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

Communications

A. Consent Agenda
   Proposed Meeting Minutes – February 28, 2017
   AureoGen Biosciences – Loan Payoff – Margaret McAmmon
   MSF/MDOT – Memorandum of Understanding – Andrea Robach
   Arena Place Development LLC – City of Grand Rapids – MCRP Amendment – Julius Edwards

B. Administrative
   MEDC Interlocal Agreement Amendment – Request – Brad Heffner

C. Business Investment
   a. Business Growth
      fairlife LLC and Continental Dairy Facilities, LLC – MBDP Grant – David Kurtycz
      Ford Motor Company – MBDP Grants, SESA Exemptions, & Alternative SESA – Stacy Bowerman
   b. Entrepreneurship
      Flint Ferris Wheel Business Incubator – Award Request – Fred Molnar/LeTasha Peebles

D. Community Vitality
   Skypoint Ventures – City of Flint – MCRP – Nate Scramlin
   Northern Michigan University – Upper Peninsula Broadband Initiative – MSF Activity – Lynda Franke
   AG Selden LLC – City of Detroit – MCRP – Brittney Hosziw
   Brush Park Development Company – City of Detroit – MCRP & Act 381 Work Plan – Brittney Hosziw
   Lofts on Wealthy LLC – City of Grand Rapids – Act 381 Work Plan – Ryan Kilpatrick
MICHIGAN STRATEGIC FUND

RESOLUTION 2017-

APPROVAL OF MARCH 2017 CONSENT AGENDA FOR THE MICHIGAN STRATEGIC FUND BOARD

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

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

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

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

Consent Agenda Items:

Proposed Meeting Minutes – February 28, 2017
AureoGen Biosciences – Loan Payoff
MSF/MDOT – Memorandum of Understanding
Arena Place Development LLC – City of Grand Rapids – MCRP Amendment

Ayes:
Nays:
Recused:

Lansing, Michigan
March 28, 2017
Members Present
Paul Anderson
Steve Arwood
Andrew Lockwood (on behalf of Treasurer Khouri)
Allan Pohl (on behalf of Director Edgerton)
Terri Jo Umlor
Jody DePree Vanderwel
Shaun Wilson

Members Absent
Dan Boge
Larry Koops
Wayne Wood

Mr. Arwood called the meeting to order at 10:02 am.

Public Comment: Mr. Arwood asked that any attendees wishing to address the Board come forward at this time. No public comment.

Mr. Arwood recognized the following legislator in attendance: Senator Margaret O’Brien speaking in support of the Stryker Corporation project in Portage. He also recognized Jason Hoskins who attended on behalf of Representative Jeremy Moss in support of the Credit Acceptance Corporation project in Southfield.

Communications: Jennifer Tebedo, MSF Administrator, advised the Board that they received a revised agenda at the table as well as a revised resolution for Credit Acceptance Corporation and revised briefing material for the RecoveryPark project in Detroit.

A. CONSENT AGENDA
Resolution 2017-010 Approval of Consent Agenda Items
Mr. Arwood asked if there were any questions from the Board regarding the items under the Consent Agenda. There being none, Andrew Lockwood motioned for the approval of the following:

Proposed Meeting Minutes – January 30, 2017
Community College Skilled Trades Equipment Program (CCSTEP) Awards – 2017-011
State Trade Export Promotion Program – Delegation of Authority – 2017-012
CDBG Loan Program – Regional Fund Assignment – 2017-013
The Landing Development Group – City of Marquette – Brownfield MBT Amendment – 2017-014
MCRP Reporting Waiver – Proposed Reporting Change – 2017-015
Stoneridge, Inc. – MBDP Amendment – 2017-017

Paul Anderson seconded the motion. The motion carried: 6 ayes; 0 nays; 0 recused.

Jody DePree Vanderwel joined the meeting by phone at 10:10 am.
B. BUSINESS INVESTMENT

B1. Business Growth

Resolution 2017-018 Huron Inc. – Worth Township/Sanilac County – MBDP Grant
Jeremy Webb, Business Development Project Manager, provided the Board with information regarding this action item. Following brief discussion, Paul Anderson motioned for the approval of Resolution 2017-018. Andrew Lockwood seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Resolution 2017-019 Stryker Corporation - City of Portage/Kalamazoo County – Act 381 Work Plan
Mike Gietzen, Business Development Project Manager, provided the Board with information regarding this action item. Following brief discussion, Shaun Wilson motioned for the approval of Resolution 2017-019. Paul Anderson seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Resolution 2017-020 Antolin Shelby, Inc. – Shelby Township/Macomb County – MBDP Grant
Marcia Gebarowski, Senior Business Development Project Manager, provided the Board with information regarding this action item. Following brief discussion, Paul Anderson motioned for the approval of Resolution 2017-020. Allan Pohl seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Resolution 2017-021 AM General, LLC – City of Auburn Hills – MBDP Grant
Marcia Gebarowski, Senior Business Development Project Manager, provided the Board with information regarding this action item. Following brief discussion, Andrew Lockwood motioned for the approval of Resolution 2017-021. Shaun Wilson seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Resolution 2017-022– Credit Acceptance Corporation – City of Southfield – MBDP Grant
Marcia Gebarowski, Senior Business Development Project Manager, provided the Board with information regarding this action item. Following brief discussion, Paul Anderson motioned for the approval of Resolution 2017-022. Andrew Lockwood seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

B2. Entrepreneurship

Resolution 2017-023 MTRAC Advanced Transportation Innovation Hub – Grant Approval
Denise Graves, University and Service Manager, provided the Board with information regarding this action item. Following brief discussion, Paul Anderson motioned for the approval of Resolution 2017-023. Andrew Lockwood seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Resolution 2017-024 MTRAC Advanced Materials Innovation Hub – Grant Approval
Denise Graves, University and Service Manager, provided the Board with information regarding this action item. Following brief discussion, Andrew Lockwood motioned for the approval of Resolution 2017-024. Paul Anderson seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

C. Community Vitality

Resolution 2017-025 637 Michigan LLC/City of Grand Rapids – Act 381 Work Plan
Ryan Kilpatrick, Community Assistance Specialist, provided the Board with information regarding this action item. Following brief discussion, Paul Anderson motioned for the approval of Resolution 2017-025. Allan Pohl seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Resolution 2017-026 150 Ottawa Development LLC/City of Grand Rapids – Act 381 Work Plan
Ryan Kilpatrick, Community Assistance Specialist, provided the Board with information regarding this action item. Following brief discussion, Andrew Lockwood motioned for the approval of Resolution 2017-026. Allan Pohl seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.
Resolution 2017-027 Michigan Magnet Fund – MSF Activity
Julius Edwards, Manager Underwriting and Incentive Structuring, provided the Board with information regarding this action item. Following brief discussion, Shaun Wilson motioned for the approval of Resolution 2017-027. Paul Anderson seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Resolution 2017-028 RecoveryPark – City of Detroit – MSF Activity
Julius Edwards, Manager Underwriting and Incentive Structuring, provided the Board with information regarding this action item. Following brief discussion, Andrew Lockwood motioned for the approval of Resolution 2017-028. Paul Anderson seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

D. Image/State Branding
Resolution 2017-029 Aviareps – Contract Extension
David Lorenz, Vice President Travel Michigan, provided the Board with information regarding this action item. Following brief discussion, Andrew Lockwood motioned for the approval of Resolution 2017-029. Shaun Wilson seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Mr. Arwood adjourned the meeting at 11:13 am.
January 12, 2017

Ms. Andrea Robach  
Board Relations Liaison  
Michigan Strategic Fund Office  
300 N. Washington Square  
Lansing, MI 48913

Dear Ms. Robach,

I hereby designate Andrew Lockwood to represent me at Michigan Strategic Fund Meeting I am unable to attend.

Sincerely,

N.A. Khouri  
State Treasurer

Cc: Andrew Lockwood
DESIGNATION OF AUTHORITY

As Director of the Michigan Department of Licensing and Regulatory Affairs, I hereby designate Allan Pohl to serve as the LARA representative at the January 30, 2017, meeting of the Michigan Strategic Fund Board.

[Signature]
Shelly Edgerton, Director
Department of Licensing and Regulatory Affairs

Dated: 1/17/2017
MEMORANDUM

Date: March 13, 2017

To: MSF Board

From: Margaret McCammon, Portfolio Manager, Entrepreneurship and Innovation

Subject: AureoGen Biosciences, Inc. – Loan Settlement Request

REQUEST

Michigan Economic Development Corporation (“MEDC”) Staff requests that the MSF accept $200,000 cash payment and $2,000,000 in warrants in full satisfaction of the debt owed by AureoGen Biosciences (“Aureogen” or “Company”) described under the MSF Investment Summary below (the “Request”).

BACKGROUND TO LOANS

AureoGen was founded August 12, 2003 to discover and develop new antibiotics and received loans from MEDC for $200,000 (2003) and $1,994,476 (2004). Both of these loans were most recently restructured in December 2016 due to financial stresses within the company. To date AureoGen has raised almost $8,000,000, which includes $5,000,000 in NIH and NIST grants.

The Company received the following loans from the MSF:

- 2003 MLSC
  - Loan Amount: $200,000
  - Amount Drawn: $200,000
  - Type of Loan: Straight Loan
  - Interest Rate: 11.00 APY (as amended)
  - Loan Issuance Date: September 4, 2003
  - Maturity Date: December 1, 2017
  - Loan Balance as of March 13th, 2017: $373,457.42

- 2004 MLSC
  - Loan Amount: $1,994,476
  - Amount Drawn: $1,994,476
  - Type of Loan: Convertible Loan
  - Interest Rate: 11% APY (as amended)
  - Loan Issuance Date: Sept 24, 2004
  - Maturity Date: December 1, 2017
  - Loan Balance as of March 13th, 2017: $4,626,270.35
In early 2016 the Company agreed a sale of some lead compounds to the global pharmaceutical company Merck, totaling $34 million if all development milestones are met. However, initial disbursements during the early testing stage are minimal and insufficient to support servicing of the MSF loans. This will result in repeated amendment requests over the next several years, thereby increasing the MSF’s administrative burden on a loan. Further, significant payments on any of the current leads are many years away and it is questionable whether the full potential of this deal will be reached because payments are associated with a series of steps along the clinical trial pathway and therefore dependent on the lead compounds being successful at every step, resulting in a very low likelihood of repayment. Merck has so far shown no urgency to complete these steps and in fact has yet to initiate the process.

