qualified taxpayer, Midtown Project LLC; request to multiphase the project; and request for an additional five years to complete the project.

Staff Recommendation

The MEDC recommends approval of the request by City of Detroit Brownfield Redevelopment Authority to capture local and school taxes for the MSF eligible activities, as well as the approval of the requested amendments to: add qualified taxpayers, Midtown Project LLC; request to multiphase the project to two (2) phases; and add an additional five years to complete the project by June 10, 2021.

Board Discussion

Mr. Morante asked if there were any questions from the Board. There being none, Paul Anderson motioned for the approval of Resolutions 2014-114 & 2014-115. Andrew Lockwood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolutions 2014-116 & -117 Uptown Development – Brownfield TIF & CDBG

Deb Stuart, Community Development Incentives, provided the Board with information regarding this action item. The County of Grand Traverse is requesting \$880,000 in total CDBG funds to remediate blight of environmentally contaminated properties needed for the Uptown Development TC, LLC Blight Elimination project located in Grand Traverse County, Michigan. The total grant funds will be for two separate grants in the amount of \$352,846 and \$527,154. The County of Grand Traverse Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of \$1,977,160.

The project consists of the redevelopment of roughly 0.70 acres of property located at 133 and 141 West State Street in Traverse City where each of the subject properties have been underutilized for the past 20 years. The property is owned by Uptown Development TC, LLC, and through its agent/developer Midtown Development, Inc. proposes to redevelop the site into 13 unique multi-story condominium units, including five “live work”, mixed-use units along the frontage of Pine and West State Street. Total improved square footage of the development is anticipated to create roughly 45,000 new square feet of taxable property with the community.

Staff Recommendation

MEDC Staff recommends Approval of 2 (two) CDBG blight elimination grant agreements in the amount of \$352,846 and \$527,154 to be authorized for the County of Grand Traverse for the Uptown Redevelopment TC, LLC Blight Elimination Project, as well as approval of the request by County of Grand Traverse Brownfield Redevelopment Authority to capture local and school taxes for the MSF eligible activities totaling \$1,741,661.

Board Discussion

Mr. Morante asked if there were any questions from the Board. There being none, Mike Jackson motioned for the approval of Resolutions 2014-116 & 2014-117. Terri Jo Umlor seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2014-118 Deep Freeze Urgent Need Funding Round – CDBG

Deb Stuart, Community Development Incentives, provided the Board with information regarding this action item. The winter of 2013/2014 included extremely cold temperatures and deep frost levels causing widespread damage to water and sewer mains and many roads. This is now referred to as the “Deep Freeze.” In response to the Deep Freeze, Governor Snyder has declared a “State of Emergency” for eight counties (Charlevoix, Cheboygan, Chippewa, Emmet, Gogebic, Luce, Mackinac, and Marquette). Estimates for damage are nearing \$15,000,000 and will continue to increase as the ground thaws in these regions. Although communities are seeking Federal Emergency Management Assistance (FEMA) funding, the FEMA funding approval may be delayed for over a year and will likely only cover a portion of the actual costs. MEDC staff requests approval to set aside up to \$6,000,000 in CDBG funds for eligible projects impacted by the extreme cold last winter.

Staff Recommendation

MEDC Staff recommends the MSF authorize no more than \$6,000,000 be used for infrastructure repair due to the damage caused by the Deep Freeze. The Fund Manager and Chairman, in coordination with MEDC Staff, are authorized to approve funding for specific applicants and execute CDBG Agreements as provided in the previously adopted delegation of authority (Resolution 2013-187).

Board Discussion

Mr. Morante asked if there were any questions from the Board. Discussion ensued pertaining to the eligibility requirements and approval process. There being no further questions, Shaun Wilson motioned for the approval of Resolution 2014-118. Paul Anderson seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

ADMINISTRATIVE

Resolution 2014-119 MSHDA/MSF Memorandum of Understanding – CDBG

Deb Stuart, Community Development Incentives, 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. On March 25, 2014, the MSF approved the 2014 Consolidated Plan for the CDBG Program that was also approved by HUD for implementation (Resolution 2014-051). Within the approved Consolidated Plan, the MSF allowed for up to 25 percent of the State of Michigan’s CDBG project allocation to be used for approved housing related activities implemented by the Michigan State Housing Development Authority (“MSHDA”), on behalf of the MSF. The amendment specifies appropriate roles between the two entities and outlines responsibilities related to this funding source for Program Year 2014 (July 1, 2014- June 30, 2015). Staff believe the items outlined in the Amendment will address HUD’s requirements and allow for appropriate oversight of the funding.

Staff Recommendation

MEDC Staff recommends the authorization of the MSF President to execute the proposed amendment between the MSHDA and the MSF related to CDBG Funds, and to 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. Morante asked if there were any questions from the Board. There being none, Jody DePree Vanderwel motioned for the approval of Resolution 2014-119. Andrew Lockwood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2014-120 DEQ/MSF & MSF/MEDC Memorandum of Understanding – Brownfield TIF

Deb Stuart, Community Development Incentives, provided the Board with information regarding this action item. Under the amendment of the Brownfield Redevelopment Financing Act 381 in 2012 (Act 67 of 2012), the Michigan Department of Treasury collects funds generated via three mills of the State Education Tax on all Brownfield projects approved after January 1, 2013. These funds are placed into the Brownfield Redevelopment Fund (“BRF”), which is a revolving fund used to fund grant and loan programs to carry out eligible activities on eligible Brownfield properties, as well as pay administrative costs of the DEQ and MSF for administering their environmental and non-environmental programs respectively. The DEQ MOU has been developed to clarify the allocation of funds generated by the BRF, and defines the roles and responsibilities of the DEQ and MSF. The MEDC MOU has been developed to outline the administrative responsibilities of the MEDC to implement the requirements of the MSF under the Brownfield Redevelopment Financing Act 381 in 2012 (Act 67 of 2012).

Staff Recommendation

MEDC Staff recommends the MSF allow the Fund Manager to fully execute both Memorandum of Understanding documents as outlined.

Board Discussion

Mr. Morante asked if there were any questions from the Board. There being none, Mike Jackson motioned for

the approval of Resolution 2014-120. Mike Zimmer seconded the motion. The motion carried: 8 ayes; 0 nays; 0 recused.

Resolution 2014-121 Funding Acknowledgement – New International Trade Crossing

Andy Doctoroff, Senior Advisor, provided the Board with information regarding this action item.

On July 28, 2012, the MSF executed the Crossing Agreement between Michigan and Canada. The Crossing Agreement has also been executed by MDOT, the Governor, Her Majesty the Queen in Right of Canada and the Windsor Detroit Bridge Authority (“WDBA”), the Canadian entity that will manage the New International Trade Crossing (“NITC”) project on a day-to-day basis. The Crossing Agreement is the operative document intended to dictate Michigan’s and Canada’s duties and rights in connection with the NITC project. The Crossing Agreement contemplates MSF’s participation in the NITC project, particularly as it relates to funds received from Canada and intended to pay for certain activities in Michigan, including but not limited to land acquisition. The Funding Acknowledgment addresses how specifically NITC-related funding activities will take place. Most of the Funding Acknowledgment does not pertain to the MSF. Rather, it principally describes how a Michigan party such as MDOT and Canada will enter into so-called statement of activities that will describe, and provide budgets for, activities whose performance has been requested by the WDBA. However, the Funding Acknowledgment, at Section 6, states that MSF “will serve as the funding agent for the Michigan Parties to facilitate, on their behalf, the deposit, receipt, holding and disbursement of all funds to be provided by the WDBA for each statement of activities.” NITC-related funds provided by Canada will be remitted to, and held by, an escrow agent.

Staff Recommendation

MEDC Staff recommends the approval of Execution the Funding Acknowledgment, as it is a condition precedent to the receipt and disbursement of funds provided by Canada – funds necessary for the NITC project to move forward.

Board Discussion

Mr. Morante asked if there were any questions from the Board. There being none, Andrew Lockwood motioned for the approval of Resolution 2014-121. Jody DePree Vanderwel seconded the motion. The motion carried: 8 ayes; 0 nays; 0 recused.

Resolution 2014-122 Delegation of Authority Policy Amendment

Christin Armstrong, Director of Compliance and Kevin Francart, Chief Compliance Officer, provided the Board with information regarding this action item. Under Article III, Section 1 of the Amended and Restated Bylaws, the MSF President will provide for compilations of all general delegated authority. To that end, MEDC Staff, in coordination with the Chief Compliance Officer, has compiled all existing delegations of authority into one compiled delegation of authority as presented in the proposed resolution.

Staff Recommendation

MEDC Staff recommends the approval of the proposed amendment.

Board Discussion

Mr. Morante asked if there were any questions from the Board. Discussion ensued pertaining to the MSF President approving settlement matters. There being no further questions, Mike Jackson motioned for the approval of Resolution 2014-122. Jody DePree Vanderwel seconded the motion. The motion carried: 8 ayes; 0 nays; 0 recused.

Mike Jackson motioned to adjourn the meeting. Paul Anderson seconded the motion. The meeting adjourned at 11:40 am.



MEMORANDUM

Date: August 26, 2014
To: Michigan Strategic Fund Board
From: Brent Morgan, Manager, Brownfield and Community Revitalization Programs
Dan Wells, Senior Program Specialist, Brownfield
Subject: City of Detroit Brownfield Redevelopment Authority
Act 381 Work Plan Amendment Approval
3800 Woodward Avenue Project

Request

MEDC staff requests a \$796,167 increase in the amount of state tax capture for the project approved July 22, 2014.

Background

On July 22, 2014, the MSF Board approved state and local capture for the 3800 Woodward Avenue Project totaling \$8,033,979. The approved tax capture amount and percentages approved on July 22, 2014 break down as follows:

School tax capture (27.99%)	\$2,248,711
Local tax capture (72.01%)	<u>\$5,785,268</u>
TOTAL	\$8,033,979

After the approval was sent to the applicant, it was pointed out that the total amount of millages used to calculate capture included debt millages totaling 22.4375 mills. As Act 381 prohibits capture of debt millages for tax increment capture, the millages must be removed from the approval, essentially lowering the local proportion of tax increment revenue and increasing the state portion. The tax capture breakdown presented below presents the correct summary of millages available for capture.

Tax Capture Breakdown

There are 63.3244 non-homestead mills available for capture, with school millage equaling 24 mills (37.9%) and local millage equaling 39.3244 mills (62.1%). The requested tax capture for MSF eligible activities breaks down as follows:

School tax capture (37.9%)	\$3,044,878
Local tax capture (62.1%)	<u>\$4,989,101</u>
TOTAL	\$8,033,979

Recommendation

The MEDC recommends approval of the correction to capture local and school taxes for the MSF eligible activities totaling \$8,033,979 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$3,044,878.

MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

**City of Detroit Brownfield Redevelopment Authority
3800 Woodward Avenue Project
(Amendment #1)
County of Wayne**

At the meeting of the Michigan Strategic Fund (“MSF”) held on August 26, 2014 in Lansing, Michigan.

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

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

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

WHEREAS, the MSF Board approved a Work Plan request for the 3800 Woodard Avenue Project (the “Project”), by Resolution 2014-114 on July 22, 2014, authorizing the Authority to capture taxes levied for school operating purposes based on a maximum of \$2,248,711;

WHEREAS, in approving the Work Plan request, the total amount of millage used to calculate capture included 22.4375 mills that were ineligible and the ratio of capture needs amended; and

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes an amendment for the City of Detroit Brownfield Redevelopment Authority to capture taxes levied for school operating purposes in substantially the same proportion as the 37.9% to 62.1% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of infrastructure improvements and site preparation as presented in the revised Work Plan dated March 12, 2014 and amended on July 8, 2014. The authorization for the capture of taxes levied for school operating purposes is limited to a maximum of \$3,044,878.

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2014-114 are reaffirmed and the MSF authorizes the MSF Manager to implement the terms of this resolution.

Ayes:

Nays:

Recused:

August 26, 2014
Lansing, Michigan



MEMORANDUM

Date: August 26, 2014
To: Michigan Strategic Fund
From: Brent Morgan, Manager, Brownfield and Community Revitalization Programs
Dan Wells, Senior Brownfield Program Specialist
Subject: Large Brownfield Single Business Tax Credit Amendment #3 Approval
Mid Towne Village, LLC
Mid Towne Village Project
City of Grand Rapids, County of Kent

Request or Action

Mid Towne Village, LLC requests the following amendment be made to the Mid Towne Village Project originally approved by the MEGA Board on October 4, 2004, and subsequently amended October 4, 2007, and August 28, 2013: remove Phase III eligible investment from the project and consider the project complete.

Background

Mid Towne Village, LLC
545 Michigan Street N.E., Suite 301
Grand Rapids, Michigan 49503

Contact: Brad Rosely, Member

	Original Approval	Amendment #1	Amendment #2	Amendment #3
Eligible Investment:	\$31,627,612	\$48,600,000	\$51,025,582	\$36,945,000
Phases:	One	Four	Three	Two
Credit Amount:	\$2,000,000	\$2,000,000 (capped)	\$2,000,000 (capped)	\$1,300,000 (final)
Credit Percentage:	10%	10%	10%	10%

This project was originally approved in 2004 as a single phase with \$31,627,612 in eligible investment to redevelop a blighted area located at 545 Michigan Street in Grand Rapids with five new buildings and two private parking decks.

The first amendment to the project on October 4, 2007 was to multiphase the project into four phases, each phase for new construction of a separate mixed use building (one phase had two buildings). The eligible investment was increased, and the credit amount remained at \$2,000,000.

At the second amendment on August 28, 2013, Phase I (a 3-story, 30,000 square foot mixed use building with retail on the first floor and medical offices above) and Phase II (a 4-story, 85,000 square foot medical building, and a 33-unit townhome-style condo building) had been completed and \$1,300,000 of credits were issued for \$36,945,000 in eligible investment. The remaining Phase III and IV were combined into a single Phase III for new construction of a 94,000 square foot, 148 room, five-story hotel,

and another building was excluded. Again, the eligible investment was increased, and the credit amount remained at \$2,000,000.

The third amendment is requested to remove Phase III as described in the previous amendment from the project, and consider the project complete. Although the developers did their best to get the Phase III project initiated and complete by this October, the severe winter prevented them from doing so, and there is not enough time to complete the project within the ten year statutory timeframe.

The previously approved Phase III project for new construction of a five-story hotel was approved for a \$3,000,000 performance based Community Revitalization Program loan participation agreement (CRP) on February 25, 2014. The applicant signed the loan participation agreement on April 18, 2014. Note that the total eligible investment for the completed project is still higher than the originally approved amount, and the eligible investment under the CRP is \$14,577,035.

The project is a multi-phase project and is completed in two phases as described below:

Phase I (completed) – A 3-story, 30,000 square foot mixed use building with retail on the first floor and medical offices on the second and third floors. This Phase is complete. The eligible investment was \$7,745,000 and the credit was issued for \$200,000, and;

Phase II (completed) – A 4-story, 85,000 square foot medical building which houses the Women’s Health Center of West Michigan, and a 33-unit townhome-style condo building. This phase is complete. The eligible investment was \$29,200,000 and the credit was issued for \$1,100,000.

COST OF ELIGIBLE INVESTMENTS BY PHASE

Phase I (Complete)

Demolition	\$ 345,000
Site Improvements	1,900,000
New Construction	+ 5,500,000
Phase I Total	\$ 7,745,000

Phase II (Complete)

Site Improvements	\$ 200,000
New Construction	+ 29,000,000
Phase II Total	\$ 29,200,000

TOTAL COST OF ELIGIBLE INVESTMENTS

Demolition	\$ 345,000
Site Improvements	2,100,000
New Construction	+ 34,500,000
TOTAL	\$ 36,945,000

Recommendation

The MEDC recommends the approval of the requested amendment to remove Phase III from the approved project and consider the project under the SBT credit complete.

MICHIGAN STRATEGIC FUND

Resolution 2014 –

**Mid Towne Village, LLC
Brownfield Redevelopment SBT Credit – Amendment #3
City of Grand Rapids**

At the meeting of the Michigan Strategic Fund (“MSF”) held on August 26, 2014 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 2004-47 on August 17, 2004, and amended by Resolution 2007-85 and Resolution 2013-135, the MEGA Board awarded a Brownfield SBT Tax Credit to Mid Towne Village, LLC (the “Applicant”) to make eligible investment up to \$48,600,000 at an eligible property in the City of Grand Rapids (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 Applicant has submitted a request to amend the Project to remove the third phase to the Project; 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 maximum credit amount does not exceed \$1,300,000.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board amends the Project by removing Phase III from the Project and reduces the cap for the maximum credit amount from \$2,000,000 to \$1,300,000.

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2004-47, as amended are reaffirmed and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
August 26, 2014



MICHIGAN STRATEGIC FUND

July 29, 2014

Mr. Dennis Muchmore
Chief of Staff
Office of Governor Rick Snyder
P.O. Box 30013
Lansing, Michigan 48909

Dear Mr. Muchmore:

It is with great pleasure that I appoint Birgit Klohs to represent the Michigan Strategic Fund ("MSF") in accordance with the Crossing Agreement and MSF Resolution 2012 – 68 for the New International Trade Crossing, subject to any ratification requirement.

Please advise on the timeline for public notification.

Sincerely,

A handwritten signature in blue ink that reads "Michael A. Finney".

Michael A. Finney
President and CEO

cc: B. Klohs
M. Gadola
M. Jason
A. Doctoroff
M. Morante
MSF Board Members

MICHIGAN STRATEGIC FUND

RESOLUTION 2014 - 000 Michigan Activities Appointment

WHEREAS, on July 28, 2012, the Michigan Strategic Fund (the “MSF”) executed a Crossing Agreement between Michigan and Canada, specifically among the Governor of the State of Michigan, the Michigan Department of Transportation (“MDOT”), MSF, Her Majesty the Queen in Right of Canada (as represented by the Minister of Transport) and the Windsor Detroit Bridge Authority (“WDBA”), the Canadian entity that will manage the New International Trade Crossing (“NITC”) project (the “NITC Project”);

WHEREAS, the State of Michigan, MDOT and MSF are collectively referred to as the “Michigan Parties” in the Crossing Agreement;

WHEREAS, the Crossing Agreement is the operative document prescribing the State of Michigan’s (the “State”) and Canada’s duties and rights in connection with the NITC Project;

WHEREAS, Article VI, Section 3 of the Crossing Agreement states that the International Authority shall have a board consisting of six (6) members;

WHEREAS, the Michigan Parties shall appoint three (3) members in accordance with Applicable Law;

WHEREAS, members appointed prior to the International Crossing Opening Date shall be appointed for a term ending on the date one (1) year after the International Crossing Opening Date.

WHEREAS, members appointed after the date of one (1) year after the International Crossing Opening Date shall be appointed for a term of three (3) years;

WHEREAS, members may be re-appointed upon expiration of a term;

WHEREAS, Resolution 2012-68, adopted by the MSF on June, 27 2012, authorized the MSF to enter into the Crossing Agreement;

WHEREAS, Section 5 of Resolution 2012-68 states in part that, “a Member or an Authorized Officer is authorized to execute and deliver other documents, certificates, opinions and papers as may be required by the Crossing Agreement”;

WHEREAS, Section 8 of Resolution 2012-68 states in part that, “any Member or Authorized Officer . . . is authorized to apply for or submit, execute, and deliver the other certificates, documents, opinions, and papers to any party or governmental agency as may be required by the Crossing Agreement”;

WHEREAS, on July 29, 2014, MSF Board Chairman Michael A. Finney, being both a Member and an Authorized Officer pursuant to Resolution 2012-68, informed Governor Snyder in writing that MSF would be appointing Birgit Klohs to the International Authority board; and

WHEREAS, it is recommended that MSF ratify the appointment of Birgit Klohs by its Chairman Michael A. Finney, President and CEO.

NOW, THEREFORE, BE IT RESOLVED, by the Michigan Strategic Fund that:

1. The appointment of Birgit Kohls is approved, as written in the attached appointment letter, to serve as representative of the MSF on the International Authority board;
2. This Resolution shall be effective upon adoption.

Ayes:

Lansing, Michigan
August 26, 2014



MEMORANDUM

Date: August 26, 2014

To: Michigan Strategic Fund Board

From: Brent Morgan, Manager, Brownfield and Community Revitalization Programs
Rob Garza, Brownfield Program Analyst
Marcia Gebarowski, Senior Development Finance Manager

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

Request

The City of Detroit Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of \$949,562.

