

**MICHIGAN STRATEGIC FUND BOARD**  
**APPROVED MEETING MINUTES**  
**April 28, 2015**

**Members Present:**

Paul Anderson  
Steve Arwood  
Larry Koops  
Andrew Lockwood (on behalf of Treasurer Khouri)  
Terri Jo Umlor  
Jody DePree Vanderwel  
Jim Walsh  
Mike Zimmer

**Members Absent:**

Shaun Wilson

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

**Public Comment:** Mr. Arwood asked if there were any members of the audience. Representative Lauwers addressed the Board in support of the SMR/City of Marysville CDBG project, listed under the Business Growth segment of the agenda.

**Communications:** Andrea Robach, MSF Administrator, notified members of the Board that they had each received updated documents; the final Terms Sheet for Sakthi Automotive, as well as updates to the Michigan Land Bank blighted property notes. Materials highlighting the Fund's financial reports were also provided for the Board's information, however, were not related to an action item. Lastly, it was announced that the Chief Compliance Officer's quarterly report was also among the informational items provided in the Board packet.

**CONSENT AGENDA**

**Resolutions 2015- 036 through -39 – April 2015 Consent Agenda**

Mr. Arwood asked if there were any questions from the Board on any of the items within the Consent Agenda. Mr. Walsh commented that he had observed a discrepancy in the March 2015 meeting minutes, and that he had discussed this with Ms. Robach. Ms. Robach acknowledged his correction, and will make the requested change before the March minutes are considered adopted. There being no further questions, Larry Koops motioned for the approval of the following:

Proposed Meeting Minutes – March 24, 2015  
DTED Transition Memorandum of Understanding – 2015-037  
DTED Director/MEDC CEO Memorandum of Understanding – 2015-038  
CDBG Application Guide Approval – 2015-039

Jody DePree Vanderwel seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

**ADMINISTRATIVE**

**Resolution 2015-040 – New International Trade Center – Escrow Agreement**

*Andrew Doctoroff, Special Projects Advisor, provided the Board with information regarding this action item.* This is a request to approve the MSF's execution of an escrow agreement relating to the New International Trade Crossing ("NITC"). 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 manages the NITC project on a day-to-day basis. The Crossing Agreement establishes the International Authority, a bi-national entity that will approve critical decisions relating to the NTIC project. NITC-related funds provided by Canada will be remitted to, and held by, an escrow agent. On January 20, 2015, the Michigan Economic Development Corporation, in Resolution 2015-13, approved the allocations of monies to pay for the fees of the escrow agent. The escrow agent, The Canada Trust Company, was selected pursuant to a competitive bidding process conducted by the WBDA and overseen by a fairness monitor. Service providers, including the Michigan Department of Transportation, will provide requisite information establishing the completion of work performed, and the MSF will not be called upon to make any substantive decisions in connection with the escrow agreement.

### **Staff Recommendation**

Staff recommends the approval of the escrow agreement as outlined and provided for in the resolution.

### **Board Discussion**

Mr. Arwood asked if there were any questions from the Board. There being none, Paul Anderson motioned for the approval of Resolution 2015-040. Mike Zimmer seconded the motion. The motion carried: 8 ayes; 0 nays, 0 recused.

### **Resolution 2015-041 – Michigan Land Bank – Blighted Property Notes**

*Jarrold Smith, Assistant Attorney General, provided the Board with information regarding this action item.* Michelle Wildman, from Michigan State Housing Development Authority, was also in the audience on behalf of this request. In 2013, U.S. Treasury approved the reprogramming of the HHF Program funds already allocated to MHA's foreclosure program in 2010 (through MSHDA) to instead be used for a Blight Elimination Program. The focus of the program is to eliminate the surplus of blighted single family homes that have distressed 16 cities in the State of Michigan. The State of Michigan Land Bank Fast Track Authority (the "Michigan Land Bank") is currently partnering with the Cities of Pontiac, Highland Park, Inkster and Hamtramck (which do not have operating land banks) to acquire and demolish blighted properties using loans provided by MHA (\$25,000 maximum per property). The loans are provided via a Demand Note that is immediately repaid with a Mortgage Note. The Mortgage Note is forgivable at 20 percent per year over a five year period. As with MHA's foreclosure prevention programs, this five year forgiveness period is a method to ensure compliance with program requirements. Because Executive Order 2014-12 transferred “any revenue bonding powers” of the Michigan Land Bank to the Michigan Strategic Fund (“MSF”), the MSF is being asked to issue the Demand Notes and Mortgage Notes on the Michigan Land Bank's behalf an in its name.