While the MSF could pursue collection of the full loan balance as a result of the Company’s likely default, it is unlikely that the MSF would realize any significant return upon liquidation of Aureogen’s assets. The company has been pre-revenue since it was established in 2003 and has no meaningful assets and no prospect for other income sources.

As such, it is the opinion of MEDC staff that the repayment of these loans in a reasonable timeframe is highly unlikely. However, in the case that the company is successful and meets these milestones, the MSF will maintain a $2,000,000 warrant for 20 years to purchase membership units in the Company at an exercise price of $.01 per share. This will allow the MSF to seek an equity stake in Aureogen should it experience a venture financing event, an IPO, or is acquired. MEDC staff believes that accepting the $200,000 in full satisfaction of the debt with a $2,000,000 warrant for 20 years is the best option for the MSF at this time.

**RECOMMENDATION**
MEDC Staff recommends approval of the Request.
WHEREAS, Public Acts 215 and 225 of 2005 (the “Act”) established the 21st Century Jobs Trust 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, the MEDC and AureoGen Biosciences, Inc. (“AureoGen” or “Company”), entered into a Michigan Life Sciences Corridor (“MLSC”) loan agreement, dated September 4, 2003, whereby the MEDC agreed to loan up to $200,000 to AureoGen under the terms and conditions set forth in the Agreement and Promissory Note (the “Note”), dated September 5, 2003 (the Loan Agreement and Note, collectively, the “MLSC Loan Documents”);

WHEREAS, the MEDC and AureoGen Biosciences, Inc. (“AureoGen” or “Company”), entered into a Michigan Technology Tri-Corridor (“MTTC”) loan agreement, dated September 15, 2004, whereby the MEDC agreed to loan up to $1,994,476 to AureoGen under the terms and conditions set forth in the Convertible Loan Agreement, Security Agreement, and Promissory Note (the “Note”), each dated September 15, 2004 (the Loan Agreement, Security Agreement and Note, collectively, the “MTTC Loan Documents”);

WHEREAS, pursuant to Section 88h(5)(c) of the Act, MCL 125.2088h(5)(c), the MLSC Loan Documents and the MTTC Loan Documents became assets of the MSF;

WHEREAS, the MLSC Loan Documents and MTTC Loan Documents were amended on November 18, 2008 to extend the grace period;

WHEREAS, the MLSC Loan Documents were amended on November 12, 2009 to 1) extend the grace period; 2) increase the interest rate and 3) add a Put Option allowing the MSF to sell back any equity interest it obtained through exercise of its conversion rights;

WHEREAS, the MTTC Loan Documents were amended on June 16, 2009 to 1) extend the grace period; 2) increase the interest rate; and 3) modify the loan conversion provisions;

WHEREAS, the MLSC Loan Documents and the MTTC Loan Documents were amended on December 13, 2013 to 1) extend the grace period; 2) increase the interest rate; and 3) include a profit sharing provision for the MSF;

WHEREAS, the MLSC Loan Documents and the MTTC Loan Documents were amended on June 29, 2015 to extend the grace period;

WHEREAS, the MLSC Loan Documents and the MTTC Loan Documents were amended on December 8, 2016 to extend the grace period;

WHEREAS, as of March 13, 2017, the total amount owing under the MLSC Loan Documents is $373,457.42 and the total amount owing under the MTTC Loan Documents is $4,626,270.35 (collectively, the “Indebtedness”);
WHEREAS, AureoGen has requested that the MSF 1) convert $2,000,000 of the Indebtedness into warrants to purchase $2,000,000 worth of the Company’s shares, for a term of twenty years, an exercise price of $.01 per share, with the type of share to be determined based on a future venture financing event, initial public offering, or acquisition of the Company; and 2) accept $200,000 in full satisfaction of the remaining Indebtedness (the “Loan Settlement Request”);

WHEREAS, the MEDC recommends that the MSF Board approve the Loan Settlement Request and that the MSF Board further authorize a complete write off of the balance of the Indebtedness; and

WHEREAS, the MSF wishes to approve the Loan Settlement Request and to authorize a complete write off of the balance of the Indebtedness.

NOW, THEREFORE, BE IT RESOLVED, the MSF approves the Loan Settlement Request and authorizes a complete write off of the balance of the Indebtedness; and

BE IT FURTHER RESOLVED, that the MSF Fund Manager is authorized to take all necessary action to effectuate the Loan Settlement Request in accordance with the terms and conditions of this Resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
March 28, 2017
MEMORANDUM

Date: March 28, 2017

To: Michigan Strategic Fund

From: Andrea Robach, Contract Manager

RE: Commission for Logistics and Supply Chain Collaboration

Summary
The Commission for Logistics and Supply Chain (CLSC) Collaboration was created within the Michigan Strategic Fund (MSF) in order to “create a road map for attracting, supporting, marketing, and growing the international trade, supply chain, and logistics industries by advising on the development and coordination of state transportation and economic development policies”. In order to most efficiently and effectively utilize the commission as legislation intended, staff recommends the administration of the CLSC be delegated to the Michigan Department of Transportation (MDOT).

Background
The CLSC was created by PA 398 of 2008 within the MSF. Per statute, members include the president of the Michigan Strategic Fund, the director of the state transportation department, and the director of the department of agriculture and rural development (or their respective designees) by position. The seven remaining seats are governor appointed residents of the state with education in, experience with, or knowledge of supply chain management and logistics in fields including, but not limited to, transportation, multi modal commerce, border operations and institutions of higher learning.

The power of the commission is limited to “advising” appropriate state agencies on matters related to freight transportation and supply chain management, and further directs the CLSC to collaborate across local, regional, state boundaries and with Ontario and the federal government of Canada on such matters. The Act also calls for the group to “develop an integrated state strategy regarding policy to global supply chain operations”. As such, the CLSC collaborated with representatives from the appropriate state agencies, local economic development partners and other key stakeholders to develop Michigan’s Logistics and Supply Chain 2013-2020 Strategic Plan, which was approved by Governor Snyder.

In the fourth quarter of the 2015 fiscal year, financial uncertainty required the Michigan Economic Development Corporation (MEDC) to reevaluate and reprioritize the economic development efforts of the state. This reorganization resulted in the elimination of programs which were not directly supporting the development of Michigan’s core focus: business investment, community vitality and state image and branding. While the MEDC continues to acknowledge the importance of logistics and supply chain to the state’s economic growth, financial resources are no longer available to support the activities necessary to
execute the Strategic Plan. Consequently, with the elimination of the Plan and its deliverables as its focus, the CLSC has struggled to fulfil the duties of the role defined by legislation.

**Request**
Michigan’s Freight Plan, originally completed in 2013 has recently been reviewed by leaders at MDOT to ensure compliance with the federal Fixing America’s Surface Transportation (FAST) Act. Section 70201 of this Act recommends that each state establish a Freight Advisory Committee to advise state leaders on freight-related priorities, issues, projects, and funding needs as well as to participate in the continuous development of the State’s Freight Plan. It has been determined that the qualifications required to effectively serve as a Freight Advisory Committee member are sufficiently represented in the makeup of the CLSC. Therefore, it is recommended that the administration of the Commission for Logistics and Supply Chain Collaboration be transferred to the Michigan Department of Transportation in order to serve as the state’s official Freight Advisory Committee.

**Staff Recommendation**
MEDC Staff recommends the MSF enter into a Memorandum of Understanding with the Michigan Department of Transportation for an initial period of three years, in order to administer the CLSC as Michigan’s Freight Advisory Committee.
WHEREAS, Public Act 398 of 2008, MCL 125.1891-125.1894, as amended (the “Act”), created the Commission for Logistics and Supply Chain Collaboration (the “Logistics and Supply Chain Commission”) within the Michigan Strategic Fund (“MSF”) and consists of the President of the MSF, the Director of the Michigan Department of Transportation (“MDOT”), the Director of the Department of Agriculture and Rural Development (“MDARD”) and seven additional members appointed by the Governor in accordance with the Act;

WHEREAS, the Logistics and Supply Chain Commission is charged with creating a road map for attracting, supporting, marketing, and growing the international trade, supply chain, and logistics industries by advising on the development and coordination of state transportation and economic development policies;

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

WHEREAS, in order to promote the effective and efficient operation of the Logistics and Supply Chain Commission, the MEDC recommends that the MSF enter into a Memorandum of Understanding (“MOU”) with MDOT for the administration of the Logistics and Supply Chain Commission (the “Logistics and Supply Chain Commission MOU”). A form of the Logistics and Supply Chain Commission MOU is attached as Exhibit A to this Resolution;

WHEREAS, the MSF wishes to enter into the Logistics and Supply Chain Commission MOU in substantially the same form of the attached Exhibit A.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves execution of the Logistics and Supply Chain MOU with MDOT MOU in substantially the same form of the attached Exhibit A.

BE IT FURTHER RESOLVED, that the MSF Board authorizes the MSF Fund Manager to negotiate the final terms and conditions of the Logistics and Supply Chain Commission MOU.

Ayes:

Nays:

Recused:

Lansing, Michigan
March 28, 2017
MEMORANDUM OF UNDERSTANDING
between
MICHIGAN STRATEGIC FUND
and
MICHIGAN DEPARTMENT OF TRANSPORTATION

I. Introduction

The purpose of this Memorandum of Understanding (“MOU”) between the Michigan Strategic Fund (“MSF”) and the Michigan Department of Transportation (“MDOT”) is to set forth the terms and conditions under which MDOT shall perform the administrative duties and operations for the Commission for Logistics and Supply Chain Collaboration (“CLSCC”). The MSF and MDOT are, individually a “Party” and collectively the “Parties”.