Background

The tax increment revenues will be used to offset costs to redevelop and construct a new 365,000 square foot distribution warehouse and office building for use by Comprehensive Logistics Co., Inc. on approximately 38.9 acres of property located at 9400 McGraw Street in Detroit. The facility will be used to provide supply chain and value-added sequencing services to Ford's Dearborn truck plant. The property is currently owned by C&C McGraw Rd, LLC, a subsidiary of Comprehensive Logistics Co, Inc. which provides services to automotive OEM, tier one and industrial customers. These services are value-added assembly, supply chain performance management, engineered warehouse, and transportation and yard management technology systems. Comprehensive Logistics was approved for an \$800,000 performance-based grant under the Michigan Business Development Program in October 2013 related to this project.

Eligible activities that will be undertaken to alleviate Brownfield conditions on the property and complete the project include demolition and site preparation. These activities include the removal of approximately 16,000 tons of demolition debris, excavation, infill of materials and grading.

Approximately 240 permanent full-time jobs are anticipated to be created by the primary tenant, Comprehensive Logistics Co, Inc. at an average hourly wage of \$16. The total capital investment will be approximately \$19.1 million.

Property Eligibility

The project is located within the boundaries of the City of Detroit, which is a Qualified Local Governmental Unit, and has been determined to be a facility as verified by Michigan Department of Environmental Quality on June 18, 2014.

The property is the subject of a Brownfield Plan, duly approved by the City of Detroit on June 25, 2014.

Other State and Local Assistance to the Project

The project was approved for an \$800,000 performance-based grant under the Business Development Program on October 17, 2013. The incentive involved a commitment by Comprehensive Logistics to create up to 400 new jobs and make a capital investment of \$19.1 million related to the project. The City of Detroit will also exercise an industrial facilities exemption (PA 198) property tax abatement for up to 12 years on the new investment.

Tax Capture Breakdown

There are 62.3244 non-homestead mills available for capture, with school millage equaling 24 mills (38.51%) and local millage equaling 38.3244 mills (61.49%). Tax increment capture will begin in 2015 and is estimated to continue for eight years. The requested tax capture for MSF eligible activities breaks down as follows:

School tax capture (38.51%)	\$ 365,676
Local tax capture (61.49%)	\$ 583,886
TOTAL	\$ 949,562

Cost of MSF Eligible Activities

Demolition	\$ 450,009
Site Preparation	+ 401,013
Sub-Total	\$ 851,022
Interest (2.5%)	+ 78,540
Sub-Total	\$ 929,562
Brownfield/Work Plan Preparation	+ 20,000
TOTAL	\$ 949,562

Recommendation

The MEDC recommends approval of the request by City of Detroit Brownfield Redevelopment Authority to capture local and school taxes for the MSF eligible activities totaling \$949,562 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$365,676.

KEY STATUTORY CRITERIA

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

a) Overall Benefit to the Public:

The project represents a redevelopment of an underutilized property in an economically distressed area of Detroit. The project is expected to create new jobs that will support the city with income tax revenue. The investment also represents additional temporary construction jobs that will spend money in the City. Finally, the property will have a new end use that will result in additional tax revenue for all taxing jurisdictions once eligible activities have been reimbursed.

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

This project is expected to create approximately 240 new, full-time jobs related to warehouse and supply chain operations by the end of 2015.

c) Area of High Unemployment:

The City of Detroit unadjusted jobless rate was 16.4% in June, 2014. This compares to the statewide seasonally adjusted average of 7.5% in June, 2014.

d) Level and Extent of Contamination Alleviated:

Environmental eligible activities were completed prior to Brownfield plan approval. Appropriate due care and additional response activities have been performed, as needed, to prevent the exposure to materials hazardous to human health, safety and environment.

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

The project is not qualifying as functionally obsolete or blighted.

f) Cost Gap that Exists between the Property and a Similar Greenfield Property:

Brownfield TIF is needed to offset the costs of building and site demolition and site prep activities associated with the preparation of the site for vertical construction. These costs would not be incurred on a similar greenfield site.

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

No new Brownfields will be created by this project.

h) Whether the Project is Financially and Economically Sound:

From the materials received, the MEDC infers that the work plan is financially and economically sound.

i) Other Factors Considered:

No additional factors need to be considered for this project.

MAP OF PROJECT AREA



**RESOLUTION 2014-
MICHIGAN STRATEGIC FUND**

**City of Detroit Brownfield Redevelopment Authority
Comprehensive Logistics Redevelopment Project
City of Detroit**

At the meeting of the Michigan Strategic Fund (“MSF”) held on August 26, 2014 in Lansing, Michigan.

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

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

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

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

WHEREAS, the City of Detroit Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 9400 McGraw Avenue within the City of Detroit, known as Comprehensive Logistics Redevelopment Project (the “Project”);

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

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

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as the 38.51% to 61.49% ratio currently existing between school and local taxes

for non-homestead properties, to reimburse the cost of site preparation and demolition as presented in the revised Work Plan dated July 23, 2014. Any change in millage that increases the capture percentage of school operating taxes by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on a maximum of \$851,022 for the principal activity costs of non-environmental activities and a contingency, a maximum of \$78,540 in interest, and a maximum of \$20,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$365,676.

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

BE IT FURTHER RESOLVED, that the MSF Board is authorizing that capture of taxes levied for school operating purposes for the payment of interest, up to a maximum of \$78,540 related to the eligible activities for the Project.

Ayes:

Nays:

Recused:

August 26, 2014
Lansing, Michigan



MEMORANDUM

Date: August 26, 2014

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

From: Stacy Bowerman, Manager, Business Incentives

Subject: *Toyota Motor Engineering and Manufacturing North America, Inc.
(Company” or “Applicant”)
Michigan Business Development Program Performance-based Grant Request*

Request

This is a request from the Applicant for a \$4 million Performance-based grant. This project involves the creation of 250 Qualified New Jobs and a capital investment of up to \$32.5 million in the York Charter Township, Washtenaw County, Michigan.

Background

The Company is engaged in engineering design, vehicle evaluation, materials research, prototype building, powertrain tuning, safety/crashworthiness, regulatory affairs and advanced research for Toyota and Lexus vehicles manufactured or sold in North America. The Company has research and development (R&D) facilities in Ann Arbor, Saline (York Charter Township Campus), Plymouth and Livonia. It also operates R&D facilities in California and the Toyota Arizona Proving Ground near Phoenix.

In 2005, the MEGA Board approved a 20 year 100 percent MEGA Tax Credit, beginning tax year ending 2009, for the creation of 400 new jobs and investment of approximately \$150 million for the Company to develop a research and development facility in York Township. The Company has determined the Corporate Income Tax is more beneficial and has elected to forgo the MEGA in 2012.

The MEGA Board also approved a Brownfield TIF for the redevelopment the former Ypsilanti Psychiatric Hospital as part of the project. Since approval of the incentives, the Company successfully completed construction of the technical center and created over 500 jobs at the York Township campus.

The Company recently announced its plans to establish a new headquarters in Texas for its North American operations. The new headquarters location will consolidate three operations into a single campus. The Company also plans to relocate its direct procurement from Erlanger, Kentucky to its campus in York Charter Township. This expansion is part of an increased investment in engineering capabilities to accommodate future growth in product development. The expansion will require the Company to construct a new facility and create 250 new jobs at its York Charter Township, Washtenaw County campus. The average weekly wage for the newly created positions is expected to be approximately \$1,800.

In addition to the Michigan Business Development Program grant, the project involves a commitment of a 6 Mil State Education Tax Abatement (SET). The estimated value of SET abatement is \$1.3 million.

Michigan Economic Development Corporation

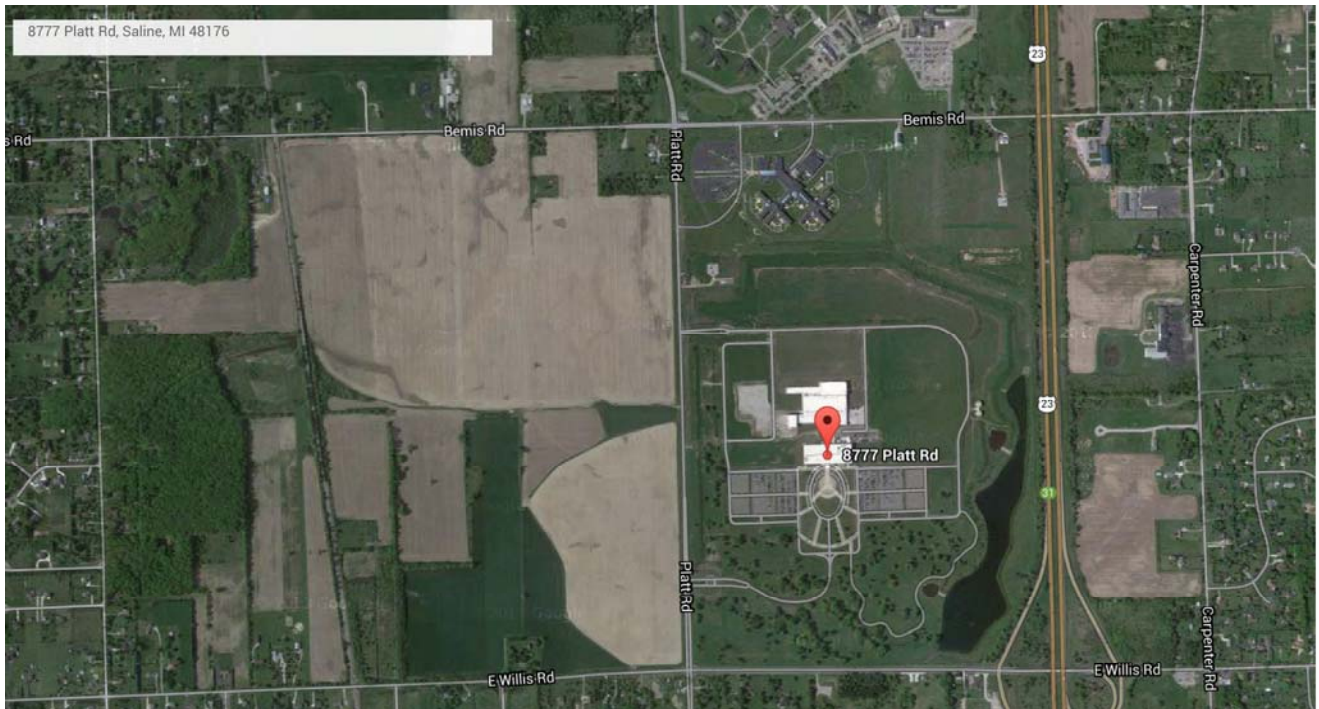
Considerations

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.
- b) The project will be located in York Charter Township. York Charter Township has offered a “staff, financial, or economic commitment to the project” in the form of a property tax abatement for real and/or personal property tax abatements related to the project. A 12 year real and personal property tax abatement is estimated to be worth \$4.6 million.
- c) The Applicant has demonstrated a need for the funding. The Company assessed locations throughout the United States that could support the relocation and future growth of its engineering activities. As part of the site selection process, the Company evaluated many aspects, including business and economic incentives and market conditions. The Company’s decision to locate its entire headquarters operations in Texas shows its willingness and ability relocate its operations. Upon completion of the Company’s due diligence and review of a proposal provided by the State of Michigan, Ann Arbor SPARK, and York Charter Township, the Company selected York Charter Township, Washtenaw County for the expansion project.
- d) The Applicant plans to create 250 Qualified New Jobs above a statewide base employment level of 1,133.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: the project involves a strong business case with out-of-state competition throughout the United States; will result in the creation of a significant number of high-paying jobs; level of investment; and will result in a positive return to the state.

Recommendation

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

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





**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: 8/13/2014

- 1. Company Name:** Toyota Motor Engineering & Manufacturing North America, Inc.
("Company" or "Applicant")
- 2. Company Address:** 25 Atlantic Avenue
Erlanger, Kentucky 41018
- 3. Project Address ("Project"):** York Charter Township Campus
8777 Platt Road
Saline, Michigan 48176
- 4. MBDP Incentive Type:** Performance Based Grant
- 5. Maximum Amount of MBDP Incentive:** Up to \$4,000,000 ("MBDP Incentive Award")
- 6. Base Employment Level** 1,133 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:** 250 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:** \$32,500,000 for new construction and furniture and fixtures, or any combination thereof, for the Project.

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

- a. **Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide: a real and/or personal property tax abatement for property related to the Project. 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 \$800,000 Upon demonstrated creation of 50 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than December 31, 2016.
- b. **Disbursement Milestone 2:** Up to \$800,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 50 additional Qualified New Jobs (for a total of 100 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2017.
- c. **Disbursement Milestone 3:** Up to \$800,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 50 additional Qualified New Jobs (for a total of 150 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2018.

- | | | |
|-------------------------------------|-----------------|---|
| d. Disbursement Milestone 4: | Up to \$800,000 | Upon completion of Disbursement Milestone 1, Disbursement Milestone 2 and Disbursement Milestone 3, and upon demonstrated creation of 50 additional Qualified New Jobs (for a total of 200 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2019. |
| e. Disbursement Milestone 5: | Up to \$800,000 | Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, Disbursement Milestone 3 and Disbursement Milestone 4, and upon demonstrated creation of 50 additional Qualified New Jobs (for a total of 250 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2020. |

11. Term of Agreement: Execution of Agreement to December 31, 2022

12. Repayment Provisions:

Repayment provisions are required by law. The Repayment terms and conditions will be effective through the Term of the Agreement and shall be defined in the final Agreement. The final repayment provisions may require repayment of some or all of the disbursements made by the MSF, including if the Company moves 25% or more of their employees out of Michigan, if the Company fails to maintain the Base Employment Level in Michigan, if the Company fails to maintain the Qualified New Jobs incented by this Award.

13. Reporting Requirements:

Periodic reporting will be required with this program. The detailed information needed from the Company will be included in the final Agreement, but will include Project reporting for such things as: amount of proposed incentive, amount of actual incentive received by Company; amount of proposed and actual investment made by Company for Project; the committed number of new jobs and the actual number of new jobs created as a result of the Project; and the educational attainment of the employees hired.

14. Public Announcements:

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

15. Pre-Closing Requirements Toyota Motor North America, Inc. MEGA (#282):

The Company shall forego the MEGA Tax Credit, Resolution 2005-30 (#282) originally approved on April 12, 2005, effective as of the approval of the MBDP Incentive Award. The Company enter into a termination agreement with the Michigan Strategic Fund prior to execution of the final Agreement.

Any final MBDP Incentive Award is contingent upon several factors, including: (i) submission by the Company of a completed application and all other documentation required under the MBDP (ii) satisfactory municipality support (iii) available MSF funding (iv) completion of financial review, business integrity review, required background checks, and other business and legal review and due diligence as required, and the results of which must be satisfactory the MEDC,

the MSF, and as applicable, the Chief Compliance Officer, (v) approval of an award by the MSF, and (vi) execution of a final Agreement containing the established milestones, repayment terms, reporting requirements, and all other detailed terms and conditions, required by the MSF.

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by August 14, 2014, the MEDC may not be able to proceed with any recommendation to the MSF.

Acknowledged as received by:

Toyota Motor Engineering & Manufacturing North America, Inc.

By: Bruce Q. Brownlee

Printed Name: Bruce Brownlee

Its: Senior Executive Administrator

Dated: August 14, 2014

Michigan Economic Development Corporation

By: Stacy Bowerman

Printed Name: Stacy Bowerman

Its: Manager, Business Incentives

Dated: August 14, 2014

MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

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

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

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

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

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

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

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

WHEREAS, Toyota Motor Engineering & Manufacturing North America, Inc. (“Company”) has requested a performance based MBDP grant of up to \$4,000,000 (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”); and

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
August 26, 2014



MEMORANDUM

TO: Michigan Strategic Fund Board

FROM: Chris Cook, Business Capital Relationship Manager

DATE: August 26, 2014

RE: Rescind Resolution 2012-77; authorize \$5,000,000 to be transferred from the 21st Century Jobs and Investment Fund to the Michigan Supplier Diversification Fund

REQUEST

This request is to eliminate the Pure Michigan Urban Investment Program by rescinding Resolution 2012-77 and to authorize \$5.0M from the 21st Century Jobs and Investment Fund be transferred to the Michigan Supplier Diversification Fund for use in its underlying programs which include principally the Michigan Collateral Support Program and Michigan Loan Participation Program.

BACKGROUND

On July 25, 2012 the Michigan Strategic Fund approved Resolution 2012-77 creating the Pure Michigan Urban Investment Program and transferring \$10.0M from the 21st Century Jobs and Investment Fund in order to operate this new fund. The program was designed to target growth capital opportunities in dense, urban, low income geographies. The program made one, time-limited commitment which expired without the necessary complementary leverage being attained. Staff have assessed the product type and customers as well as potential intermediary fund managers and determined that, to a large degree, the market rate capital requirements can be met by other programs and market participants. Based on this determination, and through a process of continuous assessment of programming and market needs, higher priorities have been established. Staff is recommending elimination of the Pure Michigan Urban Investment Program.

Elimination of the program will result in the availability of \$10M previously committed capital. As a part of a lengthy budgeting and program evaluation process the determination was made to recommend provide additional capital to the Michigan Supplier Diversification Fund for use in its commercial credit enhancements.

Below are a few highlights from the loan enhancement programs. These programs include collateral support and loan participation originating from both the State Small Business Credit Initiative ("SSBCI"), which is federally funded, and the Michigan Supplier Diversification Fund ("MSDF") which is funded with 21st Century Jobs and Investment dollars.

Lifetime Performance 2009-Present:

- \$667 million in leveraged lending/investing (MSF share \$123M) for 5.42:1 private leverage
- Fees earned \$3.9M, costs incurred to run \$1.085M (fees will outrun charge off and admin combined)
- Committed full time *increase in jobs* 6,805-100% in Michigan.
- #1 in SSBCI Deployment nationally, all states
- #1 in base job creation nationally
- #2 in overall job creation nationally (#1 is California)

Michigan Economic Development Corporation

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

Portfolio Quality Data 2009-Present:

- .35% (\$319k) Net Charge Off Projection or better out of \$91M in outstanding's (\$0.00 to date)
- 100% of Net Charge Off deals were all initially below \$1.0M.
- Only \$8.0M in criticized loans, many in forbearance and paid as agreed.
- \$38 million plus fees in recycling/payoffs cumulatively.

RECOMMENDATION

Staff recommends the MSF rescind resolution 2012-77 which would revert the previously authorized \$10.0M back to the 21st Century Jobs and Investment Fund. Staff further recommends \$5.0M be transferred from the 21st Century Jobs and Investment Fund to the Michigan Supplier Diversification Fund for use in its underlying programs.

MICHIGAN STRATEGIC FUND

RESOLUTION 2014-XX

**RESCIND RESOLUTION 2012-77 FOR THE PURE MICHIGAN
URBAN INVESTMENT FUND
AND REALLOCATE FUNDING TO THE
MICHIGAN SUPPLIER DIVERSIFICATION FUND**

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, 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, Resolution 2012-77 created the Pure Michigan Urban Investment Fund (the “PMUIF”) under the MSDF and allocated \$10,000,000 from the Investment Fund to the PMUIF program;

WHEREAS, the PMUIF program did not undertake any loans or investments, and has no current commitments to do so;

WHEREAS, the MEDC recommends that Resolution 2012-77 be rescinded in its entirety;

WHEREAS, the MEDC further recommends that \$5,000,000 from the Investment Fund be allocated to the MSDF;

WHEREAS, the MSF Board desires to rescind Resolution 2012-77 in its entirety, and allocate \$5,000,000 from the Investment Fund to the MSDF.

NOW, THEREFORE, BE IT RESOLVED, the MSF hereby: (i) rescinds Resolution 2012-77 in its entirety, and (ii) allocates \$5,000,000 from the Investment Fund to the MSDF.

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan
August 26, 2014



MEMORANDUM

To: Michigan Strategic Fund Board
From: Chris Cook, Business Capital Relationship Manager
Date: August 26, 2014
Subject: MBGF – Request to Increase Collateral Support
PulverDryer USA, LLC

Request

PulverDryer USA, LLC (“PD” or “Company”) is a growth stage company that has developed a proprietary and patented technology employing an air pressure differential capable of pulverizing, drying and separating materials such as coal, soft rock, animal waste, paper sludge, food processing waste, and bio solids. On June 6, 2013, Delegates of the MSF Board approved a request to provide collateral of up to \$1,247,500 to First Farmers Bank & Trust (“Bank”) in support a new \$2,500,000 working capital line of credit being provided by the Bank to PD. In order to meet the working capital needs of PD as it grows, the Bank is proposing to increase the working capital line of credit by \$1,000,000 to a maximum of \$3,500,000. The Bank is requesting that the MSF provide an additional \$499,000 in collateral support, bringing the total collateral support to \$1,746,500.