Immediately upon execution, the notes will be obligations of the Michigan Land Bank. The Michigan Land Bank will be the Mortgagor of record and be solely responsible for any and all obligations related to the notes.

### **Board Discussion**

Mr. Arwood asked if there were any questions from the Board. There being none, Mike Zimmer motioned for the approval of Resolution 2015-041. Larry Koops seconded the motion. The motion carried: 8 ayes; 0 nays; 0 recused.

## **BUSINESS INVESTMENT**

### **ENTREPRENEURSHIP**

#### **Resolution 2015-042 – PMVCF Program – Award Recommendation**

*Mike Flanagan, Entrepreneurship & Innovation, provided the Board with information regarding this action item.* On January 27, 2015, the MSF Board approved the third round of the Pure Michigan Venture Development Fund (“VDF” or “Program”), and opened a new application period to receive proposals. The Program is designed to invest in first and second generation venture capital funds in Michigan. The State’s investment will act as a significant anchor enabling awardees to raise additional funds and become viable entities. The ultimate goals of the Program are to expand the venture industry in the State and increase the number of venture investments in our innovative, early stage companies. The Program received one proposal during the third round application period.

Upon receipt of application(s), MEDC legal staff conducted an initial screening to ensure the applicant had met the minimum eligibility criteria for the Program. Having met those criteria, the application was forwarded by MEDC legal to a Joint Evaluation Committee (“JEC”), which conducted an extensive review, both written and oral, of the applicant fund, based on scoring criteria approved by the MSF Fund Manager. The applicant fund scored above the threshold required to earn recommendation for award under the Program.

#### **Staff Recommendation**

MEDC Staff is requesting approval of one new award under the Pure Michigan Venture Development Fund program of up to \$2.25 million to **Detroit Innovate Fund I, LP**.

In addition, Staff requests approval of delegation of authority to the MSF Fund Manager to negotiate and finalize the terms and conditions of the awards, including approval of any final agreements.

#### **Board Discussion**

Mr. Arwood asked if there were any questions from the Board. Discussion ensued regarding the investment return, and the scoring for previous rounds of this award. There being no further questions, Larry Koops motioned for the approval of Resolution 2015-042. Jody DePree Vanderwel seconded the motion. The motion carried: 8 ayes; 0 nays; 0 recused.

## **BUSINESS GROWTH**

#### **Resolution 2015-043 – Sakthi Automotive – MBDP Grant & Renaissance Zone**

*Marcia Gebarowski, Development Finance, provided the Board with information regarding this action item.* This is request from the Applicant for a \$3,500,000 performance-based grant. This project involves the creation of 350 Qualified New Jobs, and a capital investment of up to \$31,865,000 in the City of Detroit, Wayne County. The Company considered incentives available in Georgia, Ohio, and South Carolina which included free land, low-interest construction loans, job creation tax credits and training grants. Incentive packages offered by these states, coupled with lower operating costs including lower property taxes, presented favorable options for the Company. Incentive funds will be used to help offset the higher operating costs, interior site conditions, and need to locate, hire and retain a skilled workforce for its facility in Detroit.