II. Term

A. This MOU is effective from March 1, 2017 through September 30, 2022.

B. Each Party shall designate an individual to act as an MOU Administrator representing that Party. The Party may change the designation at any time with written notice to the other Party. The MOU Administrator designation are as follows:

(i) Andrea Robach is the MOU Administrator on behalf of MSF; and
(ii) Tim Hoeffner is the MOU Administrator on behalf of MDOT.

III. Payment Information

A. The MSF agrees to pay MDOT an amount not to exceed $5,000 each fiscal year during the Term for CLSCC administrative costs and member related travel expenses. This amount includes all embedded expenses.

B. Payment under this Agreement shall be made by the MSF to MDOT upon receipt and approval by the MSF MOU Administrator of MDOT's billing statement(s). MDOT shall provide billing statement(s) to MSF MOU Administrator or at MSF MOU Administrator’s direction on a quarterly basis. All billing statement(s) must reflect actual expenses incurred.

IV. Responsibilities

A. MDOT shall provide day-to-day oversight and support for CLSCC activities.
B. MDOT shall provide a report to the MSF MOU Administrator, beginning December 31, 2017 and continuing no later than December 31\textsuperscript{st} of each calendar year thereafter, detailing all CLSCC activities, administrative costs and member related travel expenses, and any other reasonable information necessary for the MSF to fulfill its annual reporting obligations to the State of Michigan Legislature.

C. MSF shall provide funds to MDOT for the sole purpose of this MOU.

V. General Provisions

A. The Parties are independent contractors of one another under this MOU. No third party beneficiary rights are created by this MOU. No third party is entitled to rely on the provisions of this MOU. Only the Parties may rely on the promises, covenants, terms and conditions contained in this MOU.

B. This MOU may be amended upon written approval of the Parties. This MOU contains all the terms and conditions agreed upon by the Parties with respect to this MOU.

C. The granting of a waiver by any Party of any of the terms and conditions set forth in this MOU shall not constitute a continuing waiver but shall be singular and particular in nature and shall not constitute a waiver of the other provisions, terms, conditions or covenants not contained in such waiver.

D. The Parties agree that faxed, or pdf signatures of the Parties shall be binding and enforceable and that this MOU may be executed in one or more counterparts.

The Parties have signed this MOU effective on March 1, 2017.

MICHIGAN STRATEGIC FUND

______________________
Mark Morante
Fund Manager

MICHIGAN DEPARTMENT OF TRANSPORTATION

______________________
Kirk Steudle
Director
MEMORANDUM

Date: March 28, 2017

To: Michigan Strategic Fund Board

From: Julius L. Edwards, Manager, Underwriting and Incentive Structuring

Subject: Arena Place Development, LLC and Mercantile Bank of Michigan Request for Approval of a Michigan Community Revitalization Program $4,500,000 Other Economic Assistance Performance-Based Loan Participation Agreement Amendment

Request

Arena Place Development, LLC (“Company”) and Mercantile Bank of Michigan (“Lender”) are requesting approval of an amendment to the Michigan Community Revitalization Program $4,500,000 Other Economic Assistance Performance-Based Loan Participation Agreement (“Agreement”) and any related ancillary agreements. The amendment request includes a request to extend the previously extended amortization period from 25 years to 30 years. By extending the amortization period project cash flow will be improved freeing up cash flow to assist in paying down the development team’s additional $1.5 million required investment in the project to cover cost overruns and project upgrades.

Background

The Michigan Strategic Fund Board approved a $4,500,000 Michigan Community Revitalization Program Performance-Based Award on March 25, 2014 to the Company for the purpose of constructing a mixed-use office, retail, and residential 11-story high rise building located in Downtown Grand Rapids South District adjacent to Van Andel Arena. The project site, formerly a city surface parking lot, is approximately one acre in size and is located at 158 Weston Street SW in the City of Grand Rapids. The project included approximately 101 (one and two bedroom) market rate residential rental units, 16,000 square feet of flexible retail and restaurant space, four floors of parking, and seven floors of commercial office space at approximately 108,000 square feet.

Past Amendment Requests

Amendment One to the project was approved on September 3, 2014 to allow Mercantile Bank to amend its piece of the loans to reflect the Company’s decision to exercise its option to select a fixed interest rate. The Lender’s Note allowed for either a floating or a fixed rate at the option of the Company.

Amendment Two to the project was approved July 26, 2016 to include requests to approve additional funds needed for finishing the project to cover construction cost overruns and additional tenant improvements. Of the $5,000,000 in additional costs, the owners funded $1,500,000 with equity, and the Lender increased its piece of the loan participation by $3,500,000. The MSF’s investment in the project remained unchanged at $4,500,000. In addition, the amendment included a request to extend the interest only period on the loans by 3 months, extend the amortization period from the previously approved 22
year amortization to 25 years (amortization to start in January 2017), and extend two of the Agreement’s Milestones related to “Project Completion” from June 3, 2016 to December 3, 2016.

The Company is in compliance with its MSF Agreement and is current on all payments.

**Recommendation**
The MEDC staff recommends approval of an amendment to the MCRP Other Economic Assistance Performance-Based Loan Participation Agreement and any ancillary agreements allowing the Lender to extend the amortization period from 25 years to 30 years.
WHEREAS, the Michigan legislature amended the Michigan Strategic Fund Act, MCL 125.2011 et. seq., to add Chapter 8C (being MCL 125.2090a – MCL 125.2090d) to enable the Michigan Strategic Fund (“MSF”) to create and operate the Michigan Community Revitalization Program (“MCRP”) to provide incentives in the form of grants, loans and other economic assistance for redevelopment of communities in Michigan;

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

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

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

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

WHEREAS, by Resolution 2014-036 on March 25, 2014 the MSF Board awarded a CRP Other Economic Assistance Performance-Based Loan Participation Award to Arena Place Development, LLC, in furtherance of the Project of up to $4,500,000 (“Award”);

WHEREAS, on September 3, 2014 the MSF’s Fund Manager approved an amendment allowing Mercantile Bank (“Lender”) to change its portion of the loan to a fixed interest rate;

WHEREAS, by Resolution 2016-114 on July 26, 2016 the MSF Board approved an amendment allowing the Lender to increase its loan by $3,500,000 to the project to cover cost overruns, extend the interest only period on the loans by 3 months, change the amortization period from 22 years to 25 years (amortization to start in January 2017), and extend two Milestones related to “Project Completion” from June 3, 2016 to December 3, 2016;

WHEREAS, the MEDC is recommending that the MSF approve an amendment request that would allow the Lender to extend the amortization period on the Lender’s and MSF’s Share of the loan from 25 years to 30 years;

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

Nays:

Recused:

Lansing, Michigan
March 28, 2017
MEMORANDUM

Date: March 28, 2017
To: Michigan Strategic Fund Board
From: Brad Heffner, Associate General Counsel
Subject: Approval of Amendments to Interlocal Agreement creating the Michigan Economic Development Corporation

Request
This is a request to approve amendments to the Interlocal Agreement creating the Michigan Economic Development Corporation (the “MEDC”) and authorize an Amended and Restated Agreement.

Background
The Michigan Strategic Fund (the “MSF”) and participating public agencies entered into an Interlocal Agreement, effective April 5, 1999, for the purpose of jointly exercising economic development powers and creating the MEDC. The Interlocal Agreement was first amended in 2003 by the parties to the Interlocal Agreement.

The proposed amendments extend the term of the agreement, update the agreement to recognize changes to the Urban Cooperation Act, and propose administrative improvements and efficiencies.

Recommendation
MEDC staff recommends that the amendments to the Interlocal Agreement be approved and authorization to enter into an amended and restated agreement reflecting the prior and proposed amendments.
MICHIGAN STRATEGIC FUND

RESOLUTION

2017-

APPROVAL OF AMENDMENT TO INTERLOCAL AGREEMENT

WHEREAS, the Michigan Strategic Fund (the “MSF”) is a signatory of the Interlocal Agreement that created the Michigan Economic Development Corporation;

WHEREAS, it is necessary for the Interlocal Agreement to be amended to extend the term of the Interlocal Agreement, recognize statutory changes to the Urban Cooperation Act, and provide for administrative improvements and efficiencies; and,

WHEREAS, it is necessary for the MSF Board to approve amendments to the Interlocal Agreement and provide authorization to enter into an amended and restated agreement reflecting the prior and proposed amendments.

NOW, THEREFORE, BE IT HEREBY RESOLVED, that the Michigan Strategic Fund Board approves the amended and restated agreement in substantially the form attached.

BE IT FURTHER RESOLVED, the MSF President is authorized to execute the amended and restated Interlocal Agreement and all documents necessary to implement this resolution on behalf of the MSF.

Ayes:

Nays:

Recused:

Lansing, Michigan
March 28, 2017
SUMMARY OF SECOND AMENDMENT TO MEDC INTERLOCAL AGREEMENT

Why amend the agreement?

1. The agreement expires on April 4, 2019.
2. State laws affecting the agreement have changed.
3. Realize administrative improvements and efficiencies based upon experience.

What does the proposed amendment do?