Bank Facility and MSF Support

First Farmers Bank & Trust has proposed to provide the following credit facilities:

Revolver = Working Capital	<u>\$3,500,000</u> (Increase of \$1,000,000)
Total Loans Leveraged	\$3,500,000

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

Revolver = Working Capital	<u>\$1,746,500</u> (Increase of \$499,000)
Total MSF Contribution	\$1,746,500

Under definitions provided by the US Department of Treasury related to the calculation of leverage, the reported leveraged lending as compared to MSF exposure is 2.00:1.

Background

PD is a designer and manufacturer of advanced technology for pulverization and drying systems. This technology allows solid media to be broken into fine pieces, while moist media can be similarly pulverized while simultaneously evaporating much of the fluid content. There are multiple applications for this technology including municipal waste, animal waste, paper sludge, coal and soft rock minerals, and egg collagen separation.

PD has identified more than 20 potential applications for the technology. PD is pursuing an immediate global approach by licensing the European and South Korean Markets (for certain market segments) and direct selling to other markets.

The Company started with \$36 million dollars of investment from a Singapore oil and gas concern. The current owner acquired the company in 2011 and exited the oil and gas company, which sold the business both because it was non-core to its operations and because the company was going through a divestiture due to ownership succession.

PD is now operating out of a 100,000 sq. ft. facility in Springfield. Four functioning cells are set up for development and demonstration, including units for rock crushing, coal, and municipal waste management. The municipal waste unit is set up to demonstrate the first stage of the process, in which a hydraulic press is used in order to remove 50% of moisture from municipal waste. The second stage of the technology using the PD process to bring the moisture content down to 20%, yielding a marketable solid. The City of Battle Creek is in the process of completing a purchase and installation of a waste management unit from PD.

PD is a wholly owned subsidiary of Power Technologies International, LLC, which is the technology licensing and management company for PD. Power Technologies International, LLC is owned by Levi New. Mr. New serves as CEO for PD and is also the developer and owner of most of the patents. Mr. New also owns a patent holding company called Lenew Holdings, Inc. which holds the legal rights to the patents on which the PulverDryer system is based.

Other than the existing collateral support noted above, the MSF has not provided support to PD.

Employment

The Company reports having 31 full-time equivalent employees. PD anticipates adding 35 FTE employees within 6 months of the closing of the proposed increase, and an additional 10 employees within 5 years for a total of 76 employees. The average annual salary of employees of the Company is \$45,000.

At the time of application for the previous support from the MSF, the Company reported having 22 FTE employees with the anticipation of adding 30 employees within 6 months of the loan closing.

Financing Opportunity

On June 12, 2013, the Bank closed on a new \$2,500,000 working capital line of credit for PulverDryer. Draws on this line of up to \$500,000 were permitted immediately following closing. Additional draws were to be permitted contingent upon finalization of two anticipated sales, one with the City of Battle Creek for the waste water project and another with a customer in South Korea. Upon receipt of customer deposit of at least \$2,500,000 for either of these anticipated sales, an additional \$1,000,000 in availability would be provided on the line. PulverDryer achieved both of these milestones and the Bank made available up to \$2,500,000 in funding under the line.

PD is seeking additional working capital availability related to growth and to construction delays related to the building in Battle Creek which will house the equipment to be provided by PD. The Company needs construction of this building to be completed before it may deliver and install this equipment and collect on the remainder of the payment stipulated in the contract, which currently stands at approximately \$2.6 million. In addition to completing to Battle Creek project, PD is developing leads for several other potentially large projects. Representatives of the Bank have met with five potential buyers of equipment from PD about potential financing packages. Proforma statements provided by PD reflect an anticipated debt service coverage ratio of 1.62:1 for 2014.

In 2012 the Company entered into a licensing agreement allowing technology it developed to be used in the process of separating collagen from egg shells. The licensing agreement was valued at \$12MM. Actual revenue recorded during 2014 has been minimal. As PD produces large projects, spikes in revenue are common. Once the Battle Creek project is complete, PD anticipates payment related to that project of \$2.6MM.

The 6/30/2014 balance sheet reflects a net worth of (\$7.73MM). The largest liability on the balance sheet is long term deferred revenue related to the licensing agreement. While payment for this licensing agreement was made up front, GAAP requires that the revenue be reflected over the length of the term of the license. Therefore a deferred revenue account is noted as a liability on the balance sheet. This liability does not related to any debt owed or cash payment required by the Company. Were this liability to be removed, the balance sheet would reflect a net worth of \$2.95MM. The Company holds minimal debt.

The proposed financing will require the unlimited personal guaranty of Levi New. The guaranty to be provided to the MSF will be subordinate to the guaranty provided to the Bank, with the subordination limited to the Bank's exposure at the time of closing of the proposed financing.

Exit Strategy

As a component of the financing, the Bank has included a minimum debt service coverage ratio covenant and a limitation on owner compensation. The debt service coverage covenant requires that PD maintain a debt service coverage ratio of not less than 1.20:1. Debt service coverage ratio is defined as:

(Annual net income + amortization + depreciation + non-cash expenses) / Total annual debt service

The limitation on compensation is proposed to limit salary taken by Levi New and Chris Reed, the Vice President of PD. Salaries will be to not more than \$150,000 annually for Mr. New and \$125,000 annually for Mr. Reed. These limits applied for 2013, with the potential for increases of up to 3% annually in subsequent years. These salaries will be eligible for increases of up to 3% annually assuming the Company is in compliance with its annual debt service coverage ratio covenant based on a calculation using its audited financial statements. Owner distributions will be limited to the level necessary to meet Company tax obligations.

These covenants are intended to prompt re-investment in the balance sheet and eventually lead to the release of the proposed MSF support.

Source of Information

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

Recommendation

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

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

Facility 1 – PulverDryer USA, LLC

Borrower:	PulverDryer USA, LLC (and/or a related borrower(s))	
Lender:	First Farmers Bank & Trust	
Loan Amount:	Up to \$3,500,000 (increase of \$1,000,000)	
MSF Cash Collateral:	Up to \$1,746,500 (increase of \$499,000)	
Loan Type:	12-month revolving line of credit	
Fees:	Tier II:	2.00% of MSF incremental increase amount closing 1.25% annually thereafter based on the MSF share balance

Other

- Commitment will remain valid for 90 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.
- Unlimited, unsecured personal guaranty of Levi New. Corporate guaranty of Power Technologies International, LLC. Guarantees are for the benefit of the MSF, subordinated to the senior lender and limited by senior lender’s exposure at time of closing, but the subordination of the guarantees to the MSF in favor of the senior lender may not exceed a principal balance of \$3,500,000, along with reasonable interest and fees.
- Unlimited, unsecured corporate guarantee of CTC Property Holdings, LLC (Springfield Headquarters Facility Real Estate Holding Company) for the benefit of the MSF.
- The proposed financing will be subject to a minimum debt service coverage covenant, as calculated by the Bank. Minimum debt service coverage ratio will be set based on a level acceptable to Bank and DCS.
- The proposed financing will be subject to a limitation on owner compensation. Compensation will be limited to a level acceptable to Bank and DCS.

MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

SSBCI MBGF-CSP APPROVAL OF COLLATERAL SUPPORT AGREEMENT FOR PULVERDRYER USA, LLC AND RELATED BORROWERS

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

WHEREAS, At its May 25, 2011 meeting, the MSF Board approved: (i) the creation of the Michigan Business Growth Fund (the “MBGF”), an SSBCI Program created by the MSF to disburse SSBCI funds in accordance with the SSBCI, and (ii) as part of the MBGF, the creation of a collateral support program designed to 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”);

WHEREAS, pursuant to SFCR 10.5-1(3), the MSF approved the MSF President or MSF Fund Manager to negotiate the terms and conditions and execute all final necessary to effectuate awards and decisions approved under the SSBCI Programs, including the MBGF-CSP;

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

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

WHEREAS, in 2013, First Farmers Bank & Trust (“Bank”) proposed a new credit facility to PulverDryer USA, LLC and/or related borrowers (the “Proposed Borrowers”) of \$2,500,000 for working capital availability purposes;

WHEREAS, on June 6, 2013, the MSF, through its delegates, approved the request of the Proposed Borrowers for collateral support from the MSF under the federally funded MBGF-CSP for an amount not to exceed the lesser of: (i) \$1,247,500 or (ii) up to 49.9% of the total amount of the Bank loan;

WHEREAS, Bank has proposed to increase the credit facilities to the Proposed Borrowers in the amount of \$1,000,000, which will result in an aggregate facility of \$3,500,000 for working capital availability purposes;

WHEREAS, Proposed Borrowers have requested additional collateral support from the MSF under the federally funded MBGF-CSP not to exceed \$499,000, which will result in the total MSF support in amount not to exceed the lesser of: (i) \$1,746,500 or (ii) up to 49.9% of the total amount of the Bank loan (“MBGF-CSP Support”);

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
August 26, 2014

Exhibit A

Facility 1 – PulverDryer USA, LLC

Borrower:	PulverDryer USA, LLC (and/or a related borrower(s))	
Lender:	First Farmers Bank & Trust	
Loan Amount:	Up to \$3,500,000 (increase of \$1,000,000)	
MSF Cash Collateral:	Up to \$1,746,500 (increase of \$499,000)	
Loan Type:	12-month revolving line of credit	
Fees:	Tier II:	2.00% of MSF incremental increase amount closing 1.25% annually thereafter based on the MSF share balance

Other

- Commitment will remain valid for 90 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.
- Unlimited, unsecured personal guaranty of Levi New. Corporate guaranty of Power Technologies International, LLC. Guarantees are for the benefit of the MSF, subordinated to the senior lender and limited by senior lender's exposure at time of closing, but the subordination of the guarantees to the MSF in favor of the senior lender may not exceed a principal balance of \$3,500,000, along with reasonable interest and fees.
- Unlimited, unsecured corporate guarantee of CTC Property Holdings, LLC (Springfield Headquarters Facility Real Estate Holding Company) for the benefit of the MSF.
- The proposed financing will be subject to a minimum debt service coverage covenant, as calculated by the Bank. Minimum debt service coverage ratio will be set based on a level acceptable to Bank and CST.
- The proposed financing will be subject to a limitation on owner compensation. Compensation will be limited to a level acceptable to Bank and CST.



MEMORANDUM

TO: Michigan Strategic Fund Board

FROM: Chris Cook, Business Capital Relationship Manager
Amy Deprez, Managing Director Development Finance
Val Hoag, SVP Business Development

DATE: August 26, 2014

RE: Request for Expanded Delegated Authority for Michigan Supplier Diversification Fund and State Small Business Credit Initiative Programs for Specific Partners

REQUEST

This request is to increase the delegated authority for the Michigan Supplier Diversification Program (“MSDF”) and State Small Business Credit Initiative Michigan Business Growth Fund (“SSBCI-MBGF”) programs. Staff is requesting that for institutions coming before the program with which the program has significant experience/track record and for institutions with significant size and production capacity, delegated authority be increased from the current \$1,000,000 to \$3,000,000.

BACKGROUND

In 2009, the Michigan Strategic Fund (“MSF”) began operating a variety of credit enhancement programs designed to support base job creating (as defined by the MEGA Statute) small businesses (defined largely by the Small Business Administration). The programs operated in situations which were not supported by the SBA with existing tools, specifically by providing collateral coverage or reduced debt; both of which had strategic importance to the small business and lender. The programs provided such a compelling response to the economic conditions of those businesses that the US Department of Treasury implemented a national program authorized by the Small Business Banking and Jobs Act of 2010 and operated as SSBCI. Michigan received \$79 million of the total of \$1.5 billion nationwide allocation from this initiative. The purpose of these programs is to improve access to affordable but appropriately managed capital for the identified Michigan businesses.

Today, the Michigan Strategic Fund operates a variety of programs as detailed in Exhibits A and B to this memo under the MSDF and SSBCI-MBGF programs. The tools range from a “retail” style (transaction by transaction) program such as Collateral Support, to enabling or facilitating investments in vehicles such as the MSF’s investment in Grow Michigan LLC and Develop Michigan, Inc. Overall the MSF has experienced no net charge-offs, it has a very small group of assets in active work out and it has generated nearly \$4.0M in fees and program income.

The program works with partners who have strong reputational and regulatory characteristics and because the programs have significant experience with many of these partners, Staff feels confident that the MSF is doing a good job managing its opportunity cost, credit risk profile and policy outcomes with higher delegated authority limits. Providing for high quality customer outcomes in these transactions demands high attention to detail related to timing and the final covenants/conditions in the transaction which can change quickly up through closing. Additionally, it is a natural inclination of many of our partners to prioritize easy to accomplish transactions above more complex transactions involving credit enhancement. Finding ways to provide more speed and flexibility for trusted partners is critical to pushing

transactions with strong policy outcomes (as the SBA learned when it created and implemented the Preferred Lender Program or PLP).

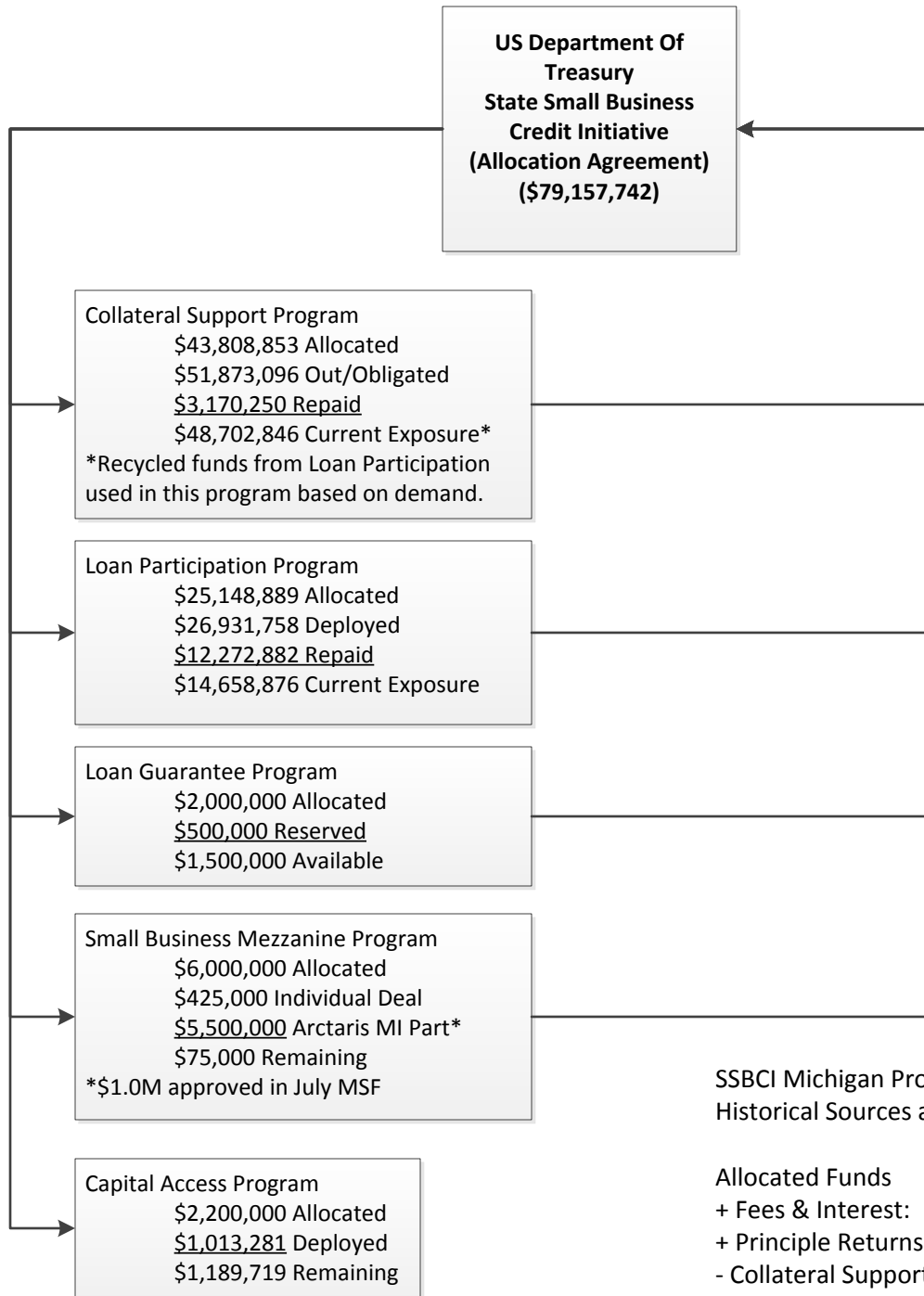
PREFERRED PARTNERS

Partners which staff supports as having either a strong reputational/experiential standing or a strong regulatory framework (both of which serve to reduce operational and credit risk in a deal) are as follows:

- JP Morgan Chase Regulated Commercial Bank
- Comerica Bank Regulated Commercial Bank
- The Huntington National Bank Regulated Commercial Bank
- Fifth Third Bank, N. A. Regulated Commercial Bank
- mBank Regulated Commercial Bank
- PNC Bank Regulated Commercial Bank
- First Merit Bank Regulated Commercial Bank
- The Private Bank Regulated Commercial Bank
- Level One Bank Regulated Commercial Bank
- Talmer Bank and Trust Regulated Commercial Bank
- Bank of America Regulated Commercial Bank
- Independent Bank Regulated Commercial Bank
- Chemical Bank Regulated Commercial Bank
- Mercantile Bank & Trust Regulated Commercial Bank
- Bank of Holland Regulated Commercial Bank
- Bank of Northern Michigan Regulated Commercial Bank
- Shorebank Enterprise, Detroit Regulated Community Development Financial Institution
- Invest Detroit Foundation Regulated Community Development Financial Institution
- Northern Economic Initiatives Regulated Community Development Financial Institution
- Opportunity Resource Fund Regulated Community Development Financial Institution
- Metro Community Dev. Corp Regulated Community Development Financial Institution

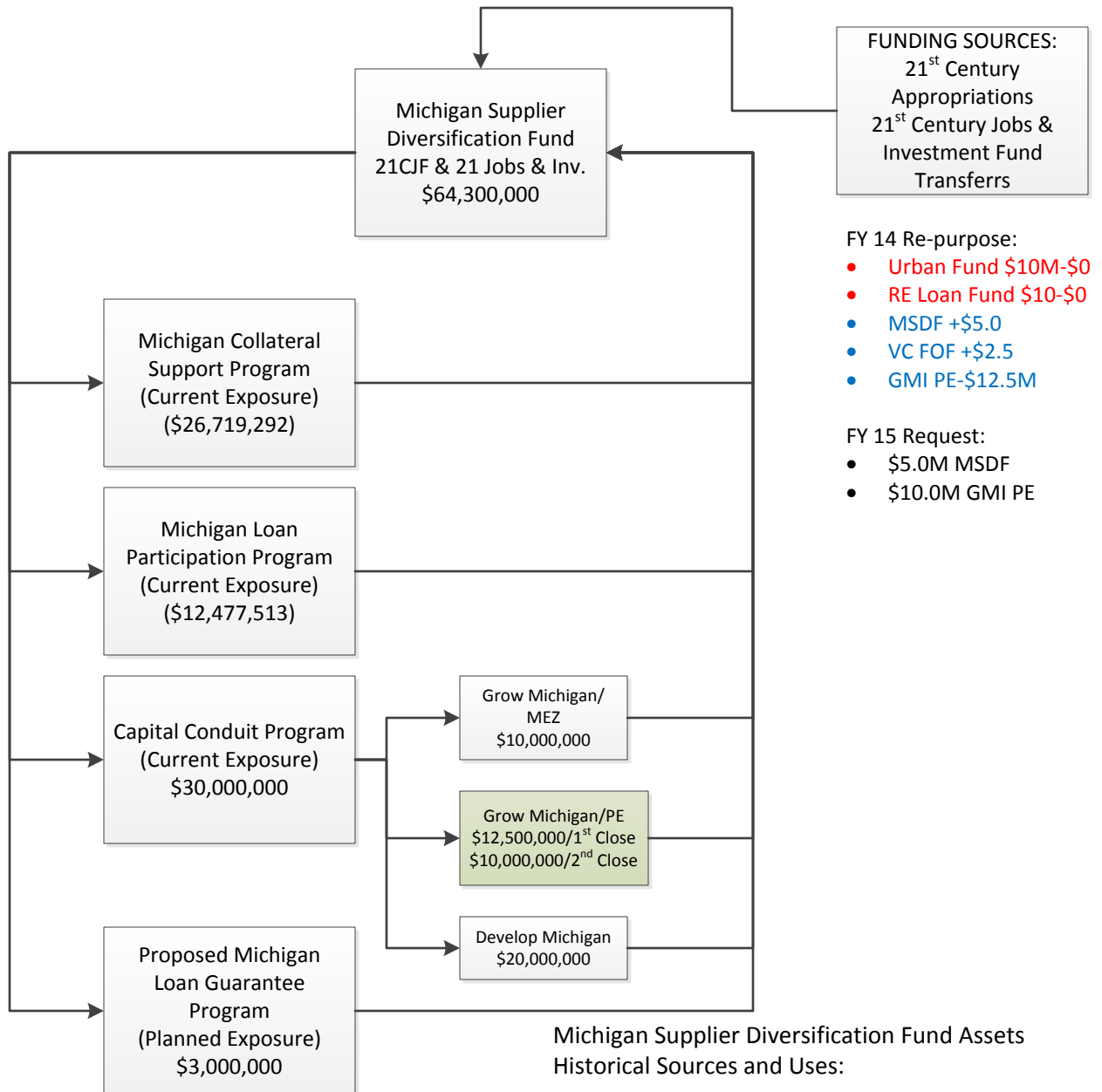
RECOMMENDATION

Staff recommends that the existing delegation of authority for the MSDF and SSBCI programs be expanded to \$3.0M with one or more of the above named Preferred Partners.