The Sakthi Group is a \$1.2 billion industrial conglomerate and one of the fastest growing business groups in South India. The Sakthi Group has a strong market presence in a number of markets with a host of group companies operating under its umbrella. The Company is one of the vertical operations of the Sakthi Group. The Company is a major supplier of critical components to auto OEM's. These components include steering knuckles, brake drums, brake discs, hubs, brake calipers and carriers. The Company plans to produce lightweight aluminum castings that will support major initiatives of their global automotive OEM's to reduce the mass of vehicles to increase fuel efficiency and reduce emissions.

The MEDC and the City of Detroit will also recommend the approval of an MSF-designated Renaissance Zone for the planned expansion proposed by the Company at a later date. Boundaries for the proposed Renaissance Zone would include the Company's current facility as well as the four additional parcels involved in the planned expansion.

#### **Staff Recommendation**

MEDC Staff Recommends the approval of the MBDP Grant as outlined in the resolution and terms sheet, as well as the requested Renaissance Zone designation.

#### **Board Discussion**

Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the number, types, location and salary ranges for the anticipated jobs, as well as the sources used for the aluminum required for operations. There being no further questions, Larry Koops motioned for the approval of Resolution 2015-043. Andrew Lockwood seconded the motion. The motion carried: 8 ayes; 0 nays; 0 recused.

#### **Resolution 2014-044 – SMR/City of Marysville – CDBG**

Jeremy Webb, Development Finance, provided the Board with information regarding this action item. The County of Saint Clair is requesting \$2,000,000 in Community Development Block Grant (CDBG) funds for on the job training needed for the SMR Automotive Systems USA, Inc. (SMR) expansion project in Marysville, Michigan. The Applicant expects that this project could result in private investment of \$18,681,239 and the creation of 200 jobs. The Company was considering sites in South Carolina, Alabama, and Missouri as each have offered SMR incentives combining tax credits, building assistance and staffing programs. In addition, the Company would save in labor costs with the southern states. Furthermore, three of SMR's biggest Original Equipment Manufacturers (OEM) customers Nissan, Kia, and Hyundai would be significantly closer if the Company completed this expansion in the south, thus reducing their logistics costs. In order to help offset the increased cost of labor and logistics by doing this project in Michigan, the Company needs the CDBG assistance.

The Company is a Tier 1 automotive supplier to many major OEM of rear vision systems. The Company's primary market is in North America, but does export a modest level of some existing products to Canada and South America. The Company's current facility in Marysville, Michigan can no longer support the workload needed to meet their production needs. As a result, the Company plans to purchase additional land adjacent to their current campus, and construct an 85,000 square feet facility and a new parking lot for the new employees.

#### **Staff Recommendation**

MEDC Staff recommends the approval of CDBG funding of this project as outlined in the resolution.

## **Board Discussion**

Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the industry competitors, CDBG job requirements, as well as how incentives granted by the MSF may give advantage to these companies against other Michigan companies. There being no further questions, Jody DePree Vanderwel motioned for the approval of Resolution 2015-044. Larry Koops seconded the motion. The motion carried: 8 ayes; 0 nays; 0 recused.

*Mr. Anderson exited the meeting at 10:46 am, and reentered at 10:48 am.*

## **Resolution 2015-045 – Norplas Industries, Inc. – MBDP Amendment**

*Mike Gietzen, Development Finance, provided the Board with information regarding this action item.* The amendment request is to modify the grant requirements, and the grant amount to reflect changes to the project. The Company has met the first incentive milestone, but due to an OEM customer cancelling one of the vehicle contracts originally awarded for this facility the Company will not reach the original job creation projections. It is requested that the total Qualified New Job Creation requirement be reduced from 520 to 400. This reduction would eliminate milestone three. Additionally, amending the second milestone due date from December 31, 2014 to June 30, 2015 is requested due to an OEM customer cancelling a vehicle contract awarded to the Company causing delays to the total job creation ramp up. As a result of these modifications, it is requested that the total grant amount be reduced to \$1.25 million from \$1.7 million.

## **Staff Recommendation**

MEDC Staff recommends the approval of this amendment as outlined in the resolution.