Expiration of Agreement
- Extends agreement for 10 more years through April 4, 2029. [§6.01]
- Then automatically renews agreement in 5-year increments. [§6.01]

State Law Changes
- Specifies that MEDC Executive Committee manages and directs joint exercise of the parties under the agreement on behalf of public. [§8.04]
- Designates MEDC as employer of MEDC employees under the joint exercise. [§9.11]
- Clarifies MEDC’s obligation to adopt annual budget in compliance with Uniform Budgeting and Accounting Act. [§11.03]
- Removes Corporate Board’s requirement of an annual audit to be in conformity with Uniform Budgeting and Accounting Act. [§7.02]
- Updates outdated definition of “public agency”. [§1.25]

Administrative Improvements and Efficiencies
- Updating “project” definition to include all economic development activities of MEDC instead of only industrial, commercial, or agricultural endeavors. [§1.24]
- Permitting MEDC to exercise full range of functions and responsibilities under state law by clarifying that MEDC can exercise:
  - all separate legal entity powers permitted under the Urban Cooperation Act of 1967 [§§5.01; 6.01]; and
  - both functions and responsibilities under the agreement and additional powers vested in MEDC by state law. [§2.01].
- Allowing Michigan Strategic Fund to withdraw from agreement with 18-month notice to other parties [§6.02] and local economic development corporation to withdraw from agreement with 6-month notice to other parties, if at least one local entity remains. [§6.03]
- Reduces term of Executive Committee members to 4 years after April 30, 2019. [§8.02]
- Permitting Executive Committee and Corporation board members to participate in meetings by teleconference. [§§ 7.04; 8.06]
- Eliminating duplicative audits and financial records mandates and limiting to those required by state law. [§11.03]
- Updating notice provision to permit email and other forms of notice. [§13.01]
- Allows alternative amendment process when there is not an adverse effect on Participants with notice to the Participants and authorizes filing of the amendment. [§13.10]
SECOND AMENDMENT TO INTERLOCAL AGREEMENT CREATING THE
MICHIGAN ECONOMIC DEVELOPMENT CORPORATION
BETWEEN THE
MICHIGAN STRATEGIC FUND AND PARTICIPATING PUBLIC AGENCIES

This second amendment (the “Amendment”) is to the interlocal agreement creating the Michigan Economic Development Corporation, a Michigan public body corporate, between the Michigan Strategic Fund, a public body corporate and politic within the Michigan Department of Talent and Economic Development (the “Fund”), and the participating Public Agencies that are signatories to the interlocal agreement, as amended (the “Interlocal Agreement”). The Fund and each participating Public Agency is individually, a “Party” and are collectively the “Parties.”

NOW THEREFORE, pursuant to Section 13.10 of the Interlocal Agreement, the Parties agree to amend the Interlocal Agreement as follows:

1. Defined terms used but not defined in this Amendment are as defined in the Interlocal Agreement.

2. Section 1.24 of the Interlocal Agreement is hereby amended in its entirety to read as follows:

   “Section 1.24 Project. “Project” means an economic development activity conducted by the Corporation or any other Person, including, without limitation, an endeavor related to industrial, commercial, or agricultural enterprise.”.

3. Section 1.25 of the Interlocal Agreement is hereby amended in its entirety to read as follows:

   “Section 1.25 Public Agency. “Public Agency” means that term as defined in section 2(e) of the Cooperation Act, MCL 124.502, as in effect at any given time.”.

4. Section 2.01 of the Interlocal Agreement is hereby amended in its entirety to read as follows:

   “Section 2.01. Creation and Status. The Michigan Economic Development Corporation is hereby established as a separate legal entity for the purpose of exercising the powers, privileges, and authorities under this agreement and applicable law, including, but not limited to, executing the provisions of this agreement. The Corporation is a public body corporate.”.

5. Section 5.01 of the Interlocal Agreement is hereby amended in its entirety to read as follows:

   “Section 5.01. Additional Powers. In addition to other powers, privileges, and authorities of the Corporation, in carrying out its purposes, the Corporation may perform, or perform with any Person, as applicable, any power, privilege, or authority that the Parties share in common and that each might exercise separately to the fullest extent permitted by the Cooperation Act and other applicable law. The Corporation may not bind a Party, unless otherwise agreed to by the Party. The enumeration of a power in this agreement is not a limitation upon the powers of the Corporation. Among other things, the Corporation also may exercise any power, privilege, or authority that a separate legal
6. Section 6.01 of the Interlocal Agreement is hereby amended by replacing the last sentence of Section 6.01 with the following: “After the initial five (5) years of the Second Renewal Term, the Second Renewal Term is hereby extended for an additional ten (10) years until April 4, 2029, and then is extended in subsequent five (5) year increments at the expiration of the initial ten (10) year extension and each subsequent five (5) year period.”.

7. Section 6.02 of the Interlocal Agreement is hereby amended in its entirety to read as follows:

“Section 6.02. Withdrawal by Fund. The Fund may withdraw as a Party to this Interlocal Agreement upon eighteen (18) months’ notice of its withdrawal to the Corporation. The Corporation may by the vote of at least three fourths (3/4) of the serving members of its Executive Committee waive the notice period under this Section 6.02.”.

8. Section 6.03 of the Interlocal Agreement is hereby amended in its entirety to read as follows:

“Section 6.03. Withdrawal by Participant. A Participant may withdraw as a Party to this Interlocal Agreement upon six (6) months’ notice of its withdrawal to the Corporation if the withdrawal will not result in there being no Participants. The Corporation may by the vote of at least three-fourths (3/4) of the serving members of its Executive Committee waive the notice period under this Section 6.03.”.

9. Section 6.04(b) of the Interlocal Agreement is hereby amended after “vote” by inserting “of the serving members”.

10. Section 7.02 of the Interlocal Agreement is hereby amended in its entirety to read as follows:

“Section 7.02 Corporation Board Authority. The Corporation Board shall evaluate the performance of the Corporation pursuant to standards established by the Executive Committee and may review acts of the Executive Committee, as deemed necessary.”.

11. Sections 7.04 and 8.06 of the Interlocal Agreement are hereby amended by replacing “is both seen and heard” in the last sentence of Section 7.04 with “may participate remotely to the extent permitted by law” and by replacing “is both seen and heard” in the last sentence of Section 8.06 with “may participate remotely to the extent permitted by law”.

12. Section 8.02 of the Interlocal Agreement is hereby amended by deleting the period after “terms” in the first sentence of the last paragraph of Section 8.02 and inserting the following: “before May 1, 2019 and for four (4) year terms after April 30, 2019.”.

13. Section 8.04 of the Interlocal Agreement is hereby amended by adding the following new sentence to the end of Section 8.04: “The Executive Committee has the power to manage and direct on behalf of the public the functions or services performed under this Interlocal Agreement.”.

14. Section 9.11 of the Interlocal Agreement is hereby amended by adding to the end of
Section 9.11 the following additional sentence: “The Corporation shall function as the employer of any personnel and staff of the Corporation and have the responsibility, authority, and right to manage and direct the personnel and staff of the Corporation.”.

15. Section 11.03 of the Interlocal Agreement is hereby amended in its entirety to read as follows:

“Section 11.03 Financial Statements and Reports. The Corporation shall comply with the applicable provisions of the Uniform Budgeting and Accounting Act, 1968 PA 2, as amended, MCL 141.421 to 141.141.440a (the “Budget Act”). The Corporation shall maintain financial records and produce financial statements in accordance with generally accepted accounting principles for state and local government. The Corporation is subject to a post audit of its financial transactions and accounts or a performance post audit by the auditor general of the State to the extent authorized by law. As requested by the Fund, the Corporation shall assist the Fund in responding to a post audit of the Fund’s financial transactions and accounts or a performance post audit of the Fund by the auditor general of the State.”.

16. Section 13.01 of the Interlocal Agreement is hereby amended in its entirety to read as follows:

“Section 13.01 Notices. A notice or other communication under this Agreement may be delivered to a Party or the Corporation by first class mail or by email to an email address provided by the Party or Corporation, except that any notice of a withdrawal must be provided by certified mail or registered mail with return receipt requested, or by a national transportation company, other courier, or hand delivery with a signature of receipt of the notice required.”.

17. Section 13.10 of the Interlocal Agreement is hereby amended in its entirety to read as follows:

“Section 13.10 Amendment. This Agreement may be amended upon: (i) the vote of at least three-fourths (3/4) of the serving members of the Executive Committee, after at least 30 days’ notice of the proposed amendment to each Participant, and approval by the Fund Board, provided that the amendment does not have an adverse effect on a Participant and is not inconsistent with the Cooperation Act; or (ii) the written agreement of all Parties. Each Participant hereby consents to the filing by the Corporation on behalf of the Participant of an amendment adopted under clause (i) of this Section 13.10.”.

18. If the Parties sign this Amendment in several counterparts, each will be deemed an original but all counterparts together will constitute one instrument.

19. This Amendment will be effective upon the occurrence of all of the following:

(a) approval and signing of this Amendment by the Fund;
(b) approval and signing of this Amendment by each Participant;
(c) approval of this Amendment by the Governor of the State of Michigan under Section 10 of the Cooperation Act, MCL 124.501;
(d) the filing of the approved and signed Amendment with the Office of the Great Seal.
(e) the filing of the approved and signed Amendment with the clerk of Ingham County
and with each other county in which as Participant is located.

20. If this Amendment is effective, the legal counsel of the Corporation shall prepare an amended and restated interlocal agreement that reflects the changes to the Interlocal Agreement adopted in the first amendment of the Interlocal Agreement and this Amendment for use by the Corporation, the Fund, and the Parties.

The Parties are signing this Amendment on the date stated opposite each party’s signature.

MICHIGAN STRATEGIC FUND

Date: ____________________  By: ___________________________________

Name _____________________________
President

CERTIFICATION

I, ________________________, Fund Manager of the Michigan Strategic Fund (the “Fund Board”), hereby certify all of the following:

(1) that this Amendment was approved and the signing of the Amendment by the President of the Fund was authorized on behalf of the Michigan Strategic Fund by the Fund Board by a resolution adopted at a meeting of the Fund Board held on ________________________;

(2) that the resolution remains in effect;

(3) that the meeting was held in compliance with the Open Meetings Act, as amended, 1976 PA 267, MCL 15.261 to 15.275; and

(4) that the minutes of the meeting were kept and have been or will be made available as required by the Open Meetings Act, as amended, 1976 PA 267, MCL 15.261 to 15.275.

Dated: ____________________  By: ___________________________________

Name: ____________________________
Fund Manager
CERTIFICATION

I, ________________________, secretary of board of directors (the “EDC Board”) of the ________________________________ (the “EDC”), hereby certify all of the following:

(1) that this Amendment was approved and the signing of the Amendment by the _______________________________ of the EDC on behalf of the EDC was authorized by the EDC Board by a resolution adopted at a meeting of the EDC Board held on __________________________;

(2) that the resolution remains in effect;

(3) that the meeting was held in compliance with the Open Meetings Act, as amended, 1976 PA 267, MCL 15.261 to 15.275; and

(4) that the minutes of the meeting were kept and have been or will be made available as required by the Open Meetings Act, as amended, 1976 PA 267, MCL 15.261 to 15.275.