**SSBCI Michigan Program Assets
Historical Sources and Uses**

Allocated Funds	\$79,157,742
+ Fees & Interest:	\$2,403,798
+ Principle Returns	\$20,411,942
- Collateral Support	\$51,873,096
- Loan Participation	\$26,931,758
- SB Mez Program	\$5,925,000
- Prop. Loan Gnt Program	\$500,000
- CAP Program	\$1,013,281
- Costs	\$664,783
- Historical Losses	<u>\$0.0</u>
Total Net Available:	15,065,564



Michigan Supplier Diversification Fund Assets
Historical Sources and Uses:

Allocated Funds	\$64,300,000
+ Fees & Interest	\$1,485,727
+ Principal Returns	\$18,529,824
- Collateral Support	\$27,019,292
- Loan Participation	\$12,477,513
- Capital Conduit	\$30,000,000
- Prop. Loan Guarantee	\$3,000,000
- Historical Losses	<u>\$0.0</u>
Total Net Available:	\$12,118,746

FY 14 Revised Plan	\$5,000,000 MSDF
FY 14 Revised Plan	\$12,500,000 GMI PE
Total Available (FY14)	\$29,618,746
FY 15 Plan:	\$5,000,000 MSDF
FY 15 Plan:	\$10,000,000 GMI PE
Total Available (14/15)	\$44,618,746

Small Business Mezzanine
Program Window
DARK

MICHIGAN STRATEGIC FUND

RESOLUTION

2014-XX

STRATEGIC FUND DELEGATION OF AUTHORITY

WHEREAS, under Section 125.2005(7) of the Michigan Strategic Fund 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, under Article II, Section 1 of the Amended and Restated Bylaws adopted by the MSF Board on April 22, 2014 (the "Bylaws"), the MSF Board may delegate by resolution those functions and authority it deems necessary or appropriate to the President, Vice-President, Staff, the MEDC, or others, unless otherwise prohibited by law; and,

WHEREAS, under Article III, Section 1 of the Bylaws, the MSF President will provide for compilations of all general delegated authority; standard processes; and standard policies, in force (the "Strategic Fund Compiled Resolutions" or "SFCR");

NOW, THEREFORE, BE IT HEREBY RESOLVED, that the MSF Board delegates the following authority effective August 26, 2014:

125.2088d-1 Loan Enhancement Programs

(2a) The MSF President, the MSF Fund Manager, and the State Treasurer, with any two required to act, may make all decisions with respect to awards under the Michigan Supplier Diversification Fund (the "MSDF"), including all subprograms of the MSDF, where the award amount is less than or equal to \$3,000,000 and the partner institution is one of the following listed institutions:

JP Morgan Chase
Comerica Bank
The Huntington National Bank
Fifth Third Bank, N. A.
mBank
PNC Bank
First Merit Bank
The Private Bank
Level One Bank
Talmer Bank and Trust
Bank of America
Independent Bank
Chemical Bank
Mercantile Bank & Trust

Bank of Holland
Bank of Northern Michigan
Shorebank Enterprise, Detroit
Invest Detroit Foundation
Northern Economic Initiatives
Opportunity Resource Fund
Metro Community Dev. Corp

10.5-1 State Small Business Credit Initiative (“SSBCI”)

(1a) The MSF President, the MSF Fund Manager, and the State Treasurer, with any two required to act, may make all decisions with respect to awards under the SSBCI Michigan Business Growth Fund (the “SSBCI-MBGF”), including the SSBCI-MBGF Collateral Support Program (the “SSBCI-MBGF-CSP”) and the SSBCI-MBGF Loan Participation Program (the “SSBCI-MBGF-LPP”), where the award amount is less than or equal to \$3,000,000 and the partner institution is one of the following listed institutions:

JP Morgan Chase
Comerica Bank
The Huntington National Bank
Fifth Third Bank, N. A.
mBank
PNC Bank
First Merit Bank
The Private Bank
Level One Bank
Talmer Bank and Trust
Bank of America
Independent Bank
Chemical Bank
Mercantile Bank & Trust
Bank of Holland
Bank of Northern Michigan
Shorebank Enterprise, Detroit
Invest Detroit Foundation
Northern Economic Initiatives
Opportunity Resource Fund
Metro Community Dev. Corp

(2a) The MSF President, the MSF Fund Manager, and the State Treasurer, with any two required to act, may make all decisions with respect to awards under the State Small Business Credit Initiative Small Business Mezzanine Program (the “SSBCI-SBMP”), where the award amount is less than or equal to \$3,000,000 and the partner institution is one of the following listed institutions:

JP Morgan Chase
Comerica Bank
The Huntington National Bank
Fifth Third Bank, N. A.
mBank
PNC Bank
First Merit Bank
The Private Bank
Level One Bank
Talmer Bank and Trust
Bank of America
Independent Bank
Chemical Bank
Mercantile Bank & Trust
Bank of Holland
Bank of Northern Michigan
Shorebank Enterprise, Detroit
Invest Detroit Foundation
Northern Economic Initiatives
Opportunity Resource Fund
Metro Community Dev. Corp

(3a) The MSF President, the MSF Fund Manager, and the State Treasurer, with any two required to act, may make all decisions with respect to awards under the SSBCI Loan Guarantee Program (the “SSBCI-LGP”), where the award amount is less than or equal to \$3,000,000 and the partner institution is one of the following listed institutions:

JP Morgan Chase
Comerica Bank
The Huntington National Bank
Fifth Third Bank, N. A.
mBank
PNC Bank
First Merit Bank
The Private Bank
Level One Bank
Talmer Bank and Trust
Bank of America
Independent Bank
Chemical Bank
Mercantile Bank & Trust
Bank of Holland
Bank of Northern Michigan
Shorebank Enterprise, Detroit
Invest Detroit Foundation
Northern Economic Initiatives

Opportunity Resource Fund
Metro Community Dev. Corp

BE IT FURTHER RESOLVED, the MSF President shall compile and publish the above delegated authority as required under Article III of the Bylaws.

Ayes:

Nays:

Recused:

Lansing, Michigan



MEMORANDUM

Date: August 26, 2014

To: Michigan Strategic Fund (MSF) Board Members

From: Julius L. Edwards, Debt Capital Services

Subject: Rescind Resolution 2014-134 and Approval of a \$2,450,000 Michigan Community Revitalization Program Other Economic Assistance – Loan Participation:

Lofts on Michigan, LLC
 16 Monroe Center NE, Suite 200
 Grand Rapids, Michigan 49503

Mercantile Bank of Michigan
 310 Leonard St NW
 Grand Rapids, Michigan 49504

Request

The request is to rescind the prior Michigan Community Revitalization Program (MCRP) Incentive approved on April 22, 2014 under resolution 2014-134. Staff is seeking approval of a \$2,450,000 MCRP Other Economic Assistance – Loan Participation that would replace the Bank of Holland as a Co-Applicant and Senior Lender with Mercantile Bank of Michigan as the Co-Applicant and change several items under the original Loan Participation terms as summarized below.

Background

On April 22, 2014 the Michigan Strategic Fund (“MSF”) approved a \$2,450,000 MCRP incentive in the form of other economic assistance – loan participation for the Lofts on Michigan project. Due to the inability of the development team and the Senior Lender to agree on the final terms of the financing the development team elected to pursue an alternative Senior Lender.

FINANCING OPPORTUNITY – MCRP LOAN PARTICIPATION

The project is seeking MSF participation in coordination with Mercantile Bank of Michigan (“Lender”) as the Senior Lender. The Lender, along with the Borrower, has requested the MSF participate in up to \$2,450,000 in a \$13,063,000 financing proposal. The MSF share would be subordinated in payments on a limited basis, and would allow the collateral to apply first to the Lender’s share in an event of liquidation. It is anticipated that disbursements to project on loan will be made on a pro-rata basis. Below outlines a summary of the development sources and the proposed structure of the loan participation.

SUMMARY OF DEVELOPMENT SOURCES:

Loan Participation	\$	13,063,000
Developer Equity	\$	1,647,000
TOTAL	\$	14,710,00

LOAN FACILITY

MSF Facility	MCRP Loan Participation and Servicing Agreement Under “other economic assistance”
Borrower:	Lofts on Michigan, LLC
Lender:	Mercantile Bank of Michigan
Total Loan Amount:	Currently estimated at \$13,063,000 (originally \$14,089,500)
Lender Share:	Currently estimated at 10,613,000 (originally \$11,639,500)
MSF Share:	Up to \$2,450,000
Term:	To match that of the Lender, not to exceed 84 months (originally 120 months) with an interest only period of up to 24 months.
Amortization:	On the MSF Share up to 20 years (originally 25 years) following the interest only period.
Interest Rate:	On the MSF Share 1.00% per annum
Repayment Terms:	On the MSF Share up to 24 months of monthly interest only payments followed by monthly principal and interest payments. Up to 500,000 of the MSF Share of the loan to be forgiven at issuance of a “Certificate of Occupancy” for the entire building.
	Subordination of Payments (new to the proposal) <ol style="list-style-type: none">1) Payments to the MSF allowed to the extent that the Debt Service Coverage Ratio (DSCR) is always above 1.15x.2) Certain defaults under the loan agreement related to missed payments will trigger suspension of all payments to the MSF until the default has been cured.
Collateral:	To match that of the Lender, currently anticipated being a mortgage lien on the property, and assignments of leases/rents and Tax Increment Financing. MSF Share of collateral will be subordinated to that of the Lender.
Guarantee:	To match that of the Lender, currently anticipated being the unsecured joint and several guarantees of the owners of Lofts on Michigan, LLC members during construction converting to limited proportional guarantees thereafter. The MSF Share of guarantee(s) will be subordinated to the Lender.
Fee:	The MSF shall be paid a one-time fee equal to 1.00% of the MSF’s Share of the loan. The Lender may charge the borrower for this fee.

Funding: The MSF will fund up to \$2,450,000 to be disbursed following closing of the Loan and other performance criteria.

Other Conditions: The MSF's investment will be contingent upon a minimum owner equity contribution being made to the project equal to the lesser of 7% of budgeted project cost or \$1,647,000.

Recommendation

Staff recommends to rescind resolution 2014-134 and approval of a MCRP other economic assistance – loan participation of \$2,450,000 for Lofts on Michigan, LLC.



MEMORANDUM

Date: April 22, 2014

To: Michigan Strategic Fund Board

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

Subject: City of Grand Rapids Brownfield Redevelopment Authority Request for Approval of an Act 381 Work Plan; and, Lofts on Michigan, LLC and The Bank of Holland Michigan Community Revitalization Program Request for Approval of a \$2,450,000 Other Economic Assistance –Loan Participation

Request

Lofts on Michigan, LLC (“Applicant” or “Borrower”) and The Bank of Holland (“Lender”) are requesting approval of a Michigan Community Revitalization Program incentive in the amount of \$2,450,000 in the form of loan participation under other economic assistance. The Applicant anticipates that the project could result in eligible investment of \$10,258,500 and total capital investment in the amount of \$15.2 million in the City of Grand Rapids and the creation of 15 jobs.

The City of Grand Rapids Brownfield Redevelopment Authority has submitted an Act 381 Work Plan (hereinafter Work Plan) request for the approval of local and school tax capture for eligible activities in the amount of \$3,151,225. Eligible activities that will be undertaken to alleviate Brownfield conditions on the property and complete the project include demolition of existing structures, and infrastructure improvements that include improvements to public sidewalks and curbs, as well as subsurface parking and green roof elements on private property.

Background

The proposed project is being developed by 616 Development, a boutique urban development firm based in Grand Rapids, Michigan. The two key principals of the organization are Derrick Coppess and Matt O’Connor. With a heavy emphasis on residential, 616 Development efforts focus on underutilized spaces in urban areas and their surrounding neighborhoods. All 616 residential properties in Grand Rapids are managed by the company’s community management arm, 616 Lofts. 616 Development has completed redevelopment of the upper floors of the Flanagan’s building and both buildings at 1&7 Ionia under the name of Ionia Ventures, LLC in Grand Rapids. In addition, 616 recently completed construction on the Kendall Building on Monroe Center in Grand Rapids.

Although the Applicant has not previously received a MSF award, 616 Development has an ownership interest in two projects in Grand Rapids that have received prior MSF awards – the Kendall Building at 16 Monroe Center and the buildings at 1 & 7 Ionia. The amounts of the awards were \$475,000 and \$361,500 respectively. Both projects have been successfully completed and are now fully occupied.

The Applicant plans to demolish the existing functionally obsolete and vacant building on the 0.68 acre property located at 740 and 756 Michigan Street in the City of Grand Rapids. The project includes construction of a new four-story 90,000 square foot building that will house an estimated 54 apartments above approximately 9,700 square feet of first floor commercial/retail space and 29,000 square feet of underground parking.

- a) The project is located within the boundaries of the City of Grand Rapids, which is a Qualified Local Governmental Unit, and has been determined to be functionally obsolete by a Master Assessing Officer. The property is the subject of a Brownfield Plan, duly approved by the City of Grand Rapids on December 17, 2013.
- b) The Applicant plans to make an investment of \$2,741,500 to the project for the earthwork, environmental mitigation and site improvements, as authorized under the program. The project and the investment are described in more detail in the attached Summary of Terms. The project will be located in the City of Grand Rapids. The City has offered a financial commitment to the project in the form of TIF reimbursement for a period of 21 years. The estimated value of the TIF reimbursement is expected to be approximately \$3.1 million and will commence in July 2015.
- c) The project is located in a traditional commercial center along a high traffic corridor and qualifies for an MCRP award because it is functionally obsolete.

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

FINANCING OPPORTUNITY – MCRP LOAN PARTICIPATION

The project is seeking MSF participation in coordination with the Lender as the senior lender. The Lender, along with the Borrower, has requested the MSF participate in up to \$2,450,000 in a \$14,089,500 construction to permanent loan facility. The MSF would participate in all payments in proportion to its share of the loan, but would allow the collateral to apply first to the Lender’s share in an event of liquidation. It is anticipated that disbursements to project on loan will be made on a pro-rata basis. Below outlines a summary of the development sources and the proposed structure of the loan participation.

SUMMARY OF DEVELOPMENT SOURCES:

Loan Participation	\$	14,089,500
Developer Equity	\$	<u>1,060,500</u>
TOTAL	\$	15,150,000

LOAN FACILITY

MSF Facility	MCRP Loan Participation and Servicing Agreement Under “other economic assistance”
Borrower:	Lofts on Michigan, LLC
Lender:	The Bank of Holland
Total Loan Amount:	Currently estimated at \$14,089,500, not to exceed \$16,000,000
Lender Share:	Currently estimated at \$11,639,500, not to exceed 80% of Appraised Value
MSF Share:	Up to \$2,450,000
Term:	To match that of the Lender, not to exceed 120 months with an interest only period of up to 24 months.

- Amortization:** On the MSF Share up to 25 years following the interest only period.
- Interest Rate:** On the MSF Share 1.00% per annum
- Repayment Terms:** On the MSF Share up to 24 months of monthly interest only payments followed by monthly principal and interest payments.
- Up to \$1,000,000 of the MSF Share of the loan to be forgiven at issuance of a “Certificate of Occupancy” for the entire building.
- Collateral:** To match that of the Lender, currently anticipated being a mortgage lien on the property and assignment of leases and rents. MSF Share of collateral will be subordinated to that of the Lender.
- Guarantee:** To match that of the Lender, currently anticipated being the unlimited unsecured personal guarantees of 616 Holdings and Lofts on Michigan, LLC members. The MSF Share of guarantee will be subordinated to the Lender
- Fee:** The MSF shall be paid a one-time fee equal to 1.00% of the MSF’s Share of the loan. The Lender may charge the borrower for this fee.
- Funding:** The MSF will fund up to \$2,450,000 to be disbursed following closing of the Loan and other performance criteria.
- MSF Delegation:** It is requested the Board delegate to the MSF Fund Manager, in consultation with legal counsel and other MSF and MEDC staff the final terms for the payment and amortization schedule, collateral, interest rate on the lenders share, and guarantees.

Recommendation

The MEDC staff recommends approval of an MCRP performance-based loan participation in the amount of \$2,450,000 and approval of local and school tax capture for the Act 381 eligible activities totaling \$3,151,225 described above. The MCRP commitment will remain valid until October 22, 2014 (180 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 properties located at 740 and 756 Michigan are functionally obsolete and underutilized. Located along a traditional business corridor, the subject properties have been vacant and falling into disrepair for nearly a decade. The approximately \$16 million project will be a significant investment in a portion of the corridor which will help support local business and raise surrounding property values. The project fits with the vision of the community as expressed in the Michigan Street Corridor Area Plan.

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

This project is expected to have a significant impact upon the corridor and the surrounding neighborhood, providing much needed market rate apartments within walking distance to a major medical district a half mile to the east. The project will also contribute new retail/commercial opportunities within the immediate area. More than 230 feet of frontage along Michigan Street will be transformed from vacant buildings and parking lots into vibrant mixed use and pedestrian oriented project with more than 50 residential dwellings. Further, the project includes underground parking, a project component that has not yet been incorporated into any other projects outside of the core medical district or downtown. This creates an opportunity to create a new model for restricted sites to provide strong urban form without sacrificing tenant amenities such as parking.

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

The City of Grand Rapids has committed to both a Neighborhood Enterprise Zone as well as a Brownfield TIF for the project. The NEZ is expected to result in \$968,000 in tax savings for the developer and \$3.1 million in Brownfield TIF reimbursement over the life of the project. The local neighborhood organization (Midtown Neighborhood Association) and the local business community (Michigan Street Corridor Association) have also provided letters of strong support for the project.

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

The development team has been able to secure financing of up to 80% of the appraised value of the real estate and is contributing a minimum of 7% of the total development cost as an owner

equity contribution. The remaining gap is being filled with an MCRP incentive. The incentive will allow the project to be financially viable through the reduced interest rate, extended interest only period and debt forgiveness.

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

The site at 740 Michigan is currently occupied by a small two story building which has been determined to be functionally obsolete by the City of Grand Rapids.

B. Creation of jobs:

The development team has estimated a total of 15 permanent retail/service jobs will be created as a result of the development with an average hourly wage estimated to be \$15 per hour.

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

The developer/owner will provide more than \$1 million in equity (approximately 7% of total project cost), and the development team has secured financing from the Lender in the amount of not less than 80% of the appraised value anticipated to be a minimum of \$11.6 million.