## **Board Discussion**

Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the scope of the work, which remains unchanged, and the possibility of further amendments. There being no further questions, Mike Zimmer motioned for the approval of Resolution 2015-045. Paul Anderson seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

## **ACCESS TO CAPITAL**

*Chris Cook, Capital Access, provided the Board with information regarding two action items.*

## **Resolution 2015-046 – Lutheran Homes of Michigan, Inc. – Bond Inducement**

Lutheran Homes of Michigan, Inc. d/b/a Wellspring Lutheran Services, a Michigan nonprofit corporation (“Borrower”) is requesting private activity bond financing to: a) refund outstanding bank debt incurred for the acquisition, construction, furnishing and improving of facilities which provide skilled nursing, memory care, assisted living, rehabilitation services, home health care services and related land and improvements owned and operated by the Borrower or other members of the Wellspring Lutheran Services Obligated Group (as described below) and located in City of Livonia, Frankenmuth Township, Saginaw Township and Comins Township, Michigan.

The Borrower was incorporated in 1924, as the successor to the Society of the Evangelical Lutheran Old Folks Home of the State of Michigan, which was founded in 1893. Borrower is a nonprofit, faith-based agency that through its subsidiaries provides skilled nursing, assisted living, home care services and residential living choices to over 1,000 older adults residing in Michigan.

## **Staff Recommendation**

After reviewing the Private Activity Bond application for Borrower, staff recommends the adoption of an Inducement Resolution in the amount \$25,000,000.

### **Board Discussion**

Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the acquisition costs. At this time, Craig Hammond, Bond Counsel, joined the conversation from the audience to help clarify that the MSF is not investing any money in the project. There being no further questions, Larry Koops motioned for the approval of Resolution 2015-046. Jim Walsh seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

### **Resolution 2015-047 – Master Automatic Machine Company, Inc. – Bond Inducement**

Master Automatic Machine Company, Inc. (“Borrower”) is requesting private activity bond financing in order to invest in the acquisition of new manufacturing equipment for their Livonia, Michigan facility; specifically new Echo Hill high-precision grinding machines and CNC turning and milling machines. Borrower currently employs 177 people, this project is expected to create 82 jobs over the next three to four years.

### **Staff Recommendation**

After reviewing the Private Activity Bond application for Master Automatic Machine Company, Inc., staff recommends the adoption of an Inducement Resolution in the amount of \$3,000,000.

### **Board Discussion**

Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the reason that the MSF helps secure non-profit bonds for certain types of organizations, and the federal requirements for such assistance. Mark Morante, Fund Manager, provided a brief history on the process and financing benefits. There being no further questions, Jody DePree Vanderwel motioned for the approval of Resolution 2015-047. Larry Koops seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

## **COMMUNITY VITALITY**

### **Resolution 2015-048 – MSU Grand Rapids Research Center – Act 381 Work Plan**

*Ryan Kilpatrick, Community Assistance Team, provided the Board with information regarding this action item.* The City of Grand Rapids Brownfield Redevelopment Authority is seeking approval of new local and school tax capture over seventeen years for Michigan Strategic Fund (MSF) eligible activities in the amount of \$28,880,350. Michigan State University (MSU) has proposed an investment of \$88,000,000 to construct and equip a 163,000 square foot, state of the art biomedical research facility which would create approximately 180 new high wage jobs on the 4.3 acres site. MSU is pursuing a public-private partnership that will include a minimum 600 space parking structure and two buildings that will be at a minimum five-stories in height and will be privately developed. The parking structure would serve both the MSU Research Facility and the two future projects. Currently, the total square footage of buildings on the site is anticipated to be at least 300,000 square feet of office, residential and retail space.

The Brownfield tax increment revenue is needed to offset costs primarily associated with demolition, lead and asbestos abatement and construction of a parking deck. Without the parking deck, the MSU Research Facility would be required to use a majority of the site for surface parking. The vertical deck would allow space for private development on site which is anticipated to generate an additional \$30,000,000 to \$40,000,000 in private investment.