Dated: ___________________ By: ________________________________

Name: ________________________________
Secretary
APPROVAL BY GOVERNOR

Pursuant to Section 10 of the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, as amended, MCL 124.510, I find that this amendment of an interlocal agreement meets the conditions set forth in the Urban Cooperation Act of 1967, is in proper form, and is compatible with the laws of the state of Michigan.

Date: ___________________   ___________________________________

Richard D. Snyder
Governor
2017 AMENDED AND RESTATED INTERLOCAL AGREEMENT

BETWEEN

MICHIGAN STRATEGIC FUND

(A Public Body Corporate and Politic of the State of Michigan)

AND

PARTICIPATING PUBLIC AGENCIES AS SIGNATORIES TO THIS INTERLOCAL AGREEMENT

CREATING THE

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

A Michigan Public Body Corporate

Effective: April 5, 1999

(As adopted by the Michigan Strategic Fund Board on December 18, 2003)

FIRST AMENDED AND EFFECTIVE DECEMBER 18, 2003

SECOND AMENDED AND EFFECTIVE ___________, 2017

*DRAFTERS NOTE  (     ) indicates amendments made in 2003
(     ) indicates amendments proposed in 2017
WHEREAS, successful economic development programs require long-term continuity, maximum flexibility, and intergovernmental cooperation to compete effectively in the marketplace;


WHEREAS, the Michigan Strategic Fund has the power, privilege and authority to perform various economic development activities;

WHEREAS, each Participant has the power, privilege and authority to perform various economic development activities;

WHEREAS, successful economic development programs throughout the State of Michigan can further be improved by enhanced cooperation between the Michigan Strategic Fund and other Public Agencies;

WHEREAS, Michigan Constitution of 1963, Article 7, §28 and the Urban Cooperation Act of 1967, Act No. 7 of the Public Acts of 1967, Ex. Sess., being MCL 124.501 et seq. of the Michigan Compiled Laws (the “Cooperation Act”), permit a Public Agency to exercise jointly with any other Public Agency any power, privilege or authority which such Public Agencies share in common and which each might exercise separately;

WHEREAS, the Parties desire to enter into an interlocal agreement, pursuant to the Cooperation Act, to jointly exercise economic development powers;

WHEREAS, as a result of entering into an interlocal agreement to jointly exercise economic development powers, the Parties are creating the Michigan Economic Development Corporation, as a separate legal entity and as a public body corporate (the “Corporation”), pursuant to the Cooperation Act;

WHEREAS, each Participant, pursuant to resolution of its governing body, has the authority to execute this Agreement;

WHEREAS, the Michigan Strategic Fund desires to contribute cash, loan receivables, grant receivables, personal property, certain other property and assets; detailed State classified service employees; and transfer commitments and liabilities to the Corporation; subject to appropriation and applicable law;

WHEREAS, the purpose of this Interlocal Agreement is to amend and restate the Interlocal Agreement effective April 5, 1999, AS FIRST AMENDED AND to reflect A SECOND amendment
RESTATING THE AGREEMENT, EACH OF which was approved in accordance with Section 13.10; and

WHEREAS, the President of the Michigan Strategic Fund, pursuant to resolution of the board of directors of the Michigan Strategic Fund, has the authority to execute this Agreement.

NOW, THEREFORE, pursuant to the Cooperation Act, the Parties agree to the following terms and conditions:

ARTICLE I
DEFINITIONS

The Parties agree that the following words and expressions, whenever initially capitalized, whether used in the singular or plural, possessive or non possessive and/or either within or without quotation marks shall be defined and interpreted as follows:

Section 1.01 Agreement. “Agreement” means this Interlocal Agreement dated on the Effective Date, AS AMENDED.

Section 1.02 Community Development Block Grants. “Community Development Block Grants” means grants of federal assistance provided for by Title 42, USC 5300, et. seq.

Section 1.03 Cooperation Act. “Cooperation Act” shall have the meaning as set forth in the recitals to this Agreement.

Section 1.04 Corporation. “Corporation” shall have the meaning as set forth in the recitals to this Agreement.

Section 1.05 Corporation Board. “Corporation Board” means the board of the Corporation created by this Agreement.

Section 1.06 Days. “Days” means calendar days.


Section 1.08 Effective Date. “Effective Date” means April 5, 1999.

Section 1.10 Executive Committee. “Executive Committee” means the executive committee of the Corporation.


Section 1.12 Exhibit. “Exhibit” means the exhibits serially identified in this Agreement and attached hereto.

Section 1.13 Fiscal Year. “Fiscal Year” means the fiscal year of the Corporation, which ends on September 30 of each year.


Section 1.15 Fund. “Fund” means the Michigan Strategic Fund, a public body corporate and politic of the State, created under the Michigan Strategic Fund Act, Act No. 270 of the Public Acts of 1984, as amended, being MCL 125.2001 et seq.

Section 1.16 Fund Board. “Fund Board” means the board of directors of the Fund.

Section 1.17 Indian Gaming Compacts. “Indian Gaming Compacts” means any such compacts between the State and Indian tribes, from which the Fund receives payments on behalf of the State.


Section 1.20 Participant. “Participant” means a Party, except for the Fund.

Section 1.21 Participation Agreement. “Participation Agreement” means an agreement as described in Article IX.

Section 1.22 Party. “Party” means a party to this Agreement.

Section 1.23 Person. “Person” means any individual person, profit or non-profit corporation, partnership, limited liability company, university, joint venture, trust, association,
Chamber of Commerce, travel and visitors center, Public Agency, or other legal entity. Person shall include the Industrial Technology Institute/Michigan Manufacturing Technology Center.

Section 1.24 Project. “Project” means an endeavor related to industrial, commercial, or agricultural enterprise conducted by the Corporation or any other Person. “PROJECT” MEANS AN ECONOMIC DEVELOPMENT ACTIVITY CONDUCTED BY THE CORPORATION OR ANY OTHER PERSON, INCLUDING, WITHOUT LIMITATION, AN ENDEAVOR RELATED TO INDUSTRIAL, COMMERCIAL, OR AGRICULTURAL ENTERPRISE.

Section 1.25 Public Agency. “Public Agency” means a political subdivision of the State or any state of the United States or Canada, including, but not limited to state government; counties, villages, cities, townships, charter townships, school districts, single and multipurpose special districts or single and multipurpose public authorities; provincial government or a province of Canada, metropolitan government, borough or any other political subdivision of Canada, any agency of the United States government, or any similar entity of any other states of the United States and of Canada. “Public Agency” includes the Fund and an Economic Development Corporation. “PUBLIC AGENCY” MEANS THAT TERM AS DEFINED IN SECTION 2(e) OF THE COOPERATION ACT, MCL 124.502, AS IN EFFECT AT ANY GIVEN TIME.

Section 1.26 Request Form. “Request Form” means a request to become a Participant as described in Article X.

Section 1.27 State. “State” means the State of Michigan.

ARTICLE II
ESTABLISHMENT OF MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

Section 2.01 Establishment of and Legal Status of the Michigan Economic Development Corporation CREATION AND STATUS. The Parties intend and agree that the Michigan Economic Development Corporation is established as a separate legal entity and public body corporate pursuant to the Cooperation Act and this Agreement. THE MICHIGAN ECONOMIC DEVELOPMENT CORPORATION IS HEREBY ESTABLISHED AS A SEPARATE LEGAL ENTITY FOR THE PURPOSE OF EXERCISING THE POWERS, PRIVILEGES, AND AUTHORITIES UNDER THIS AGREEMENT AND APPLICABLE LAW, INCLUDING, BUT NOT LIMITED TO, EXECUTING THE PROVISIONS OF THIS AGREEMENT. THE CORPORATION IS A PUBLIC BODY CORPORATE.

Section 2.02 Name of Corporation. The name of the Corporation is “Michigan Economic Development Corporation.”
Section 2.03 Principal Office. The principal office of the Corporation is 300 N. Washington Square, Lansing, Michigan 48913, or such other locations determined by the Corporation.

Section 2.04 Title to Corporation Assets. All property owned by the Corporation is owned by the Corporation as separate legal entity and public body corporate, and no Party has any ownership interest in Corporation property.

Section 2.05 Due Execution of this Agreement. Each Party shall duly execute two (2) counterparts of this Agreement, each of which (taken together) is an original but all of which constitutes one instrument.

Section 2.06 Tax Status. The Parties intend that the Corporation be an instrumentality of government within the meaning of Section 115 of the Internal Revenue Code of 1986, as amended or corresponding provisions of any future tax code. THE CORPORATION HAS RECEIVED A RULING FROM THE INTERNAL REVENUE SERVICE (IRS) THAT THE CORPORATION’S INCOME IS EXCLUDABLE FROM GROSS INCOME UNDER SECTION 115 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”). THE CORPORATION HAS ALSO RECEIVED A RULING FROM THE IRS THAT CONTRIBUTIONS OR GIFTS TO OR FOR THE USE OF THE CORPORATION ARE CHARITABLE CONTRIBUTIONS AS DEFINED IN SECTION 170(C)(1) OF THE CODE.

Section 2.07 Compliance with Law. The Corporation shall comply with all federal and state laws, rules, regulations, and orders applicable to this Agreement.

Section 2.08 Independent Contractor. The Parties agree that at all times and for all purposes under the terms of this Agreement each Party’s relationship to each other shall be that of an independent contractor. Each Party will be solely responsible for the acts of its own employees, agents, and servants. No liability, right or benefit arising out of any employer/employee relationship either express or implied shall arise or accrue to any Party as a result of this Agreement.

Section 2.09 No Third Party Beneficiaries. Except as expressly provided herein, this Agreement does not, and is not intended to, create, by implication or otherwise, any direct or indirect obligation, duty, promise, benefit, right to be indemnified (i.e., contractually, legally, equitably, or by implication) and/or any right to be subrogated to any Party’s rights in this Agreement, and/or any other right of any kind, in favor of any Person.

ARTICLE III
PURPOSE

Section 3.01 Purpose. The purpose of the Corporation shall include the joint exercise of shared power, privilege or authority of the Parties to perform successful, effective and efficient
economic development programs and functions throughout the State. Shared powers shall include the coordination of complementary applicable State and local economic development programs and functions of the Parties.