D. Whether the project is financially and economically sound:

Following achievement of stabilized operations it anticipated that the projected debt service coverage ratio (DSCR) will be just under our typically required 1.20 to 1.00. Staff is comfortable with the coverage ratio due to the improving rental market in Grand Rapids and preleasing requirements that are being required by the Lender. Additionally, the projected DSCR was based on a relatively conservative vacancy rate of 7.5%; properties in the area are experiencing vacancy rates of less than 5%.

Staff performed a review of the rental assumptions for the project. Based on market information contained within an appraisal performed by CBRE and dated February 14, 2014, staff has concluded that rental and occupancy assumptions are reasonable for the project. Additionally, as mentioned above, the Lender has certain preleasing requirements for the property that furthers staff's comfort level.

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

The Midtown neighborhood which surrounds the project has an average density of approximately 12 dwelling units per acre, most of which are single family and duplex houses. The proposed project establishes a site density of 79 units per acre. This is six times as dense as the surrounding neighborhood and introduces a mix of commercial/retail and residential. The local neighborhood association has submitted a letter indicating their support.

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

The project will house an estimated 54 apartments above approximately 9,700 square feet of first floor commercial/retail space and 29,000 square feet of underground parking. The project is in a reasonable walking distance for residents in the surrounding neighborhoods and the overall project will reinforce the walkability of the neighborhood.

Whether the project converts abandoned public buildings to private use:

The project site/building is not publicly owned.

A. Whether the project promotes sustainable development:

The project incorporates sustainable construction including a green roof and underground parking which reduces the need for adjacent surface lots. The site will be highly walkable to the adjacent neighborhoods and is located along a primary transit route upon which both public and private transit services are provided at regular intervals. The increased residential density will create demand for service and commercial businesses in the immediate area.

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

No historic resources are located in the project area.

C. Whether the project addresses area-wide redevelopment:

The proposed project is the type of development envisioned for this area during the Michigan Corridor Area Plan, e.g. mixed use, high density and connected to transit. Success of the project will likely encourage similar development as it will not likely satisfy demand for this type of housing in the immediate area.

D. Whether the project addresses underserved markets of commerce:

A 2012 housing study commissioned by the City of Grand Rapids found that a majority of the available housing within this portion of the city is comprised of 80 to 120 year old single family homes. Although some of these homes have been converted into rental units, the housing study found that the near downtown portion of the City could accommodate nearly 5,000 new residential rental units per year for the next ten years. The proposed project will offer some of the first new construction, modern residential units available for rent on the northeast side of the City.

E. The level and extent of environmental contamination:

No environmental contamination has been identified on the property.

F. 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):

No historic resources are located in the project area.

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

The commercial vacancy rate among usable sites along Michigan Street is very low. It is not expected that retail or commercial uses proposed by the project will disadvantage or compete with nearby businesses.

H. 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 need to be considered for this project.

ADDITIONAL STATUTORY CRITERIA UNDER ACT 381:

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

The existing buildings on the site will be demolished.

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

The Brownfield Tax Increment Financing is needed to reduce the costs of demolition of existing buildings and assist with the costs of subgrade parking that supports high density residential use.

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

No new Brownfields will be created by this project.

d) Other Factors Considered

No additional factors need to be considered for this project.

INCENTIVE OPPORTUNITY Act 381 TIF:

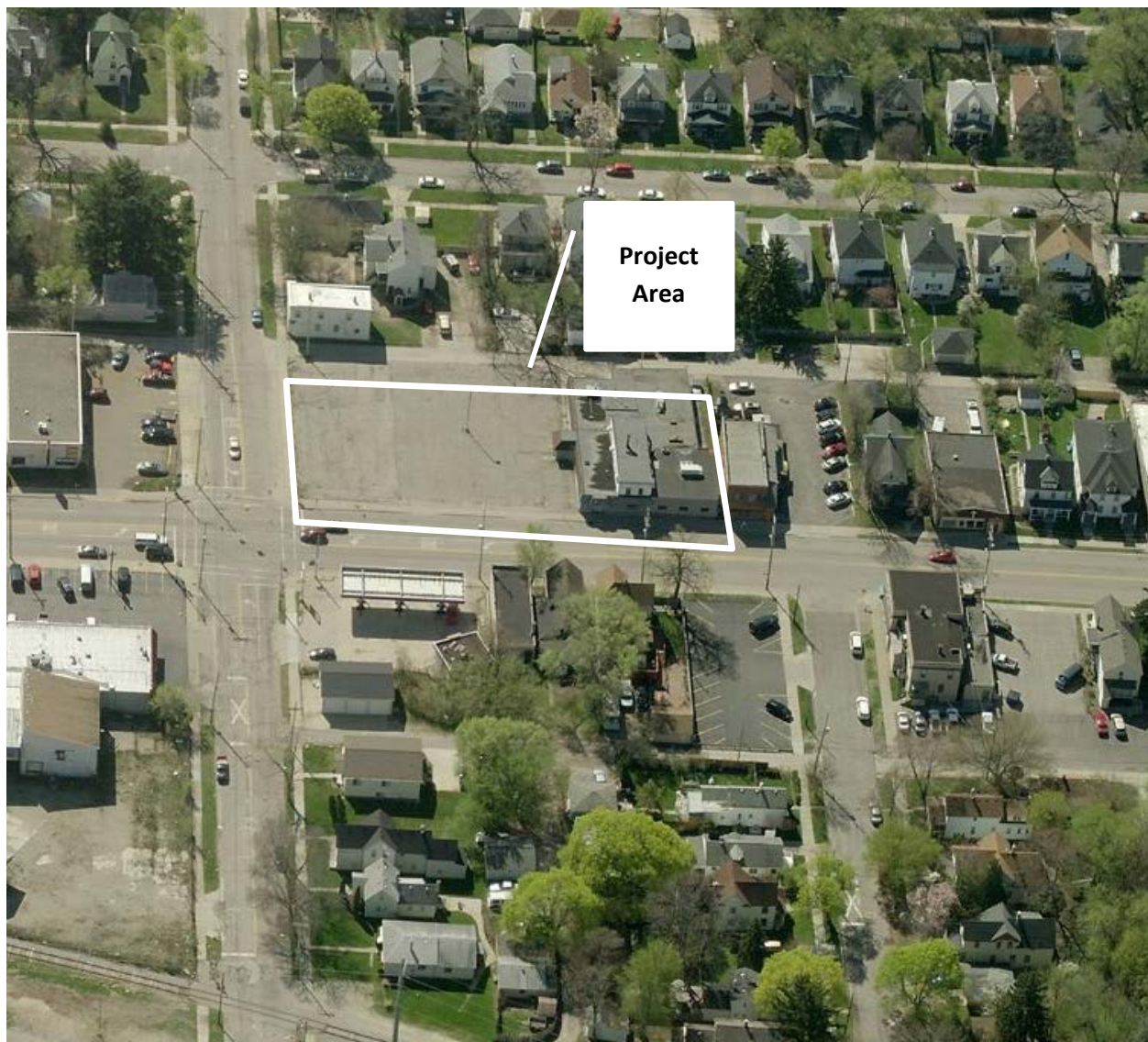
There are 45.4524 non-homestead mills available for capture, with school millage equaling 24 mills (52.8%) and local millage equaling 21.4524 mills (47.2%). The requested tax capture for eligible activities breaks down as follows:

School tax capture (52.8%)	\$1,663,847
Local tax capture (47.2%)	<u>\$1,487,378</u>
TOTAL	\$3,151,225

COST OF ELIGIBLE ACTIVITIES

Demolition	\$ 30,000
Infrastructure Improvements	<u>+2,701,500</u>
Sub-Total	\$2,731,500
Contingency (15%)	<u>+ 409,725</u>
Sub-Total	\$3,141,225
Brownfield/Work Plan Preparation	<u>+ 10,000</u>
TOTAL	\$3,151,225

APPENDIX B



**MICHIGAN STRATEGIC FUND
RESOLUTION 2014-**

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM
LOAN PARTICIPATION AWARD TO LOFTS ON MICHIGAN, LLC**

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

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

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

WHEREAS, pursuant to SFCR 2090-1(3), the MSF approved the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate awards and decisions approved under the MCRP (“Transaction Documents”);

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

WHEREAS, by resolution 2014-134, at the request of Lofts on Michigan, LLC (“Company”) and the Bank of Holland (“Former Lender”) and upon recommendation of the MEDC, the MSF Board approved Other Economic Assistance in the form of a \$2,450,000 Loan Participation (“April 2014 Approval”).

WHEREAS, the Company and Former Lender were unable to close on the original senior financing arrangement made part of the April 2014 Approval.

WHEREAS, the MEDC recommends that Resolution 2014-134 be rescinded in its entirety;

WHEREAS, Mercantile Bank of Michigan (“Lender”) has provided a loan commitment to Lofts on Michigan, LLC and /or related entities (“Proposed Borrower”) of up to \$13,063,000 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 \$2,450,000 (“Award Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC has recommended that the MSF approve the Award Request in accordance with the Term Sheet and Guidelines, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents for the Award Request 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 90 days (“MCRP Award Recommendation”);

NOW THEREFORE, BE IT RESOLVED, Resolution 2014-134 is rescinded in its entirety;
and

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

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan
August 26, 2014

Exhibit A

LOAN FACILITY

MSF Facility	MCRP Loan Participation and Servicing Agreement Under “other economic assistance”
Borrower:	Lofts on Michigan, LLC
Lender:	Mercantile Bank of Michigan
Total Loan Amount:	Currently estimated at \$13,063,000
Lender Share:	Currently estimated at 10,613,000
MSF Share:	Up to \$2,450,000
Term:	To match that of the Lender, not to exceed 84 months with an interest only period of up to 24 months.
Amortization:	On the MSF Share up to 20 years following the interest only period.
Interest Rate:	On the MSF Share 1.00% per annum
Repayment Terms:	On the MSF Share up to 24 months of monthly interest only payments followed by monthly principal and interest payments. Up to \$500,000 of the MSF Share of the loan to be forgiven at issuance of a “Certificate of Occupancy” for the entire building.
	Subordination of MSF Payments
	1) Payments to the MSF allowed to the extent that the Debt Service Coverage Ratio (DSCR) is always above 1.15x.
	2) Certain defaults under the loan agreement related to missed payments will trigger suspension of all payments to the MSF until the default has been cured.
Collateral:	To match that of the Lender, currently anticipated being a mortgage lien on the property and assignment of leases and rents. MSF Share of collateral will be subordinated to that of the Lender.
Guarantee:	To match that of the Lender, currently anticipated being the unsecured joint and several guarantees of the owners of Lofts on Michigan, LLC members during construction converting to limited proportional guarantees thereafter. The MSF Share of guarantee(s) will be subordinated to the Lender.
Fee:	The MSF shall be paid a one-time fee equal to 1.00% of the MSF’s Share of the loan. The Lender may charge the borrower for this fee.

Funding: The MSF will fund up to \$2,450,000 to be disbursed following closing of the Loan and other performance criteria.

Other Conditions: The MSF's investment will be contingent upon a minimum owner equity contribution being made to the project equal to the lesser of 7% of budgeted project cost or \$1,647,000.



MEMORANDUM

Date: August 26, 2014

To: Michigan Strategic Fund Board

From: Joseph Martin, Structured Financial Projects Manager
Stacy Esbrook, Community Assistance Team Specialist
Brent Morgan, Manager, Brownfield and Community Revitalization Programs
Dan Wells, Brownfield Senior Program Specialist

Subject: Orleans Landing Project

- Rivertown Phase 1, LLC – Request for Approval of Michigan Community Revitalization Program Equity Investment
- Detroit Brownfield Redevelopment Authority - Request for Approval of an Act 381 Work Plan,
- Request to Amend Large Brownfield SBT Credit

Request

The project requests approval of a new Brownfield Act 381 work plan, a Michigan Community Revitalization Program (MCRP) equity investment, and an amendment to a previously approved Brownfield Single Business Tax (SBT) Credit in order to redevelop four blocks of property, roughly centered at Franklin and Orleans Streets, in Detroit (Appendix A). The project will be known as Orleans Landing.

The Detroit Brownfield Redevelopment Authority has submitted an Act 381 Work Plan (hereinafter Work Plan) request for the approval of local and school tax capture for non-environmental eligible activities in the amount of \$6,495,862 (Appendix B). Eligible activities that will be undertaken to alleviate Brownfield conditions on the property and complete the project include demolition, site preparation and infrastructure improvements that will support the project.

Rivertown Phase 1, LLC (Applicant) is requesting approval of an equity investment (under MCRP other economic assistance) in the amount of \$7,610,000 as further described in Appendix C. The Applicant also requests an amendment to the Brownfield SBT Credit approved in 2006 (Appendix D).

Applicant (Developer) Background

Rivertown Phase 1, LLC was created by McCormack Baron Salazar (MBS) as the single-purpose entity for the redevelopment of the subject property. MBS was incorporated in 1973 and has distinguished itself as a nationally acclaimed for-profit residential development company specialized in the revitalization of urban neighborhoods. MBS has extensive experience in the adaptive reuse and rehabilitation of historic structures, and the integration of new construction into urban historic districts. The firm has previous experience in the development of 18,000 units of residential housing and 1.4 million square feet of retail/commercial space.

Although the Applicant has not previously received incentives from the MSF, MBS was co-developer on the mixed-use, mixed-income, Strathmore Apartments Project in Midtown Detroit and was awarded a \$3.5 million MCRP equity contribution at the February MSF Board. The Strathmore Apartments Project is expected to close at the end of September, 2014.

Project Description

The Applicant plans to develop four square blocks of vacant and contaminated land into a new urban neighborhood. The area is located on the Detroit riverfront on approximately 7.7 acres of property located at 1520-1574 Franklin and 240 Orleans in the City of Detroit. The project will construct 20 new buildings (19 residential and 1 maintenance), ranging from one to four stories, spanning four city blocks north of Atwater Street, west of the Dequindre Cut Greenway bike and walking trail, in the Riverfront District north of downtown. The mix of building uses includes 278 new residential units and approximately 10,500 square feet of new retail/commercial space. Fifty six of the residential units will be reserved for residents earning up to 80% of Detroit Area Median Income. The development includes traditional urban multi-family residential buildings with first floor retail in some buildings, townhouse complexes, and a community building. There will be 206 one-bedroom units and 72 two-bedroom residential units. The project is anticipated to result in a capital investment in the amount of \$61,035,220 and the creation of 39 full-time equivalent jobs.

Transaction Overview

Market access to traditional forms of debt remain difficult to obtain in Detroit requiring most developments to use government backed or program related investments (PRI) from the foundation community to activate the development. This project will require the use of both these sources in combination with private equity from Goldman Sachs and McCormack Barron Salazar. The financial structure can be separated into three components: debt, private equity, and community equity.

On the debt component, the Orleans Landing project is utilizing the HUD 221(d)4 mortgage insurance program for residential housing, which will provide insurance to the loan originator, Gershman Mortgage. HUD has strict and highly adverse rules related to subordinated debt. Therefore, MEDC staff is recommending the project be structured as an equity investment supported via the MCRP. Likewise, the other community funders will also come into the project as an equity contribution to avoid the same restrictions. The community equity includes those sources listed below to close the financial transaction, plus an estimated \$1,750,000 in other public infrastructure funded by the public sector. The transaction will be outlined in greater detail, including key rights, obligations, cash flow distribution and sale provisions in the Summary of MCRP Terms in Appendix C.

A summary of anticipated sources to the project

	Amount	% Costs
Gershman – Senior Loan	\$25,424,000	41.65%
Gershman – Abatement Loan	\$3,617,000	5.93%
Gershman – TIF Loan	\$5,410,000	8.86%
Brownfield Tax Credit	\$5,123,000*	8.39%
Deferred Developer Fees	\$151,220	0.25%
Private Equity: Goldman Sachs/MBS	\$7,500,000	12.28%
Community Equity: Invest Detroit Core	\$4,500,000	7.38%
City Strategic Fund		
EDC of Detroit	\$1,700,000	2.79%
MCRP Community Equity	\$7,610,000	12.47%
TOTAL DEVELOPMENT SOURCES	\$61,035,220	100.00%

*Brownfield tax credit based on eligible investment without contingency

Management Structure

Rivertown Phase 1, LLC will be the property owner and is the entity responsible for undertaking the redevelopment of the property, making the eligible investment and providing the cash flow to service all debt payments arising from the transaction. Rivertown Phase 1, LLC is expected to be a Manager-Managed LLC, with McCormack Barron Salazar fulfilling this role. The Managing Member is expected to carry out all ordinary business and affairs of the company.

Financial Need

The project evidences need because it has maximized debt on a loan to value basis, has maximized available private equity for the market given reasonable hurdle rates, and still evidences a significant gap which without the proposed assistance no market capital can close to advance the project. Expected hurdle rates on private equity for projects in Detroit have ranged from a 15 to 25% internal rate of return, with potential for upside should the market allow for growth. Projections for sale at year 10 with a steady annual 3% growth rate in market rents provides the private equity just over a 15% return.

Financial and Economic Analysis

The overall rental rates for the residential units for the Orleans Landing are projected at \$1.68 per square foot. Although, the market study has yet to be complete for this deal, MEDC staff is confident that these rates are acceptable. This project, and the Du Charme (being undertaken by Walter Cohen with 21st Century Holding) are the first new builds outside of the core central business district and Midtown. However, given the close proximity and targeting the same potential customers, MEDC staff used the Central Business District (CBD) as a proxy to evaluate the market demand and associated rental pricing. The overall CBD market is expected to bring in over 1,500 housing units through the end of the 2017. The market study project at a minimum 500 to 1,666 units could be added annually and still maintain the 95% occupancy.

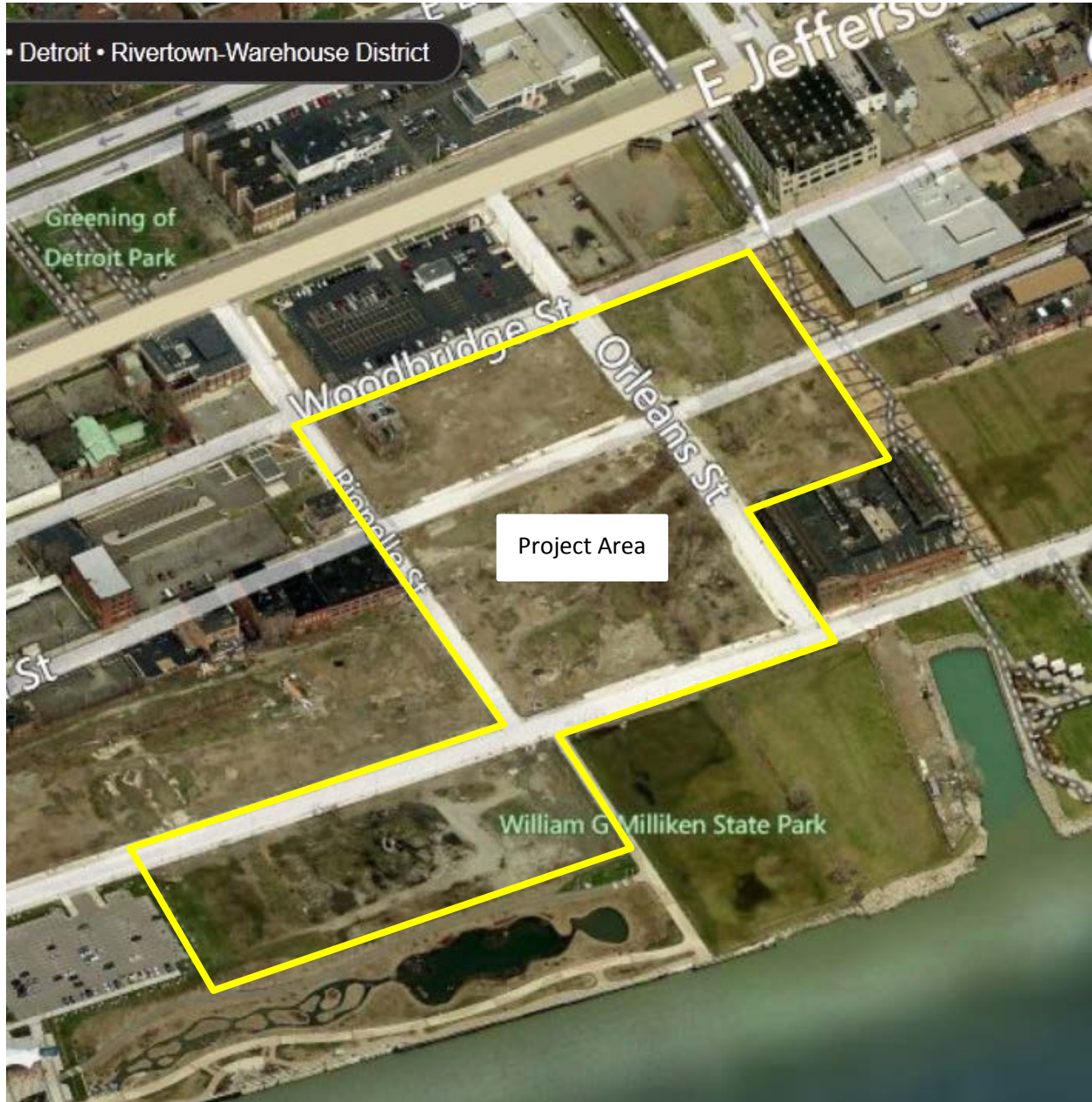
Recommendation

MEDC Staff recommends the following:

- a) Approval of local and school tax capture for the Act 381 eligible activities totaling \$6,495,862 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$3,944,668.
- b) Approval of an MCRP performance-based Other Economic Assistance (Equity Investment) in the amount of \$7,610,000 for Rivertown Phase 1, LLC.
- c) Approval of the Brownfield SBT Credit Amendment to:
 1. Remove @Water Lofts, LLC as a qualified taxpayer,
 2. Add Rivertown Phase 1, LLC and Waterbrook Special Company as qualified taxpayers;
 3. Change the scope of the project as described above, reduce the credit amount and convert the credit from an SBT Brownfield credit to an MBT Brownfield credit;
 4. Multi-phase the project to include five phases as described in Appendix D;
 5. Add five years to complete the project by November 14, 2016.
 6. Remove the stipulation in the pre-approval letter to pay the second half administrative fee by December 11, 2007, and pay it at the time that the qualified taxpayer requests a certificate of completion instead.