### **Staff Recommendation**

The Michigan Economic Development Corporation (MEDC) staff recommends approval of the request by City of Grand Rapids Brownfield Redevelopment Authority to capture local and school taxes for the MSF eligible activities totaling \$28,880,350 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$14,835,836.

## **Board Discussion**

Mr. Arwood asked if there were any questions from the Board. Extensive discussion ensued pertaining to the necessary relationship between the research center and the additional proposed parking structure. It is the developer's contention that without the construction of the vertical parking structure, and the additional space that would be made available for future commercial investment, the parking would solely support the research jobs at the facility and have no potential for further growth. Additionally in working with the City of Grand Rapids, both parties found it beneficial to the community to invest in the structure, as there is a considerable parking need in the area that this would help address. Mr. Walsh contented that it is a risk to build the structure with no secured vendors; if the buildings and investment do not come, he asked, who foots the bill. Paul Anderson clarified by interjecting that the Board would feel this was a less risky venture, if there were already developers making investments in the proposed commercial space within the parking structure, so that they would have a vested interest in its success. There being no further questions, Larry Koops motioned for the approval of Resolution 2015-048. Mike Zimmer seconded the motion. **The motion carried: 7 ayes; 1 nay (Mr. Walsh), 0 recused.**

## **Resolution 2015-049 & 050 – Moso Village, LLC – MCRP/Brownfield TIF**

*Rosalyn Jones, Community Assistance Team, provided the Board with information regarding this action item.* The project requests use of both the Brownfield Act 381 Program and the Michigan Community Revitalization Program (MCRP) for the proposed development of five parcels located at 110 North Street, 203, 207-209 and 210 John Street, and 105 North Clay Street and surrounding public right-of-ways in the City of Sturgis. The City of Sturgis Brownfield Redevelopment Authority has submitted an Act 381 Work Plan (hereinafter Work Plan) request for the approval of new local and school tax capture over 19 years for eligible activities in the amount of \$1,969,950. Eligible activities that will be undertaken to alleviate Brownfield conditions on all five properties and complete the project include infrastructure improvements, demolition, lead and asbestos abatement, and site preparation.

The Sturgis downtown area has seen little growth in the past 50 years and this project has received interest as evidenced by signed Letters of Intent for some of the commercial space. The project includes a financing gap even though the Applicant is investing significantly in the project through a \$300,000 cash equity investment, a personal loan of \$840,000, and \$238,668 for equipment, furniture, fixtures and tenant improvements. The Applicant has secured senior financing in the amount of \$2,840,000 including an 80 percent USDA loan guarantee. The MCRP grant will fill the gap and allow the project remain financially feasible and achieve adequate cash flow to meet its debt service requirements once it has reached stabilization.

## **Staff Recommendation**

MEDC Staff recommends approval of local and school tax capture for the Act 381 eligible activities totaling \$1,969,950 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$925,680. Staff also recommends the approval of a MCRP performance-based grant in the amount of \$1,000,000 for Moso Village LLC.

## **Board Discussion**

Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the need for residential housing within the city, as well as the commercial tenant, its largest customer, and the risk of losing that lease if the building is not improved as proposed. There being no further questions, Paul Anderson motioned for the approval of Resolutions 2015-049 & -050. Andrew Lockwood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

At this time, business was concluded for the April 28<sup>th</sup> meeting of the Michigan Strategic Fund. At this time, Jennifer Nelson, Chief Operating Officer for the MEDC, introduced Amanda Bright McCallahan, recently hired at MEDC as the Chief Financial Officer, who will also act as Treasurer to

the Michigan Strategic Fund. Following this introduction, Board members reviewed financial information for core programs under their authority (attached). Beth Colosimo, Budget Director, provided insight as to the funding appropriated by the legislature, and the budgeting process.

Mike Zimmer left the meeting at 11:35 am.

Mr. Arwood adjourned the meeting at 11:40 pm.