Section 3.02 Economic Development Programs and Functions. The economic development programs and functions of the Corporation in the exercise of this shared power shall be as follows:

(a) Provide information and assistance to new and existing businesses to facilitate resolution of governmental disputes concerning issues such as zoning and land development;

(b) Facilitate, coordinate, and advance Projects for encouraging new and existing businesses in locating, purchasing, constructing, reconstructing, modernizing, improving, maintaining, repairing, furnishing, equipping, and expanding in the State;

(c) Provide information to new and existing businesses regarding taxes, insurance rates, environmental audits, safety audits, permits and worker recruitment and training;

(d) Encourage and solicit private sector involvement, support, and funding for Projects;

(e) Encourage the export of products and services to national and international markets;

(f) Provide information to tourists and the travel industry and encourage tourism within the State;

(g) Conduct studies and research, develop and maintain data and records in connection with a comprehensive economic strategy; and

(h) Provide, upon request, centralized administration of local economic development programs.

ARTICLE IV
SHARED POWERS

Section 4.01 Shared Powers of the Corporation. In carrying out the purpose as set forth in Article III, the Corporation is authorized to perform or to perform with any Person, as applicable, the following:

(a) Sue and be sued, to have a seal and alter the same at pleasure;
(b) Make, execute, and deliver contracts, conveyances, and other instruments that are necessary or convenient;

(c) Make and amend bylaws;

(d) Solicit and accept gifts, grants, loans and other aids from any Person or to participate in any other way in any federal, state or local government program;

(e) Make secured or unsecured loans, participate in the making of secured or unsecured loans, undertake commitments to make secured or unsecured loans and mortgages, sell loans and mortgages at public or private sale, rewrite loans and mortgages, discharge loans and mortgages, foreclose on a mortgage, or commence an action to protect or enforce a right conferred upon it by a law, mortgage, loan, contract, or other agreement to make grants, loans, and investments;

(f) Construct, reconstruct, improve, maintain, or repair a Project;

(g) Acquire or contract to acquire from any Person leaseholds, property or any interest in property; to own, hold, clear, improve, and rehabilitate and to sell, assign, exchange, transfer, convey, lease, mortgage, or otherwise dispose of or encumber leaseholds, property or any interest in property;

(h) Procure insurance against any loss in connection with the Corporation’s property, assets, or activities;

(i) Engage personnel as is necessary and engage the services of private consultants, managers, counsel, auditors, engineers, and scientists for rendering professional management and technical assistance and advice;

(j) Charge, impose, and collect fees and charges in connection with any transaction;

(k) Indemnify, as allowed by law, and procure insurance indemnifying any members of the Corporation Board, the Executive Committee, officers or employees from personal loss or accountability from liability asserted by any Person for any acts or omissions of the Corporation;

(l) Enter into leases, lease purchase agreements, installment sales contracts or loan agreements with any Person for the use or sale of a Project;

(m) Borrow money, mortgage or create security interests in the Project, a lease or loan, or the rents, revenues, or sums to be paid during the term of a lease or loan;
(n) Sell and convey a Project or any part of a Project for a price and at a time as the Corporation determines; and

(o) Exercise any and all other necessary and proper powers to effectuate the purposes and intent of the Agreement.

ARTICLE V
ADDITIONAL POWERS; LIMITATION ON POWERS; NO WAIVER OF GOVERNMENTAL IMMUNITY

Section 5.01 Additional Powers. In addition to the powers as set forth in Article IV, the Corporation is authorized to:

(a) Form and own other legal entities to further the purposes of this Agreement; and

(b) To cooperate with a Public Agency, an instrumentality of that Public Agency, or other legal or administrative entity created under the Cooperation Act. IN ADDITION TO OTHER POWERS, PRIVILEGES, OR AUTHORITY, IN CARRYING OUT ITS PURPOSES, THE CORPORATION MAY PERFORM, OR PERFORM WITH ANY PERSON, AS APPLICABLE, ANY POWER, PRIVILEGE, OR AUTHORITY THAT THE PARTIES SHARE IN COMMON AND THAT EACH MIGHT EXERCISE SEPARATELY TO THE FULLEST EXTENT PERMITTED BY THE COOPERATION ACT AND OTHER APPLICABLE LAW. THE CORPORATION MAY NOT BIND A PARTY, UNLESS OTHERWISE AGREED TO BY THE PARTY. THE ENUMERATION OF A POWER IN THIS AGREEMENT IS NOT A LIMITATION UPON THE POWERS OF THE CORPORATION. AMONG OTHER THINGS, THE CORPORATION ALSO MAY EXERCISE ANY POWER, PRIVILEGE, OR AUTHORITY THAT A SEparate LEGAL ENTITY MAY EXERCISE UNDER SECTION 7(2) OF THE COOPERATION ACT, MCL 124.507(2).

Section 5.02 Limitation of Powers. The Corporation may not:

(a) Levy any type of tax within the boundaries of any Party; or

(b) Incur debt, liabilities or obligations which constitute debts, liabilities or obligations of any Party.

Section 5.03 No Waiver of Governmental Immunity. The Parties agree that no provision of the Agreement is intended, nor shall it be construed, as a waiver by any Party of any governmental immunity as provided by the Cooperation Act or otherwise under law.
ARTICLE VI
DURATION OF, WITHDRAWAL FROM, AND TERMINATION OF INTERLOCAL AGREEMENT

Section 6.01  Duration. The Corporation commences on the Effective Date and continues for a term of ten (10) years (“Initial Term”). The term of this Agreement may be extended for a term of five (5) years (“First Renewal Term”) and may further be extended for an additional term of five (5) years (“Second Renewal Term”). The maximum term of this Agreement shall be twenty (20) years. After the Initial Five (5) Years of the Second Renewal Term, the Second Renewal Term is hereby extended for an additional ten (10) years until April 4, 2029, and then is extended in subsequent five (5) year increments at the expiration of the initial ten (10) year extension and each subsequent five (5) year period.

Section 6.02  Withdrawal by the Fund. The Fund may withdraw upon expiration of the Initial Term or First Renewal Term upon six (6) months notice to the Corporation prior to the expiration of the Initial Term or the First Renewal Term. If the Fund does not give notice of withdrawal, the Corporation shall continue until expiration of the First Renewal Term or Second Renewal Term. The Fund may withdraw as a party to this interlocal agreement upon eighteen (18) months’ notice of its withdrawal to the Corporation. The Corporation may by the vote of at least three-fourths (3/4) of the serving members of its executive committee waive the notice period under this Section 6.02.

Section 6.03  Withdrawal by a Participant. Any Participant may withdraw from the Agreement at any time upon six (6) months notice to Corporation. The withdrawal of any Participant shall not terminate nor have any effect upon the provisions of the Agreement as long as the Corporation has at least one (1) Participant. A Participant may withdraw as a party to this interlocal agreement upon six (6) months’ notice of its withdrawal to the Corporation if the withdrawal will not result in there being no participants. The Corporation may by the vote of at least three-fourths (3/4) of the serving members of its executive committee waive the notice period under this Section 6.03.

Section 6.04  Termination. This Agreement shall continue until terminated by the first to occur of the following:

(a)  Expiration of the Second Renewal Term;

(b)  Withdrawal of the Fund;

(c)  When there is less than one (1) Participant; or
(d) Three-fourths (3/4) vote of the Executive Committee.

Section 6.05 Disposition upon Termination. As soon as possible after termination of this Agreement, the Corporation shall wind up its affairs as follows:

(a) All of the Corporation’s debts, liabilities, and obligations to its creditors and all expenses incurred in connection with the termination of the Corporation and distribution of its assets shall be paid first; and

(b) The remaining assets, if any, shall be distributed to the Fund, or any statutory successor. In the event that neither the Fund nor a statutory successor shall exist, the remaining assets shall be distributed to the State. No Participant shall receive any assets upon termination of this Agreement.

ARTICLE VII
CORPORATION BOARD

Section 7.01 Corporation Board Composition. The governing body of each Participant shall appoint one (1) member of the Corporation Board. For each member of the Corporation Board appointed by the governing body of a Participant the Governor of the State shall appoint up to two (2) members of the Corporation Board representing the State.

Section 7.02 Corporation Board Authority. The Corporation Board shall authorize and approve the annual audit and evaluate the performance of the Corporation pursuant to standards established by the Executive Committee and may review acts of the Executive Committee, as deemed necessary.

Section 7.03 Meetings. The Corporation Board shall hold at least an annual meeting at the place, date, and time as the Corporation Board shall determine. Meetings shall comply with the Open Meetings Act.

Section 7.04 Quorum and Voting. A majority of the Corporation Board shall be required to constitute a quorum for the transaction of business and a majority vote at a meeting at which a quorum is present shall be necessary for the transaction of business. Presence in person for both quorum and voting shall include electronic communication by which such member of the Corporation Board is both seen and heard. MAY PARTICIPATE REMOTELY TO THE EXTENT PERMITTED BY LAW.

Section 7.05 Fiduciary Duty. The members of the Corporation Board are under a fiduciary duty to conduct the activities and affairs of the Corporation in the best interests of the Corporation, including the safekeeping and use of all Corporation monies and assets for the benefit of the
Corporation. The members of the Corporation Board shall discharge this duty in good faith, with the
care an ordinarily prudent individual in a like position would exercise under similar circumstances.

Section 7.06 Compensation. The members of the Corporation Board shall receive no
compensation for the performance of their duties, but each member shall be reimbursed for his or her
reasonable expenses in carrying out those duties. A member of the Corporation Board may engage
in private or public employment, or in a profession or business.

ARTICLE VIII

EXECUTIVE COMMITTEE AND CHIEF EXECUTIVE OFFICER

Section 8.01 Executive Committee Composition. The Corporation shall have an Executive
Committee of seventeen (17) members UNTIL JANUARY 2, 2003, AT WHICH TIME IT SHALL
HAVE TWENTY (20) MEMBERS. The members of the Executive Committee shall be appointed by
the Governor of the State. The Executive Committee shall include four (4) representatives of Public
Agencies, except for the Fund (“Local Representatives”), and thirteen (13) additional members
UNTIL JANUARY 2, 2003, AT WHICH TIME IT SHALL HAVE SIXTEEN (16) ADDITIONAL
MEMBERS, at least ten (10) of whom shall be from the private sector.