APPENDIX A: MAPS AND PROJECT CONCEPT

Aerial View



Site Concept



BUILDING KEY:	
■	Townhouse
■	Garden Building
■	Corner Building
■	Community Building

SITE AERIAL WITH BUILDING KEY
ORLEANS LANDING | DETROIT, MICHIGAN
Page 7 of 40

SCHEMATIC DESIGN
10 JUNE 2014

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MCCORMACK BARON SALAZAR
ORLEANS DESIGN ASSOCIATES
hamiltonanderson

Construction Example



CORNER BUILDING D2.2 - AERIAL
ORLEANS LANDING | DETROIT, MICHIGAN

SCHEMATIC DESIGN
10 JUNE 2014

APPENDIX B: MCRP AND ACT 381 STATUTORY REVIEW

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:

Redevelopment of the riverfront is of utmost importance to the City of Detroit. The riverfront has been drastically improved over the past five years through the efforts of the City, the Detroit Economic Growth Corporation, the Downtown Detroit Partnership and the Detroit Riverfront Conservancy, but the project site is a significant gap in the riverfront landscape. This project will fill a major "missing tooth" by activating four city blocks and by drastically increasing the residential density in the area. This project is also adjacent to the new 50,000 square foot Michigan DNR Outdoor Adventure Center, the Dequindre Cut bike trail, the Milliken State Park and its public marina.

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

This project will act as a catalyst for additional development first by demonstrating that large-scale projects can attract private equity investment in the City of Detroit, which will help attract additional private investment to the City. Second, this project will create a much needed real estate comparison so that transactions currently being evaluated for financing can attract stronger financing terms. Most importantly, this project will add significant residential density that is very much needed to attract new retail businesses to the downtown area.

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

This City of Detroit is supporting this project by participating in the local Brownfield tax increment reimbursement which is valued at approximately \$3,994,955. The project is also seeking a Commercial Rehabilitation Act abatement that is valued at approximately \$5.7 million. The Economic Development Corporation of the City of Detroit (EDC) has sold 25 of the 26 parcels of the subject property to the applicant for \$1.

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

The single vacant building on the eligible property will be demolished. Overall, the property has been used as commercial and industrial property over the last 120 years. Much of the Detroit riverfront district was cleared of vacant buildings in anticipation of the casinos that were eventually scattered throughout the downtown. This project is a new, urban in-fill project.

E. Creation of jobs and areas of high unemployment:

The project is expected to create approximately a total of 39 full-time equivalent jobs of which 6 new, full-time jobs are associated with the property management and fitness center management. In addition, the retail entities are expected to create approximately 33 new full-time equivalent jobs. The average hourly wage is estimated to range from \$9 to \$28.

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

The private sector contributions include debt of roughly \$25.4 million and equity contribution from the private sector of roughly \$7.5 million. Portions of the community equity are proposed to come from private foundation sources including the Kresge and Ford Foundations.

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

The project is transforming four vacant city blocks into a vibrant urban neighborhood, adding 20 buildings and 278 new residential units. The project will create approximately 320,000 square feet of residential space and approximately 10,500 square feet of commercial space. There will be approximately 36 new residential units per acre after the project is completed.

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

The project will bring a mix of residential types, including multi-family apartment complexes and townhouse complexes, with attached garages. The project also includes commercial/retail spaces scattered throughout the development, which will add attractive amenities to the neighborhood. The project has a traditional urban zero-lot line building frontage, and 356 surface parking spaces are surrounded by the buildings, reducing the need for on-street parking. The design encourages walkability throughout the neighborhood as well as promotes connectivity to the existing pedestrian friendly amenities (Dequindre Cut trail and Riverwalk).

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

Twenty-five of the 26 parcels that currently make up the subject project have been tax-exempt properties, owned by the City EDC, but recently sold to the Applicant. After the development is complete, the tax revenue generated from the property will be significant boost for the City. The project is not converting any abandoned building into private use.

J. Whether the project promotes sustainable development:

The development team is experienced in LEED ND and other green community development protocols. The project anticipates Enterprise Green Community standards for energy efficiency and over all sustainability compliance.

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

No historic resources are located in the project area.

L. Whether the project addresses area-wide redevelopment:

There is a major focus on revitalizing the greater downtown Detroit area, including the riverfront district. Interest in locating in the City is growing, but new residents are challenged to find quality housing. The project is in line with the City's goal of increasing residential and commercial density in the downtown area.

M. Whether the project addresses underserved markets of commerce:

The project will add a significant number of market-rate residential units that are highly sought after in downtown. The overall market has the potential to add up to 1,500 residential units and still maintain the 95% occupancy. Residential density will support the growing, but currently weak retail market.

N. The level and extent of environmental contamination:

Numerous compounds were identified on the site through the environmental assessments, including heavy metals, volatile organic compounds, petroleum related contaminants, reflecting the 120 years of industrial, manufacturing and rail road uses across the property. The Michigan Department of Environmental Quality (MDEQ) has provided a \$1 million grant to assist with the clean-up efforts on the site and is participating in the brownfield tax increment financing plan to reimburse for environmental eligible activities. All necessary due care activities required to clean the site or prevent human contact with contaminants will be completed as part of this project.

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):

No historic resources are located in the project area.

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

This project will not compete with any existing Michigan business.

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 information needs to be considered for this project.

ADDITIONAL STATUTORY CRITERIA UNDER ACT 381:

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

A single vacant building on the property will be demolished.

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

The Brownfield Tax Increment Financing is needed to help offset the cost of extremely high up-front cost of readying the site for new development. The site requires significant investment to clean up the environmental contamination and to provide the needed public infrastructure improvements necessary to support the project. The reimbursements will assist in the stabilization of the project's cash flow as it pays down the significant investment into the site.

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

No new Brownfields will be created by this project.

d) Other Factors Considered

No additional factors need to be considered for this project.

Act 381 TIF: There are 62.3244 non-homestead mills available for capture, with school millage equaling 24 mills (38.5%) and local millage equaling 38.3244 mills (61.5%). Due to the approval of a PA 210 Commercial Rehabilitation Act exemption, local taxes will not be collected for the first ten years, altering the ratio of revenue capture during the course of the project. The requested tax capture for eligible activities breaks down as follows:

School tax capture (60.73%)	\$3,944,668
Local tax capture (39.27%)	<u>\$2,551,194</u>
TOTAL	\$6,495,862

COST OF ELIGIBLE ACTIVITIES

Demolition	\$ 207,193
Infrastructure Improvements	1,563,991
Site Preparation	<u>+2,902,983</u>
Sub-Total	\$4,674,167
Contingency (15%)	<u>+ 701,124</u>
Sub-Total	\$5,375,291
Interest (5%)	<u>+1,110,571</u>
Sub-Total	\$6,485,862
Brownfield/Work Plan Preparation	<u>+ 10,000</u>
TOTAL	\$6,495,862

APPENDIX C: SUMMARY OF MCRP TERMS

EQUITY PURCHASE

Applicant:	Rivertown Phase 1, LLC
Qualification:	Facility
Eligible Investment:	\$50,486,000
MSF Investment:	Not to exceed \$7,610,000
Community Equity:	Estimated at \$15,560,000
Private Equity:	Estimated at \$7,500,000
Interest Purchased:	MSF will acquire an equity interest into Rivertown Phase 1, LLC.
“Put” Right:	The MSF will receive a “Put” right for among other things failure to adhere to MSF statutory requirements or any material misrepresentation or project failure that would have an impact on the MSF Cash Flow Distributions, Proceeds on Sale.

If exercised, Rivertown Phase 1, LLC shall repay in full the entire contribution provided to the partnership and any earned but unpaid profits available at the time of the notice to exercise the Put on terms and conditions acceptable to the MSF.

Cash Flow Distributions

1. Up to 8% cash on cash return on Private Equity - 80/20 split Private Equity to Community Equity¹
2. Up to 12% cash on cash return on Private equity - 60/40 split Private Equity to Community Equity
3. Above 12% cash on cash to Private Equity - 40/60 Private Equity to Community Equity

Proceeds on Sale

1. Return of Private Equity
2. 90/10 split Private Equity to Community Equity unit Private Equity receives a 15% IRR.
3. 10/90 split Private Equity to Community Equity until return of Community Equity
4. Pro rata split between Private Equity and Community Equity

Membership Change:

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

¹ The Community Equity returns will be split on a proportional basis relative to their contribution. The MSF contribution is \$7,610,000 of \$15,560,000, or 49%.

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

Timing of Funding: The investment is authorized to fund on or about the date of the closing of the other project financing which shall include at a minimum the funding provided by the Investors to complete the capitalization of Rivertown Phase 1, LLC.

Supplemental Commitment Contingency: The MSF Fund Manager is authorized to increase the award amount by no more than \$500,000 in the sole event that other Community Equity investments fail to close or materialize.

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

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

APPENDIX D: MBT CREDIT AMENDMENT

Background:

The project is located within the boundaries of the City of Detroit, which is a Qualified Local Governmental Unit, and has been deemed a facility as verified by the Michigan Department of Environmental Quality (MDEQ) on July 30, 2014. The property is the subject of a Brownfield Plan, duly approved by the City of Detroit on November 19, 2013.

The project is part of the reactivation of key riverfront property along the Detroit River that failed to materialize back in 2006. The original project was approved under the SBT Brownfield tax credit program and planned to redevelop three acres of property with a new mid-rise, mixed-use residential/commercial building with 260-300 residential units. The development team pre-approved for the credit was selected by the Detroit Economic Growth Corporation through a competitive process, but the development failed to take place and ownership was never transferred. In 2013, the eligible property boundary under the Brownfield plan was expanded to the parcels north of Atwater Street, in order to enable a larger scale redevelopment envisioned by a new developer, Rivertown Phase 1, LLC.

A large Brownfield Single Business Tax (SBT) 10% credit valued at \$9,708,960 was approved on November 14, 2006 for @Water Lofts, LLC for a development planned on the project site. Rivertown Phase 1, LLC and Waterbrook Special Company now own the eligible property and request the following amendments: to remove @Water Lofts, LLC as a qualified taxpayer, add Rivertown Phase 1, LLC and Waterbrook Special Company as qualified taxpayers, request to multiphase the project into five phases, change the scope of the project to increase its scale, and add additional time to complete eligible investment. The total eligible investment amount is reduced from \$97,089,603 to \$55,870,992, the applicant requests conversion of the credit from a 10% SBT credit to a 12.5% MBT credit, which is now valued at \$6,983,874. The applicant also requests to remove the stipulation in the December 11, 2006 pre-approval letter to pay the second half administrative fee by December 11, 2007 and pay it at the time that they request a certificate of completion instead.

	Previous SBT Approval	MBT Amendment
Project Eligible Investment:	\$97,089,603	\$55,870,992
Requested Credit Amount:	\$9,708,960	\$6,983,874
Requested Credit Percentage:	10%	12.5%

The project is a multi-phase project and will be completed in five (5) phases as described below:

Phase I – Located on a single parcel (1470 Atwater Street) and will consist of earthwork, grading and landscaping the site within approximately 30 feet of the Atwater Street right-of-way to beautify it, and fencing and demarking the rest of the parcel;

Phase II – New construction of seven new three to four story buildings, associated site improvements, final fixtures and equipment, and associated architecture and engineering costs;

Phase III – New construction of four new three to four story buildings, associated site improvements, final fixtures and equipment, and associated architecture and engineering costs;

Phase IV – New construction of four new three to four story buildings, associated site improvements, final fixtures and equipment, and associated architecture and engineering costs; and

Phase V – New construction of four new three to four story buildings, associated site improvements, final fixtures and equipment, and associated architecture and engineering costs.

COST OF ELIGIBLE INVESTMENTS BY PHASE

Phase I		
Site Improvements	\$	<u>205,919</u>
Phase I Total	\$	205,919

Phase II		
Site Improvements	\$	1,461,836
New Construction		22,504,538
Addition of Fixtures & Equipment	+	<u>50,000</u>
Phase II Total	\$	24,016,374

Phase III		
Site Improvements	\$	513,920
New Construction		12,865,850
Addition of Fixtures & Equipment	+	<u>50,000</u>
Phase III Total	\$	13,429,770

Phase IV		
Site Improvements	\$	335,851
New Construction		9,222,170
Addition of Fixtures & Equipment	+	<u>50,000</u>
Phase IV Total		9,608,021

Phase V		
Site Improvements	\$	341,127
New Construction		8,219,780
Addition of Fixtures & Equipment	+	<u>50,000</u>
Phase V Total	\$	8,610,907

TOTAL COST OF ELIGIBLE INVESTMENTS

Site Improvements	\$	2,858,653
New Construction		52,812,338
Addition of Fixtures & Equipment	+	<u>200,000</u>
Total	\$	55,870,991

MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM EQUITY
CONTRIBUTION AWARD TO RIVERTOWN PHASE 1, LLC (OR SUCH OTHER CO-
APPLICANTS)
(ORLEANS LANDING PROJECT)**

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

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

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

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

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

WHEREAS, Rivertown Phase 1, LLC, or such other entities formed or to be formed in furtherance of the of the Orleans Landing project (“Applicant” or “Co-Applicants”) have requested a performance based equity contribution to one or more of the Co-Applicants in furtherance of up to \$7,610,000 (“Equity Award Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC has recommended that the MSF approve the Equity Award Request in accordance with the Term Sheet, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents for the Equity Award Request within 240 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 120 days (“MCRP Award Recommendation”); and

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

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

Ayes:

Nays:

Recusals:

Lansing, Michigan
August 26, 2014

Exhibit A
Term Sheet

EQUITY PURCHASE

Applicants:	Rivertown Phase 1, LLC
MSF Investment Amount:	Not to exceed \$7,610,000
Community Equity:	Estimated at \$15,560,000
Private Equity:	Estimated at \$7,500,000
Interest Purchased:	MSF will acquire an equity interest into Rivertown Phase 1, LLC.
“Put” Right:	<p>The MSF will receive a “Put” right for among other things failure to adhere to MSF statutory requirements or any material misrepresentation or project failure that would have an impact on the MSF Cash Flow Distributions, Proceeds on Sale.</p> <p>If exercised, Rivertown Phase 1, LLC shall repay in full the entire contribution provided to the partnership and any earned but unpaid profits available at the time of the notice to exercise the Put on terms and conditions acceptable to the MSF.</p>
Cash Flow Distributions:	<ol style="list-style-type: none">1. Up to 8% cash on cash return on Private Equity - 80/20 split Private Equity to Community Equity¹2. Up to 12% cash on cash return on Private equity - 60/40 split Private Equity to Community Equity3. Above 12% cash on cash to Private Equity - 40/60 Private Equity to Community Equity
Proceeds on Sale:	<ol style="list-style-type: none">1. Return of Private Equity2. 90/10 split Private Equity to Community Equity unit Private Equity receives a 15% IRR.3. 10/90 split Private Equity to Community Equity until return of Community Equity4. Pro rata split between Private Equity and Community Equity
Membership Change:	The MSF will have certain rights to block or consent to any material change in the membership of the project owner entity.
Sale/Liquidation:	The MSF will have certain rights to block or consent to any material liquidation or sale event.

¹ The Community Equity returns will be split on a proportional basis relative to their contribution. The MSF contribution is \$7,610,000 of \$15,560,000, or 49%.

Timing of Funding:

The investment is authorized to fund on or about the date of the closing of the other project financing which shall include at a minimum the funding provided by the Investors to complete the capitalization of Rivertown Phase 1, LLC.

Supplemental Commitment Contingency:

The MSF Fund Manager is authorized to increase the award amount by no more than \$500,000 in the sole event that other Community Equity investments fail to close or materialize.

MSF Additional Required**Final Terms and Conditions:**

The final terms and conditions must include:

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

**RESOLUTION 2014-
MICHIGAN STRATEGIC FUND**

**City of Detroit Brownfield Redevelopment Authority
Orleans Landing Phase I Development Project
City of Detroit**

At the meeting of the Michigan Strategic Fund (“MSF”) held on August 26, 2014 in Lansing, Michigan.

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

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

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

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

WHEREAS, the City of Detroit Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located within four blocks of property bounded by Riopelle, Atwater, Dequindre Cut and Woodbridge Streets within the City of Detroit, known as Orleans Landing Phase I Development Project (the “Project”);

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

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

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as the 60.73% to 39.27% ratio currently existing between school and local taxes for non-homestead properties, after application of the OPRA, to reimburse the cost of site preparation, demolition, and infrastructure improvements as presented in the revised Work Plan dated July 22, 2014. Any change in millage that increases the capture percentage of school operating taxes by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on a maximum of \$5,375,291 for the principal activity costs of non-environmental activities and a contingency, a maximum of \$1,110,571 in interest, and a maximum of \$10,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$3,944,668.

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

BE IT FURTHER RESOLVED, that the MSF Board is authorizing that capture of taxes levied for school operating purposes for the payment of interest, up to a maximum of \$1,110,571 related to the eligible activities for the Project.

Ayes:

Nays:

Recused:

August 26, 2014
Lansing, Michigan

MICHIGAN STRATEGIC FUND

Resolution 2014 –

@Water Lofts, LLC Brownfield Redevelopment SBT Credit – Amendment #1 City of Detroit

At the meeting of the Michigan Strategic Fund (“MSF”) held on August 26, 2014 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 2006-97 on November 14, 2006, the MEGA Board awarded a Brownfield MBT Tax Credit to @Water Lofts, LLC (the “Applicant”) to make eligible investment up to \$97,089,603 at an eligible property in the City of Detroit (the “Project”);

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

WHEREAS, a request was submitted to amend the Project to add a second through fifth phase to the Project, increase the completion of the the project by five years, increase the credit percentage, add Rivertown Phase 1, LLC and Waterbrook Special Company as a qualified taxpayer to the Project, remove @Water Lofts, LLC as a qualified taxpayer to the Project, and amend the due date for the administration fee; 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 maximum tax credit is reduced from \$9,708,960 to \$6,983,874.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board amends the Project by modifying the scope of the Project by removing @Water Lofts, LLC as a qualified taxpayer to the Project and adding Rivertown Phase 1, LLC and Waterbrook Special Company as an additional qualified taxpayers to the Project.

BE IT FURTHER RESOLVED, that the Project is amended by adding the second through fifth phases to the Project as follows:

Phase I – Earthwork, grading and landscaping at 1470 Atwater Street including fencing and demarking the parcel.

Phase II – New construction of seven buildings, associated site improvements, fixtures and equipment, and associated architectural and engineering costs.

Phase III - New construction of four buildings, associated site improvements, fixtures and equipment, and associated architectural and engineering costs.