Section 8.02 Executive Committee Terms of Office. The terms of office of the Executive
Committee shall be as follows:

(a) Four (4) members, one (1) of whom shall be a Local Representative, shall be
appointed to a term of one (1) year;

(b) Four (4) members, one (1) of whom shall be a Local Representative, shall be
appointed to term of three (3) years;

(c) Four (4) members, one (1) of whom shall be a Local Representative, shall be
appointed to term of five (5) years;

(d) Five (5) members, one (1) of whom shall be a Local Representative, shall be
appointed to a term of eight (8) years.

(E) THREE (3) MEMBERS WHO SHALL BE APPOINTED AFTER JANUARY
1, 2003, ONE (1) OF WHOM SHALL BE APPOINTED TO A TERM OF ONE (1) YEAR, ONE (1)
OF WHOM SHALL BE APPOINTED TO A TERM OF THREE (3) YEARS, AND ONE (1) OF
WHOM SHALL BE APPOINTED TO A TERM OF (5) YEARS.

Following the initial terms described above, subsequent appointments shall be for eight (8)
year terms—BEFORE MAY 1, 2019 AND FOR FOUR (4) YEAR TERMS AFTER APRIL 30, 2019.
Members of the Executive Committee shall serve until the earlier of expiration of their term or until their resignation or removal. Members of the Executive Committee may be removed by the Executive Committee if the member engages in tortious self-dealing or materially breaches his or her fiduciary duty to the Corporation.

Section 8.03 Vacancies. As vacancies occur on the Executive Committee, prior to expiration of the term of office, such vacancies shall be filled, for the balance of the unexpired term, by the Governor with the ratio of Local Representatives being maintained. All vacancies which occur by expiration of a term of office shall be filled by the Governor of the State, with the ratio of Local Representatives being maintained.

Section 8.04 Executive Committee Authority. The Executive Committee shall exercise the powers of the Corporation. The Executive Committee shall appoint the Chief Executive Officer of the Corporation who shall administer all programs, funds, personnel, contracts, and all other administrative functions of the Corporation, subject to oversight of the Executive Committee. The Chief Executive Officer’s activities to further economic development in the State shall be complementary and not inconsistent with actions taken by the President of the Fund. The Chief Executive Officer shall receive such compensation as determined by the Executive Committee. THE EXECUTIVE COMMITTEE HAS THE POWER TO MANAGE AND DIRECT ON BEHALF OF THE PUBLIC THE FUNCTIONS OR SERVICES PERFORMED UNDER THIS INTERLOCAL AGREEMENT.

Section 8.05 Meetings. The Executive Committee shall hold meetings at the place, date, and time as the Executive Committee shall determine. Meetings shall comply with the Open Meetings Act.

Section 8.06 Quorum and Voting. A majority of the Executive Committee shall be required to constitute a quorum for the transaction of business and a majority vote at a meeting at which a quorum is present shall be necessary for the transaction of business. Presence in person for both quorum and voting shall include electronic communication by which such member of the Executive Committee is both seen and heard. MAY PARTICIPATE REMOTELY TO THE EXTENT PERMITTED BY LAW.

Section 8.07 Fiduciary Duty. The members of the Executive Committee, the Chief Executive Officer and other officers of the Corporation are under a fiduciary duty to conduct the activities and affairs of the Corporation in the best interests of the Corporation, including the safekeeping and use of all Corporation monies and assets for the benefit of the Corporation. The members of the Executive Committee, the Chief Executive Officer, and other officers of the Corporation shall discharge this duty in good faith, with the care an ordinarily prudent individual in a like position would exercise under similar circumstances.

Section 8.08 Compensation. The members of the Executive Committee shall receive no
compensation for the performance of their duties, but each member shall be reimbursed for his or her reasonable expenses in carrying out those duties. A member of the Executive Committee may engage in private or public employment, or in a profession or business.

ARTICLE IX
FUND AND PARTICIPANT CONTRIBUTION

Section 9.01  Assets. On May 1, 1999, the Fund shall transfer to the Corporation all assets of the Fund as shown on the attached balance sheet (See Exhibit A).

Section 9.02  Liabilities and Commitments. On May 1, 1999, the Fund shall transfer to the Corporation all liabilities and commitments of the Fund as shown on the attached balance sheet (See Exhibit A). Other than as set forth in this Section 9.02 and Section 9.05, the Corporation does not assume any other liabilities or commitments of the Fund.

Section 9.03  Changes in Balance Sheet Accounts. The transfers as set forth in Sections 9.01 and 9.02 shall be subject to changes which occur between the balance sheet date and May 1, 1999.

Section 9.04  Personal Property. On the Effective Date, the Fund shall transfer to the Corporation the personal property and interests therein. (See Exhibit B).

Section 9.05  State Appropriated Funds. Beginning on the Effective Date, the Fund shall transfer to the Corporation the estimated available balance of all State appropriated funds and related obligations for goods and services associated with the programs transferred to the Fund pursuant to Executive Order 1999-1, after deduction from the appropriations for all of the personnel and related operational costs of State classified service employees to the extent permitted by law. The remaining balance, if any, shall be transferred from the Fund to the Corporation after the State's fiscal year 1999 accounting records are closed. For fiscal year 2000, beginning October 1, 1999 and each ensuing fiscal year thereafter, the Fund shall transfer to the Corporation all available State appropriated funds after deduction from the appropriations for all of the personnel and related operational costs of State classified service employees to the extent permitted by law. The transfer shall not include Community Development Block Grants. The ability of the Fund to make transfers made under this provision is subject to annual appropriation by the Legislature and as provided by law.

Section 9.06  Land Assembly Act Loan Repayments. On May 1, 1999, the Fund shall transfer to the Corporation cash and cash equivalents and loan repayments which the Fund is entitled to under the Land Assembly Act, including investment income thereon (See Exhibit C). The transfer of loan repayments shall be made within fourteen (14) Days of the beginning of the month following receipt by the Fund.
Section 9.07  **Start Up Advance to the Corporation.** On the Effective Date, the Fund shall pay to the Corporation Five Hundred Thousand ($500,000) Dollars.

Section 9.08  **The Indian Gaming Compacts.** Beginning May 1, 1999, the Fund shall transfer to the Corporation all cash paid to the Fund related to the Indian Gaming Compacts, including investment income thereon. The transfer shall be made within fourteen (14) Days of the beginning of the month following receipt by the Fund.

Section 9.09  **Bond Fees.** As of the Effective Date, the Fund shall continue to service bonds and notes issued by the Fund. The Fund shall retain annually the first Fifty Thousand ($50,000) Dollars of such fees, including investment income thereon. Thereafter, the Fund shall transfer to the Corporation cash received for such fees. The transfer shall be made within fourteen (14) Days of the beginning of the month following receipt by the Fund.

Section 9.10  **Other Revenue.** As of May 1, 1999, the Fund shall transfer to the Corporation all new or other revenue that from time to time may be received by the Fund, including investment income thereon. The transfer shall be made within fourteen (14) Days of the beginning of the month following receipt by the Fund.

Section 9.11  **Employees.** On the Effective Date, the Fund shall detail State classified service employees to the Corporation to supplement the non-classified employees of the Corporation. These employees shall be detailed as state classified service employees of the Fund and shall continue in the State benefit system including wages, pension, seniority, sick leave, vacation, health and welfare, longevity and other benefits. A list of employee classifications detailed to the Corporation is attached. (See Exhibit D). **THE CORPORATION SHALL FUNCTION AS THE EMPLOYER OF ANY PERSONNEL AND STAFF OF THE CORPORATION AND HAVE THE RESPONSIBILITY, AUTHORITY, AND RIGHT TO MANAGE AND DIRECT THE PERSONNEL AND STAFF OF THE CORPORATION.**

Section 9.12  **Acts and Omissions.** Other than as set forth in Sections 9.02 and 9.05, it is the intent of the Fund and Participants that liability for acts or omissions of the Fund prior to the Effective Date shall remain with the Fund. The Corporation shall only be liable for its own acts or omissions which occur after the Effective Date and the Fund and the Participants shall not be liable for any acts or omissions of the Corporation.

Section 9.13  **Execution of Documents.** The Corporation, and the Fund shall cooperate in order to execute and deliver to the Corporation any and all documents including bills of sale, assignments, and certificates necessary or appropriate to effectuate the Fund’s contribution to the Corporation.

Section 9.14  **Transfers to the Fund.** Upon request by the Fund, the Corporation shall return any unexpended or unencumbered funds, personnel, or property to the Fund to better further the
purposes of economic development upon a three-fourths (3/4) vote of the Executive Committee or as required by law.

Section 9.15 Participation Agreement. The Corporation and a Participant may enter into a Participation Agreement for the purposes as set forth in Article III. The Participation Agreement may include for example joint activities related to marketing, training, land acquisition or development, business development, and the co-location and coordination of offices, personnel and functions of the Corporation and a Participant. Any contribution by a Participant of funds, personnel or property must be set forth in a Participant Agreement. A Participant shall not be required to make any contributions of funds, personnel or property except as set forth in a Participation Agreement.

Section 9.16 Transfer of Fund Programs. On the Effective Date, the Fund hereby transfers to the Corporation all the authority, powers, duties, functions and responsibilities, including the functions of procurement, the day-to-day supervision of detailed personnel, and management-related functions of the programs listed at Executive Order 1999-1, Section III.A.6-19 and 22. As applicable, Executive Order 1999-1, Section III.B, C and D shall apply to all transfers in this Section 9.16 as of the Effective Date. Nothing in this Agreement shall be interpreted to transfer the power of the Fund as to any taxable or tax-exempt bond issuance authority.