Phase IV - New construction of four buildings, associated site improvements, fixtures and equipment, and associated architectural and engineering costs.

Phase V - New construction of four buildings, associated site improvements, fixtures and equipment, and associated architectural and engineering costs.

BE IT FURTHER RESOLVED, that if all components of the Project are not completed, the qualified taxpayer shall pay to the State, as a penalty, an amount equal to all the credits claimed and assigned for all components of the Project, including interest from the date the credit was claimed or assigned.

BE IT FURTHER RESOLVED, that the Project is amended extending the date of completion by five years to November 14, 2016.

BE IT FURTHER RESOLVED, that the maximum credit percentage is increased from 10% to 12.5% as allowed under the Michigan Business Tax Act, provided that the maximum credit does not exceed \$6,983,874.

BE IT FURTHER RESOLVED, the pre-approval letter is amended to require the second half of the administrative fee to be due upon request for a certificate of completion.

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2006-97 are reaffirmed and the MSF authorizes the MSF Manager to implement the terms of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
August 26, 2014



MEMORANDUM

Date: August 26, 2014

To: Michigan Strategic Fund Board

From: Joseph Martin, Structured Financial Projects Manager
Stacy Esbrook, Community Assistance Team Specialist
Brent Morgan, Manager, Brownfield and Community Revitalization Programs
Mary Kramer, Community Development Financial Specialist
Dan Wells, Brownfield Program Specialist

Subject: Du Charme Place LLC
Request for Approval of an Act 381 Work Plan and a \$5,700,000 Michigan
Community Revitalization Program Performance-Based Other Economic Assistance

Request

The project requests to use both the Brownfield Act 381 Program and the Michigan Community Revitalization Program (MCRP) for the project located at 1544-1556 East Lafayette Street, Detroit, Michigan (Appendix A).

The Detroit Brownfield Redevelopment Authority has submitted an Act 381 Work Plan (hereinafter Work Plan) request for the approval of local and school tax capture for eligible activities in the amount of \$4,759,351 (Appendix B). Eligible activities that will be undertaken to alleviate Brownfield conditions on the property and complete the project include environmental assessment and due care activities, site demolition to remove excessive subsurface debris, site preparation and public infrastructure that will support the development.

Du Charme Place LLC (Applicant) is requesting approval of an equity investment (under MCRP other economic assistance) in the amount of \$5,700,000 as further described in Appendix C. The Applicant anticipates that the project will result in eligible investment of \$32,717,256 and total capital investment in the amount of \$38,463,308 in Detroit and the creation of 6 jobs.

Applicant Background

Du Charme Place LLC is a single purpose entity established to complete this project. Walter Cohen, of 21 Century Holdings LLC, is the Sponsor of this transaction. 21 Century Holdings and its affiliates provide a comprehensive range of housing and commercial real estate services including development, construction, property management and the marketing of all types of residential, commercial and industrial real estate for over fifty years in Southeast, Michigan. 21 Century Holdings has a strong emphasis on urban redevelopment and revitalization, specifically in the multi-family housing sector. Examples of successful Detroit projects completed by the development team include Stroh's River Place (301 residential rental units), University Club (120 residential rental units), the Park Shelton (225 condominiums), and the Franklin Wright Village Apartments (144 market rate units).

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

Project Description

The Applicant plans to construct a new market-rate residential development, which adjoins Lafayette Park to the west and the Dequindre Cut Greenway to the east on approximately 3.45 acres of property located

at 1544-1556 East Lafayette in the City of Detroit. The project includes new construction of four, 4-story buildings with 185 studio, one and two-bedroom apartments and a fitness center. A ground level parking structure will cover the entire building footprint, and the four residential buildings will each add three stories above the parking structure. Terraced outdoor green space will cover the parking rooftop in between the buildings, providing outdoor recreational areas for residents. The parking structure will have approximately 267 spaces and will cover 95,383 square feet. The apartment buildings, in total (excluding parking), will be 188,583 square feet. The project is anticipated to result in capital investment in the amount of \$38,463,308 and the creation of 6 full-time equivalent jobs.

Transaction Overview

Market access to traditional forms of debt remain difficult to obtain in Detroit requiring most developments to use government backed or program related investments (PRI) from the foundation community to activate the development. The Du Charme project is utilizing the HUD 221(d)4 mortgage insurance program for residential housing, which will provide insurance to the loan originator Prudential Huntoon. HUD has strict and highly adverse rules related to subordinated debt. Therefore, MEDC staff is recommending the project be structured as an equity investment supported via the MCRP.

The final MSF ownership interest, and the other limited partners, will be identified following HUDs firm commitment providing the final insurable loan amount. Portions of the remaining \$7,250,621 in equity contributions will come from closely held business associates of Walter Cohen and also through a private equity syndication process. Distributions to the investors, including the MSF, are only permitted to the extent that excess cash flow exceeds a debt service coverage ratio (DSCR) of 1.20x as tested by HUD. On a stabilized basis the project has projected a DSCR of 1.45 with the assumption that the cash resulting from tax increment financing is not discounted.

A summary of the anticipated sources to the project can be found here:

TOTAL DEVELOPMENT SOURCES		
	Amount	% of TDC
Senior Debt		
FHA Mortgage	\$24,512,687	63.73%
Deferred Fees/Cash Equity		
Deferred Developer Fees	\$1,000,000	2.60%
Cash Equity Owner	\$7,250,621	18.85%
Other: MCRP State Equity	\$5,700,000	14.82%
TOTAL DEVELOPMENT SOURCES	\$38,463,308	100.00%

Management Structure

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

Financial Need

The project evidences need because it has maximized debt on a loan to value basis, has maximized available equity for the market given reasonable hurdle rates, and still evidences a significant gap which without the proposed assistance no market capital can close to advance the project. Expected hurdle rates on private equity for projects in Detroit have ranged from a 15 to 25 percent internal rate of return, with potential for upside should the market allow for growth. Projections for sale at year 20 with a steady annual 3% growth rate in market rents provides the sponsor just over a 16% return.

Financial and Economic Analysis

The overall rental rates for the residential units for the Du Charme are projected at \$1.62 per square foot. Using these rental rates, the market study conducted in the summer of 2013 projected an average of 10 units per month being leased up, or an 18-month stabilization period. This project, and the Orleans Landing (being undertaken by McCormack Barron Salazar) are the first new builds outside of the core central business district and Midtown. However, given the close proximity and targeting the same demographics, MEDC staff used the Central Business District (CBD) as a proxy to evaluate the market demand and associated rental pricing. The overall CBD market is expected to bring in over 1,500 units through the end of the 2017. The market study projected at a minimum 500 to 1,666 units could be added annually and still maintain the 95% occupancy.

Recommendation

MEDC Staff recommends the following:

- a) Approval of local and school tax capture for the Act 381 eligible activities totaling \$4,759,351 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$2,719,199.
- b) Approval of an MCRP performance-based other economic assistance in the amount of \$5,700,000 for Du Charme Place LLC.

APPENDIX A: MCRP AND ACT 381 STATUTORY REVIEW

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:

Du Charme Place LLC redevelopment is a high priority project for the City and staff has been assisting the development team in the project's development for over two years. This project will add a substantial number of new, high-end residential units in an area of downtown that is very popular, but that lacks available housing. This project will substantially increase the taxable value of the property and will assist the City by increasing the tax base.

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

Although rental rates are increasing in downtown Detroit due to the high market demand, traditional financing from traditional, private funding sources is non-existent in the City. The completion of this project will assist future multi-family housing developments in the area by showing traditional lenders that new large-scale projects can attract enough revenue to service debt. The project will assist in stabilizing the market and will attract future investment into the area.

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

This City of Detroit is supporting this project by participating in the brownfield tax increment reimbursement which is valued at approximately \$4,759,351. The project is also seeking a Commercial Rehabilitation Act abatement that is valued at approximately \$3.6 million.

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

The property is blighted property because there is extensive sub-surface debris that remains underground, left from the previously demolished multi-tenant residential apartment complex that were removed between 2002 and 2005. The new development will remove the underground debris and will stabilize the land in order to support the new four-story buildings.

E. Creation of jobs and areas of high unemployment:

The project is anticipated to create six, new full-time jobs. New positions will include property management and fitness center employees. The average hourly wage is estimated to be \$25.00.

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

The project is being financed through Housing and Urban Development's (HUD) 221(d), multi-family residential senior financing program. A first-position mortgage of approximately \$24 million is being provided to this project. The Applicant is contributing just over \$7.2 million in cash equity.

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

The project is an urban in-fill project that is adding four new, 4-story buildings and 185 new residential units to the downtown, which could attract up to 268 new residents to the area.

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

The residential project is a single-use development, but will offer amenities to the residence such as a fitness area. The project promotes walkable communities by its urban design and first-level parking. The new residents that will locate to the property will also add welcomed foot-traffic to the businesses along Lafayette and because the project adjoins to the Dequindre Cut Greenway trail, residents will be a short walk to the riverfront or a quick bike-ride to Eastern Market.

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

The property was purchased by the development from the City. The project is not converting abandoned buildings, but will be a new revenue source for the City.

J. Whether the project promotes sustainable development:

Du Charme Place will include green building practices and energy-efficient lighting and appliances. Its building envelope, HVAC system, and lighting demands will be highly efficient and will minimize energy costs. The high-density design of the project and the avoidance of a surface parking lot maximize the use of City land and will be less of a drain on City resources in the long term.

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

This project is not a historic rehabilitation.

L. Whether the project addresses area-wide redevelopment:

The City of Detroit wants to increase residential density and the apartments will attract new residents downtown, supporting businesses and entertainment venues, and increasing the density of the area. Furthermore, increased population and new support for commercial development will help to maintain a safe, clean, and attractive downtown, and will encourage economic growth.

M. Whether the project addresses underserved markets of commerce:

Although residential demand in downtown Detroit is very strong, the downtown lacks the residential density needed to support significant retail, restaurant and secondary service markets. Adding 185 residential units, and up to 268 new residents, to the downtown will boost the demand for all markets.

N. The level and extent of environmental contamination:

The last use of the property was a large-scale residential complex, but prior uses of the property included commercial and industrial. Environmental investigations have identified polynuclear aromatic hydrocarbons and metals at concentrations exceeding Michigan Department of Environmental Quality's residential cleanup criteria. Appropriate due care actions will be conducted to remove or cap exposure opportunities.

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):

This project is an urban in-fill project and does not qualify as historic.

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

This project will not compete with any existing Michigan businesses. Quality residential housing in downtown Detroit is in low supply and high demand.

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 information needs to be considered for this project.

ADDITIONAL STATUTORY CRITERIA UNDER ACT 381:

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

The project site is currently vacant land and no existing buildings will be reused. The property qualifies as blighted property because there is extensive sub-surface debris underground. The new development will remove the underground debris and will stabilize the land in order to support the new four-story buildings.

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

Brownfield tax increment financing is needed to reimburse the Applicant for the excessive brownfield costs of clearing the site of sub-surface debris left from the historic development of the area and providing the needed infrastructure that is required for the density this project creates. The incremental reimbursement will provide needed cash flow back to the developer to help offset the high, up-front cost to ready the site for new development.

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

No new Brownfields will be created by this project.

d) Other Factors Considered

No additional factors need to be considered for this project.

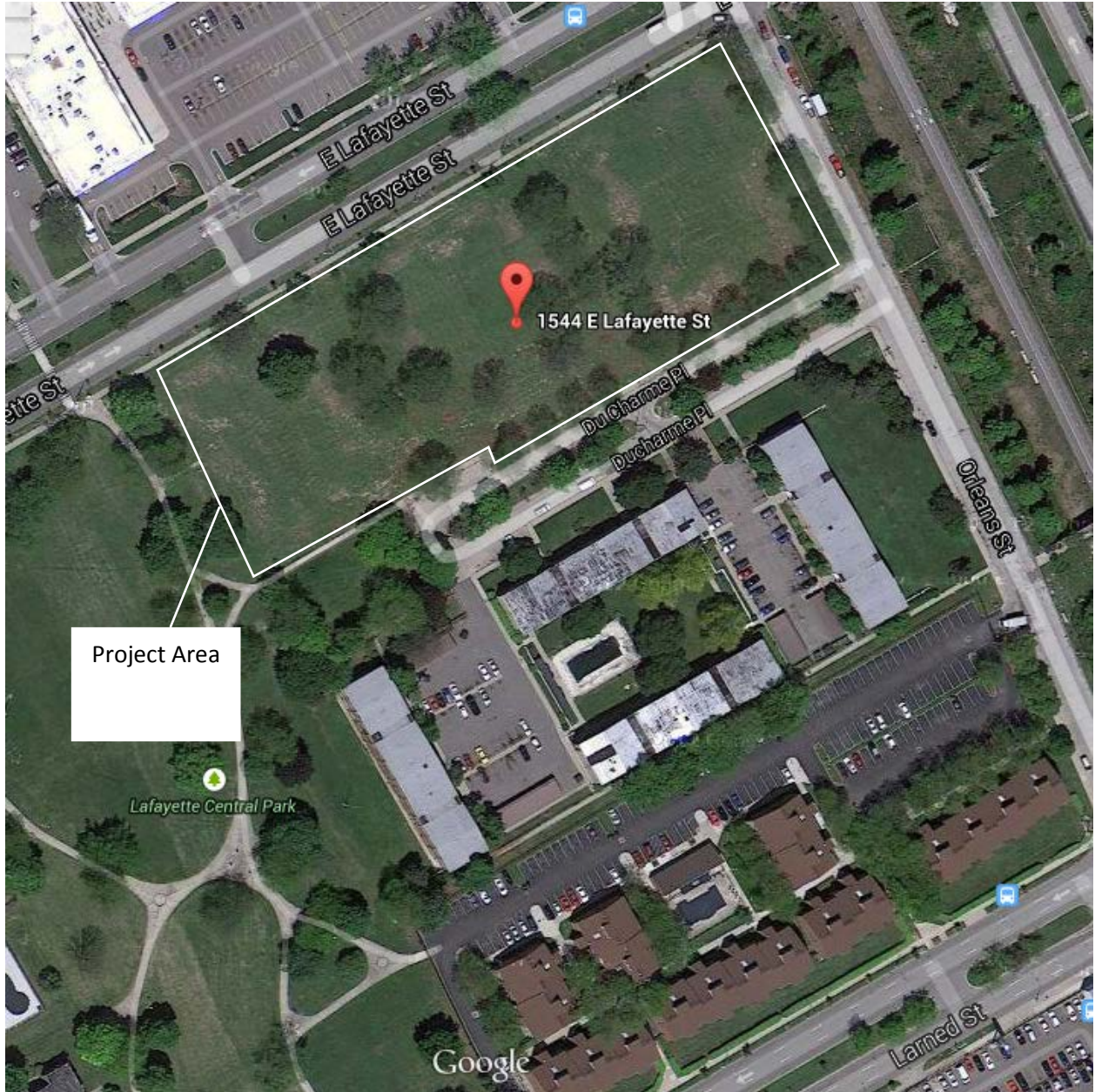
Act 381 TIF: There are 62.3244 non-homestead mills available for capture, with school millage equaling 24 mills (38.51%) and local millage equaling 38.3244 mills (61.49%). Due to a PA 210 Commercial Rehabilitation abatement, no local mills are available for capture for the first ten years of the capture period, which alters the overall ratio of school to local tax capture. Overall capture for eligible activities during the length of the project breaks down as follows:

School tax capture (57.13%)	\$2,719,199
Local tax capture (42.86%)	<u>\$2,040,152</u>
TOTAL	\$4,759,351

COST OF ELIGIBLE ACTIVITIES

Demolition	\$ 479,400
Infrastructure Improvements	2,478,692
Site Preparation	<u>+ 628,411</u>
Sub-Total	\$3,586,503
Contingency (15%)	<u>+ 537,975</u>
Sub-Total	\$4,124,478
Interest (5%)	<u>+ 614,873</u>
Sub-Total	\$4,739,351
Brownfield/Work Plan Preparation	<u>+ 20,000</u>
TOTAL	\$4,759,351

APPENDIX B: PROJECT MAP



APPENDIX C: SUMMARY OF MCRP TERMS

EQUITY PURCHASE

Applicant:	Du Charme Place LLC
Qualification:	Blighted
Eligible Investment:	\$32,717,256
MSF Investment:	Not to exceed \$5,700,000
Private Equity:	Estimated at \$7,250,621
Interest Purchased:	MSF will acquire an equity interest into Du Charme Place LLC.
“Put” Right:	The MSF will receive a “Put” right for among other things failure to adhere to MSF statutory requirements or any material misrepresentation or project failure that would have an impact on the MSF Cash Flow Distributions, Proceeds on Sale.

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

Cash Flow Distributions

1. MSF 2% annual preferred on equity. Accumulative but non-compounding
2. All other investors (Investors) 10% cash on cash return. Accumulative but non-compounding
3. Bonus Return to Investors
 - i. Up to 20% cash on cash return 90/10 split Investors to MSF
 - ii. Above 20% cash on cash return 75/25 split Investors to MSF

Proceeds on Sale

1. Return of Investor Equity
2. Return of MSF Equity
3. Any unpaid return to Investors
4. Bonus Split
 - a. Up to 17.5% IRR
 - i. 90% Investors
 - ii. 10% MSF
 - b. Above 17.5%
 - i. 75% Investors
 - ii. 25% MSF

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

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

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

MSF Additional Required

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

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

MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM EQUITY
CONTRIBUTION AWARD TO DU CHARME PLACE LLC (OR SUCH OTHER CO-
APPLICANTS)
(DU CHARME PLACE PROJECT)**

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

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

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

WHEREAS, pursuant to SFCR 2090-1, the MSF approved the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate awards and decisions approved under the MCRP, (“Transaction Documents”);

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

WHEREAS, Du Charme Place LLC, or such other entities formed or to be formed in furtherance of the Du Charme Place project (“Applicant” or “Co-Applicants”) have requested a performance based equity contribution to one or more of the Co-Applicants in furtherance of up to \$5,700,000 (“Equity Award Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC has recommended that the MSF approve the Equity Award Request in accordance with the Term Sheet, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents for the Equity Award Request within 180 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 180 days (“MCRP Award Recommendation”); and

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

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

Ayes:

Nays:

Recusals:

Lansing, Michigan
August 26, 2014

**Exhibit A
Term Sheet**

EQUITY PURCHASE

Applicants:

Du Charme Place LLC

MSF Investment Amount: Not to exceed \$5,700,000

Private Equity: Estimated at \$7,250,621

Interest Purchased: MSF will acquire an equity interest into Du Charme Place LLC.

“Put” Right: The MSF will receive a “Put” right for among other things failure to adhere to MSF statutory requirements or any material misrepresentation or project failure that would have an impact on the MSF Cash Flow Distributions, Proceeds on Sale. If exercised, Du Charme Place LLC shall repay in full the entire contribution provided to the partnership and any earned but unpaid profits available at the time of the notice to exercise the Put on terms and conditions acceptable to the MSF.

Cash Flow Distributions

1. MSF 2% annual preferred on equity. Accumulative but non-compounding
2. All other investors (Investors) 10% cash on cash return. Accumulative but non-compounding
3. Bonus Return to Investors
 - i. Up to 20% cash on cash return 90/10 split Investors to MSF
 - ii. Above 20% cash on cash return 75/25 split Investors to MSF

Proceeds on Sale

1. Return of Investor Equity
2. Return of MSF Equity
3. Any unpaid return to Investors
4. Bonus Split
 - a. Up to 17.5% IRR
 - i. 90% Investors
 - ii. 10% MSF
 - b. Above 17.5%
 - i. 75% Investors
 - ii. 25% MSF

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

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

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

MSF Additional Required

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

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

**RESOLUTION 2014-
MICHIGAN STRATEGIC FUND**

**City of Detroit Brownfield Redevelopment Authority
Du Charme Place Redevelopment Project
City of Detroit**

At the meeting of the Michigan Strategic Fund (“MSF”) held on August 26, 2014 in Lansing, Michigan.

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

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

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

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

WHEREAS, the City of Detroit Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 1544-1556 East Lafayette Street within the City of Detroit, known as Du Charme Place Redevelopment Project (the “Project”);

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

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

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as the 57.13% to 42.86% ratio currently existing between school and local taxes for non-homestead properties, and after the OPRA exemption, to reimburse the cost of site preparation, demolition, and infrastructure improvements as presented in the revised Work

Plan dated July 28, 2014. Any change in millage that increases the capture percentage of school operating taxes by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on a maximum of \$4,124,478 for the principal activity costs of non-environmental activities and a contingency, a maximum of \$614,873 in interest, and a maximum of \$20,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$2,719,199.

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

BE IT FURTHER RESOLVED, that the MSF Board is authorizing that capture of taxes levied for school operating purposes for the payment of interest, up to a maximum of \$614,873 related to the eligible activities for the Project.

Ayes:

Nays:

Recused:

August 26, 2014
Lansing, Michigan



MEMORANDUM

Date: August 26, 2014

To: Michigan Strategic Fund Board

From: Brent Morgan, Manager, Brownfield and Community Revitalization Programs
Dan Wells, Senior Brownfield Program Specialist
Stacy Esbrook, Community Assistance Specialist

Subject: Redford Charter Township Brownfield Redevelopment Authority
Community Incentive Program — Act 381 Work Plan Approval

Request

The Redford Charter Township Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of \$719,528.

Background

The school taxes will be utilized to redevelop approximately 12.5 acres of property located at 13981, 14001, and 13955 Telegraph Road and an adjacent access easement to the I-96 service drive in Redford Township. The real property is currently owned by Matick Family, LLC and Max Properties, LLC. The personal property is owned by George Matick Chevrolet, Inc.

The project consists of renovation of the George Matick Chevrolet dealership. The 50 year old building was converted from a flea market into a dealership nearly 35 years ago. The building's age, excessive size, high operational costs, increasing costs of regulatory compliance and maintenance, and current automotive customer expectations have rendered it unsuitable for long-term continued use. In addition, a former Goodyear service center will be demolished and a new car wash and fuel service center will be constructed at the site. Eligible activities that will be undertaken to alleviate Brownfield conditions on the property and complete the project include the following infrastructure improvements of road and curb work, sewer modifications, sidewalk modifications and landscaping in the public right-of-way. Demolition activities include selective demolition of the exterior façade and portions of the interior of the existing automobile dealership, complete demolition of the former Goodyear building, and site demolition includes asphalt, subgrade and old storm sewer pipe across property. Asbestos survey and removal costs are included. Site preparation activities include site grading, temporary erosion control, and traffic control.

George Matick Chevrolet, Inc. employs approximately 126 people and is expected to hire 55 additional employees with an average salary of approximately \$43,000 per year. The total capital investment will be approximately \$9 million.

Property Eligibility

The project is located within the boundaries of Redford Charter Township, which is a Qualified Local Governmental Unit, and has been determined to be a facility as verified by Michigan Department of Environmental Quality (DEQ) on July 15, 2014. The property is the subject of an amended Brownfield plan, duly approved by Redford Charter Township on April 23, 2013. The original Brownfield plan was originally approved on November 13, 2007, and was a local-only plan.

Other State and Local Assistance to the Project

The applicant has also requested \$37,517 in environmental eligible activity costs from the DEQ. The property was formerly under the Wayne County Transforming Underdeveloped Residential and Business Opportunities (TURBO) program from 2008 to 2013.

Tax Capture Breakdown

There are 61.5309 non-homestead mills available for capture, with school millage equaling 24 mills (39%) and local millage equaling 52.2449 mills (61%). Local tax increment capture began in 2008. State tax capture will begin in 2014, and is anticipated to continue until 2038, for a total of 24 years. Note that the contingency is based only on work that remains to be done on the site. The requested tax capture for MSF eligible activities breaks down as follows:

School tax capture (39%)	\$ 280,616
Local tax capture (61%)	\$ 438,912
TOTAL	\$ 719,528

Cost of MSF Eligible Activities

Demolition	\$ 251,406
Asbestos Abatement	32,147
Infrastructure Improvements	163,078
Site Preparation	+ 230,958
Sub-Total	\$ 677,589
Contingency (3.2%)	+ 21,939
Sub-Total	\$ 699,528
Brownfield/Work Plan Preparation	+ 20,000
TOTAL	\$ 719,528

Recommendation

The MEDC recommends approval of the request by Redford Charter Township Brownfield Redevelopment Authority to capture local and school taxes for the MSF eligible activities totaling \$719,528 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$280,616.

KEY STATUTORY CRITERIA

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

a) Overall Benefit to the Public:

This redevelopment project will enhance the gateway to Redford Township through the redevelopment of the obsolete dealership building, the demolition of the vacant Goodyear service building and construction of two new buildings, all of which will have a positive effect on the commercial prospects of surrounding properties, including existing establishments and vacant or properties with redevelopment potential. The Charter Township of Redford will benefit from job creation and retention associated with this redevelopment and will benefit from the increased tax revenues from income and real and personal property taxes.

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

This project is expected to create approximately 55 new, full-time jobs in service and sales and retain approximately 126 full time jobs.

c) Area of High Unemployment:

The Redford Charter Township unadjusted jobless rate was 4.7% in June 2014.

d) Level and Extent of Contamination Alleviated:

Removal of contaminated soils and groundwater may be conducted in connection with the demolition of the former Goodyear service center building and construction of a new car wash with possible gas pumps on the parcel, as well in connection with utility construction. Additionally, asbestos abatement activities will be performed during the renovation and demolition work at the dealership building.

The northern-most parcel contains a small amount of soil and groundwater impacted by petroleum hydrocarbons associated with former in-ground hydraulic lifts in the service and oil/lube areas. The Michigan Department of Environmental Quality approved a No Further Action report for that parcel on November, 2012.

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

The Project will reuse and redevelop a partially vacant, obsolete building, parking lot, and vacant land.

f) Cost Gap that Exists between the Property and a Similar Greenfield Property:

Some of the extraordinary costs associated with the site being a brownfield include asbestos abatement costs, demolition costs, infrastructure costs, and costs required to fully modernize the site. These costs are a financial deterrent to the redevelopment of the property and without the support of the Brownfield tax increment financing, the dealership owner will not be able to meet the current franchise design and amenity requirements and would likely have to close.

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

No new Brownfields will be created by this project

h) Whether the Project is Financially and Economically Sound:

From the materials received, the MEDC infers that the Work Plan is financially and economically sound.

i) Other Factors Considered:

No additional factors need to be considered for this project.

MAP OF PROJECT AREA



Elevation Concept C

**RESOLUTION 2014-
MICHIGAN STRATEGIC FUND**

**Redford Charter Township Brownfield Redevelopment Authority
George Matick Automotive Campus Redevelopment Project
Redford Charter Township**

At the meeting of the Michigan Strategic Fund (“MSF”) held on August 26, 2014 in Lansing, Michigan.

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

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

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

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

WHEREAS, the Redford Charter Township Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 13981, 14001, and 13955 Telegraph Road within Redford Charter Township, known as the George Matick Automotive Campus Redevelopment Project (the “Project”);

WHEREAS, the Redford Charter Township is a “qualified local governmental unit” and is eligible to provide for a) demolition; b) lead and asbestos abatement; c) public infrastructure improvements; d) site preparation; e) brownfield work plan preparation and review costs and f) interest as provided under 2007 PA 204 and;

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

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same

proportion as the 39% to 61% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, asbestos abatement and infrastructure improvements as presented in the revised Work Plan dated July 25, 2014. Any change in millage that increases the capture percentage of school operating taxes by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on a maximum of \$699,528 for the principal activity costs of non-environmental activities and a contingency, and a maximum of \$20,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$280,616.

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

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

Ayes:

Nays:

Recused:

August 26, 2014
Lansing, Michigan



MEMORANDUM

Date: August 26, 2014

To: Michigan Strategic Fund Board

From: Brent Morgan, Manager, Brownfield and Community Revitalization Programs
Dan Wells, Senior Brownfield Program Specialist

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

Request

The City of Detroit Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of \$762,960.

Background

The school taxes will be utilized to redevelop approximately 0.89 acres of property located at 624 West Alexandrine and 4111 Second Avenue in the City of Detroit, located two blocks west of Woodward in the heart of the Midtown neighborhood. The property is currently owned by Green Garage, LLC, a developer that focuses on sustainable building renovation practices and community education regarding green infrastructure. Green Garage received a \$170,000 Brownfield tax credit in December, 2012 for the successful completion of the renovation of their headquarters located at 4444 Second Avenue, Detroit.

This project was originally approved for a \$763,275 Brownfield credit December 20, 2006 to rehabilitate the historic El Moore Apartments (built 1898) for residential use. Due to the economic downturn of 2008 and subsequent bankruptcy of the developer, the project was not initiated. Green Garage, LLC, a developer bought the property and added two adjacent parcels to the eligible property via an amendment to the Brownfield plan in June, 2013. They also amended the MBT credit August, 2013 to be added as a qualified taxpayer. The El Moore building is in the process of being renovated into 23 residential units and undergoing a green renovation including geothermal heating and cooling, solar panels, storm and gray water harvesting, and waste composting systems. In addition to the building renovation, the surrounding property is being built out with green houses, urban agriculture infrastructure, a community green space and a four season retail building that will sell locally produced cottage and agricultural products.

The work plan request is a new request for eligible activities related to selective demolition, lead and asbestos abatement, infrastructure improvements and site preparation costs. Public infrastructure improvements include paving and lighting within the public alley, storm sewer repair, and curb and sidewalk improvements. Private property improvements include installation of low impact design stormwater controls. Site preparation includes temporary facilities, clearing the site of vegetation, grading and cut and fill activities.

Approximately two permanent full-time jobs are anticipated to be created by the residential and retail portions of the project at an average annual salary of \$45,000. The total capital investment will be approximately \$6.9 million.

Property Eligibility

The project is located within the boundaries of the City of Detroit, which is a Qualified Local Governmental Unit. The original eligible property under the 2006 Brownfield plan was deemed functionally obsolete as verified by a Michigan Certified Assessing Officer (MCAO). The new parcels that were added under the 2013 amendment were combined with the previous eligible property parcels.

Other State and Local Assistance to the Project

The applicant has requested environmental work plan costs totaling \$91,250 from the Department of Environmental Quality. The owner has obtained an Obsolete Property Rehabilitation Act Abatement for 12 years on the property with a value of approximately \$1,259,000.

Tax Capture Breakdown

There are 62.3595 non-homestead mills available for capture, with school millage equaling 24 mills (38.49%) and local millage equaling 38.3595 mills (61.51%). Tax increment capture will begin in 2014 and is estimated to continue for 14 years. The requested tax capture for MSF eligible activities breaks down as follows:

School tax capture (38.49%)	\$ 293,663
Local tax capture (61.51%)	\$ 469,297
TOTAL	\$ 762,960

Cost of MSF Eligible Activities

Demolition	\$ 180,000
Lead or Asbestos Abatement	16,030
Infrastructure Improvements	253,500
Site Preparation	+ 200,870
Sub-Total	\$ 650,400
Contingency (15%)	+ 97,560
Sub-Total	\$ 747,960
Brownfield/Work Plan Preparation	+ 15,000
TOTAL	\$ 762,960

Recommendation

The MEDC recommends approval of the request by the City of Detroit Brownfield Redevelopment Authority to capture local and school taxes for the MSF eligible activities totaling \$762,960 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$293,663.

KEY STATUTORY CRITERIA

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

a) Overall Benefit to the Public:

The project will return a vacant historic structure to full use and build community education efforts surrounding green redevelopment. It increases residential density on the street and will help spur revitalization of the surrounding neighborhood.

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

This project is expected to create two new, full-time jobs for the property management and hostel operations on the site.

c) Area of High Unemployment:

The City of Detroit unadjusted jobless rate was 16.4% in June, 2014. This compares to the statewide seasonally adjusted average of 7.9% in June, 2014.

d) Level and Extent of Contamination Alleviated:

Environmental activities on the site will be carried out involving removal soils that contain elevated levels of metals and volatile organic compounds.

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

The El Moore building is a unique building that has been vacant for years. It was determined to be functionally obsolete by the Detroit assessor's office and could not function as an apartment building prior to rehabilitation.

f) Cost Gap that Exists between the Property and a Similar Greenfield Property:

The Brownfield TIF, in combination with the MBT credit, is needed to offset the Brownfield related costs, or the project would not go forward.

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

No new Brownfields will be created by this project.

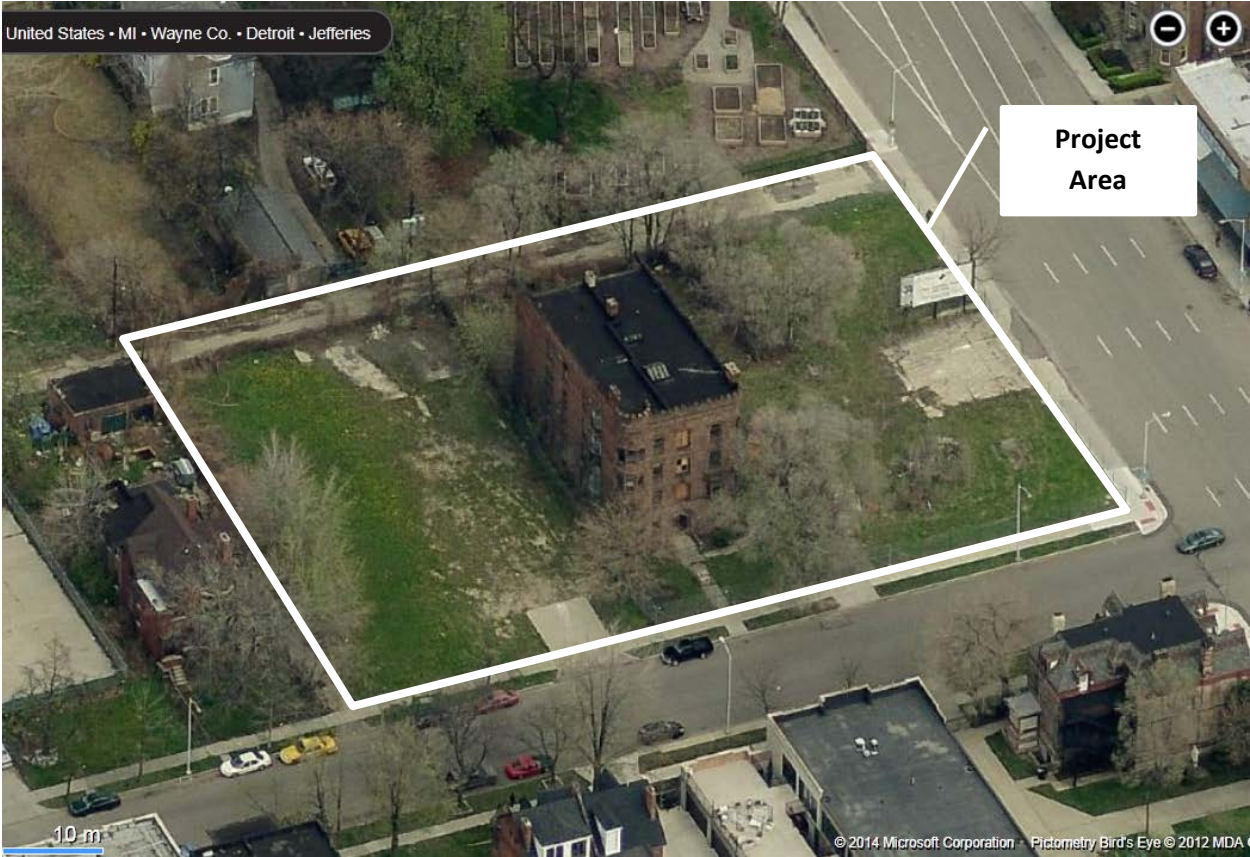
h) Whether the Project is Financially and Economically Sound:

From the materials received, the MEDC infers that the work plan is financially and economically sound.

i) Other Factors Considered:

No additional factors need to be considered for this project.

MAP OF PROJECT AREA



**RESOLUTION 2014-
MICHIGAN STRATEGIC FUND**

**City of Detroit Brownfield Redevelopment Authority
El Moore Greens Redevelopment Project
City of Detroit**

At the meeting of the Michigan Strategic Fund (“MSF”) held on August 26, 2014 in Lansing, Michigan.

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

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

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

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

WHEREAS, the City of Detroit Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 624 West Alexandrine and 4111 Second Avenue within the City of Detroit, known as El Moore Greens Redevelopment Project (the “Project”);

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

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

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same

proportion as the 38.49% to 61.51% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, lead and asbestos abatement and infrastructure improvements as presented in the revised Work Plan dated July 31, 2014. Any change in millage that increases the capture percentage of school operating taxes by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on a maximum of \$747,960 for the principal activity costs of non-environmental activities and a contingency, and a maximum of \$15,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$293,663.

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

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

Ayes:

Nays:

Recused:

August 26, 2014
Lansing, Michigan



MEMORANDUM

Date: August 26, 2014
To: MSF Board
From: Martinis Thompkins, MEDC Director, Events
Subject: Detroit Metro Convention and Visitors Bureau MOU Amendment

BACKGROUND

In an effort to assist with the attraction of large special events (LSEs) to the State of Michigan, the Michigan Economic Development Corporation and the Detroit Metro Convention and Visitors Bureau (DMCVB) entered into a Memorandum of Understanding (MOU) on April 1, 2013, for a period of 2 years, 5 months. The total amount of the MOU over that period is for \$2,500,000, subject to renewal. MEDC feels confident our investment significantly helps the state CVBs with attraction efforts of LSEs.

When the MOU was initially approved in April 2013, there were no MSF funds available to underwrite the program. Initial payments to the CVBs were made from MEDC Corporate Funds. MSF funding is being now recommended and sought due to the value of this project to the state and to pay for the final year of the agreement.

The LSE fund helps to attract national and multi-state events, conventions and conferences - and the out-of state travelers they bring in - to Michigan. In order to attract many LSEs, a commitment of monetary support is required by event organizers to demonstrate the financial capability and commitment to host their LSE, often years in advance of the event. Substantial levels of new travel spending and tax revenue to the State have been realized since the inception of the program.

These are some of the primary goals and principals of the program:

1. Alleviate the disadvantage Michigan Convention and Visitor Bureaus face when competing with cities from other states to attract LSEs.
2. Fund a portion of local services committed to LSEs using specific event eligibility criteria for allowable expenditures.
3. To provide a formalized program for CVBs to attract LSEs
4. To assist in attracting additional spending into Michigan
5. To assist in creating incremental state and local tax revenues.
6. Bring into equity the local cost flow and the increased revenue to the state of Michigan.
7. Develop eligible event criteria to assure that only large events, which significantly draw non-residents, with clear financial benefits to the state of Michigan are eligible.
8. Display state of Michigan attractions to out-of-state visitors.

Through February 2014, investments in this program have proven to be highly successful. The Large Special Events Fund has resulted in commitments of eight national and multi-state events that total of 68 event-days and will generate total estimated state tax revenues of \$20,103,387. The investment cost for these events was \$1,130,878.

RECOMMENDATION

The MEDC recommends that the MSF Board approve the Memorandum of Understanding amendment for large special events, for the period of October 1, 2014, to September 30, 2015, and authorize \$1,000,000 of the annual appropriation from the 21st Century Jobs Trust Fund.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2014-**

Detroit Metro Convention and Visitors Bureau MOU

WHEREAS, Public Act 489 of 2000, MCL 12.251 to 12.260, created the Michigan Trust Fund Act, of which the 21st Century Jobs Trust Fund (“Trust Fund”) is established;

WHEREAS, Public Act 270 of 1984, MCL 125.2088b(2)(d), provided for annual appropriations as provided by law may be used for promotion of tourism in this state;

WHEREAS, the Michigan Strategic Fund (the “MSF”) Board desires to enter into an agreement with the Detroit Metro Convention and Visitors Bureau to assist in the attraction of large special events to the State of Michigan to increase tourism in this state (the “MOU”);

WHEREAS, to appropriately fund expenses associated with the MOU, the MSF Board desires to authorize an expenditure of \$1,000,000 of the annual appropriation from the 21st Century Jobs Trust Fund for expenses associated with the MOU.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board authorizes entering into the MOU with the Detroit Metro Convention and Visitors Bureau through September 30, 2015, with terms acceptable to the MSF Fund Manager in consultation with the Chief Compliance Officer and Attorney General’s office, and authorizes the MSF Fund Manager to sign the MOU; and

BE IT FURTHER RESOLVED, that the MSF Board, acting pursuant to the MSF Act, authorizes \$1,000,000 of the annual appropriation from the 21st Century Jobs Trust Fund to be incurred for expenses related to the MOU.

Ayes:

Nays:

Recused:

Lansing, Michigan
August 26, 2014