ARTICLE X
ADMISSION OF PARTICIPANTS

Section 10.01 Procedure. An Eligible Public Agency may become a Participant by submitting a Request Form to the Chief Executive Officer, in the form as set forth on the attached (See Exhibit E) and pursuant to guidelines established by the Executive Committee and shall be accompanied by the opinion of legal counsel as set forth in Section 10.04 and the certification as set forth in Section 10.05. The Chief Executive Officer may recommend approval of the Request Form to the Executive Committee. The Executive Committee shall approve or deny the Request Form. If the Executive Committee approves the application, the local governing body of the Eligible Public Agency shall adopt a resolution in the form as set forth on the attached (See Exhibit F).

Section 10.02 Effective Date. The effective date of admission of a Participant is the date on which this Agreement which contains the name and signatory of the Participant is filed with the Department of State, Office of the Great Seal and with the County in the State in which the Participant is located, as required by the Cooperation Act. A copy of the signature page of such additional Participant shall also be filed with each County in the State in which any Participant is located.

Section 10.03 Not an Amendment to Agreement. The admission of additional Participants, after the Effective Date, shall not constitute an amendment to or alternative form of this Agreement nor change the Effective Date. Any amendment to or alternative form of this Agreement may be made only in accordance with Section 13.10.
Section 10.04 Opinion of Legal Counsel. The Request Form shall be accompanied by an opinion of legal counsel to the Eligible Public Agency substantially in the form as set forth on Exhibit G that the Eligible Public Agency is validly formed and has the powers set forth in Article IV.

Section 10.05 Certification. The Request Form shall include a certification substantially in the form as set forth on Exhibit H, that participation in this Agreement will not materially impact any existing relationship with regional or private economic development organizations.

ARTICLE XI
BOOKS AND REPORTS

Section 11.01 Accrual Basis. The Corporation shall maintain its books of account on an accrual basis of accounting.

Section 11.02 Corporation Records. The Corporation shall keep and maintain at the principal office of the Corporation, all documents and records of the Corporation. The records of the Corporation shall include a copy of this Agreement along with a listing of the names and addresses of all Participants. Such records and documents shall be maintained until termination of this Agreement and shall be returned to the Fund, or any statutory successor or if neither, the State.

Section 11.03 Financial Statements and Reports. The Corporation shall cause to be prepared at least annually, at Corporation expense, audited financial statements (balance sheet, statement of revenue and expense, statement of cash flows, and changes in fund balance) prepared in accordance with generally accepted accounting principles and accompanied by a written opinion of an independent Certified Public Accountant. A copy of the annual financial statement and report shall be filed with the Michigan Department of Treasury. The documents and records of the Corporation are subject to audit by the Auditor General of the State or a Certified Public Accountant appointed by the Auditor General. THE CORPORATION SHALL COMPLY WITH THE APPLICABLE PROVISIONS OF THE UNIFORM BUDGETING AND ACCOUNTING ACT, 1968 PA 2, AS AMENDED, MCL 141.421 TO 141.141.440A (THE “BUDGET ACT”). THE CORPORATION SHALL MAINTAIN FINANCIAL RECORDS AND PRODUCE FINANCIAL STATEMENTS IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES FOR STATE AND LOCAL GOVERNMENT. THE CORPORATION IS SUBJECT TO A POST AUDIT OF ITS FINANCIAL TRANSACTIONS AND ACCOUNTS OR A PERFORMANCE POST AUDIT BY THE AUDITOR GENERAL OF THE STATE TO THE EXTENT AUTHORIZED BY LAW. AS REQUESTED BY THE FUND, THE CORPORATION SHALL ASSIST THE FUND IN RESPONDING TO A POST AUDIT OF THE FUND’S FINANCIAL TRANSACTIONS AND ACCOUNTS OR A PERFORMANCE POST AUDIT OF THE FUND BY THE AUDITOR GENERAL OF THE STATE.

Section 11.05 Listing of Participants. A listing of Participants shall be attached to this Agreement and updated from time to time by the addition and withdrawal of Participants (See Exhibit I).

ARTICLE XII
FINANCES

Section 12.01 Budget and Performance Standards. Each Fiscal Year, the Chief Executive Officer shall prepare a budget and performance standards for review by the Executive Committee.

Section 12.02 Deposits and Investments. The Corporation shall deposit and invest funds of the Corporation, not otherwise employed in carrying out the purposes of the Corporation, in accordance with an Investment Policy established by the Executive Committee consistent with laws regarding investment of public funds.

Section 12.03 Disbursements. Disbursements of funds shall be in accordance with guidelines established by the Executive Committee.

ARTICLE XIII
MISCELLANEOUS

Section 13.01 Notices. Any and all correspondence or notices required, permitted or provided for under this Agreement to be delivered to any Party shall be sent to that Party by first class mail. All such written notices including any notice of withdrawal as provided herein shall be sent to each other Party’s signatory to this Agreement, or that signatory’s successor at the address as set forth above such Party’s signature. All correspondence shall be considered delivered to a Party as of the date that such notice is deposited with sufficient postage with the United States Postal Service. All such notices of withdrawal shall be sent via certified mail to the address as set forth above such Party’s signature. A NOTICE OR OTHER COMMUNICATION UNDER THIS AGREEMENT MAY BE DELIVERED TO A PARTY OR THE CORPORATION BY FIRST CLASS MAIL OR BY EMAIL TO AN EMAIL ADDRESS PROVIDED BY THE PARTY OR CORPORATION, EXCEPT THAT ANY NOTICE OF A WITHDRAWAL MUST BE PROVIDED BY CERTIFIED MAIL OR REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, OR BY A NATIONAL TRANSPORTATION COMPANY, OTHER COURIER, OR HAND DELIVERY WITH A SIGNATURE OF RECEIPT OF THE NOTICE REQUIRED.

Section 13.02 Entire Agreement. This Agreement sets forth the entire agreement between the Parties and supersedes any and all prior agreements or understandings between them in any way related to the subject matter hereof. It is further understood and agreed that the terms and conditions
herein are contractual and are not a mere recital and that there are no other agreements, understandings, contracts, or representations between the Parties in any way related to the subject matter hereof, except as expressly stated herein.

Section 13.03 **No Presumption.** This Agreement shall be construed without regard to any presumption or other rule requiring construction against the Party causing this Agreement to be drafted.

Section 13.04 **Severability of Provisions.** If any provision of this Agreement, or its application to any Person or circumstance, is invalid or unenforceable, the remainder of this Agreement and the application of that provision to other Persons or circumstances is not affected but will be enforced to the extent permitted by law.

Section 13.05 **Governing Law.** This Agreement is made and entered into in the State of Michigan and shall in all respects be interpreted, enforced and governed under the laws of the State of Michigan without regard to the doctrines of conflict of laws. The language of all parts of this Agreement shall in all cases be construed as a whole according to its fair meaning, and not construed strictly for or against any Party.

Section 13.06 **Captions.** The captions, headings, and titles in this Agreement are intended for the convenience of the reader and not intended to have any substantive meaning and not to be interpreted as part of this Agreement solely for convenience of reference and do not affect its interpretation.

Section 13.07 **Terminology.** All terms and words used in this Agreement, regardless of the number or gender in which they are used, are deemed to include any other number and any other gender as the context may require.

Section 13.08 **Cross-References.** References in this Agreement to any Article include all Sections, subsections, and paragraphs in the Article; references in this Agreement to any Section include all subsections and paragraphs in the Section.

Section 13.09 **Jurisdiction and Venue.** In the event of any disputes between the Parties over the meaning, interpretation or implementation of the terms, covenants or conditions of this Agreement, the matter under dispute, unless resolved between the parties, shall be submitted to the courts of the State of Michigan, with original jurisdiction and venue vested in the Ingham County Circuit Court or the Michigan Court of Claims, as appropriate.

Section 13.10 **Amendment.** The Agreement may be amended or an alternative form of the Agreement adopted only upon written agreement of all Parties. THIS AGREEMENT MAY BE AMENDED UPON: (I) THE VOTE OF AT LEAST THREE-FOURTHS (3/4) OF THE SERVING MEMBERS OF THE EXECUTIVE COMMITTEE, AFTER AT LEAST 30 DAYS’ NOTICE OF THE PROPOSED AMENDMENT TO EACH PARTICIPANT, AND APPROVAL BY THE FUND
BOARD, PROVIDED THAT THE AMENDMENT DOES NOT HAVE AN ADVERSE EFFECT ON A PARTICIPANT AND IS NOT INCONSISTENT WITH THE COOPERATION ACT; OR (II) THE WRITTEN AGREEMENT OF ALL PARTIES. EACH PARTICIPANT HEREBY CONSENTS TO THE FILING BY THE CORPORATION ON BEHALF OF THE PARTICIPANT OF AN AMENDMENT TO THE AGREEMENT ADOPTED UNDER CLAUSE (I) OF THIS SECTION 13.10.

IN WITNESS WHEREOF, this Agreement is executed by the Parties on the date hereafter set forth.

MICHIGAN STRATEGIC FUND

Address:___________________________
__________________________________________________________
__________________________________________________________

WITNESSES:

_________________________________ BY: ____________________________

_________________________________ ITS: ____________________________

DATE: ____________________________
IN WITNESS WHEREOF, this Agreement is executed by the Participant on the date hereafter set forth.

PARTICIPANT

Address: ______________________________

______________________________

WITNESSES:

______________________________  BY: ____________________________

______________________________  ITS: ____________________________

DATE: ____________________________
MEMORANDUM

Date: March 28, 2017

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

From: Stacy Bowerman, Senior Project Manager
David Kurtycz, Business Development Project Manager

Subject: fairlife LLC and Continental Dairy Facilities, LLC (“Companies” or “Applicants”)
Michigan Business Development Program Performance-based Grant Request

Summary
This is a request from the Applicants for a $2,407,000 Performance-based grant. This project involves the creation of 52 Qualified New Jobs, and a capital investment of up to $173 million in the City of Coopersville, Ottawa County.

The Applicants have demonstrated a need for the funding. The Companies are experiencing significant growth and the additional processing will lead to additional wastewater that needs to be treated. The City’s wastewater treatment facility is at capacity and cannot support the Companies growth. The Applicants and the City of Coopersville evaluated various options to determine the most economic and fastest way to add additional wastewater processing capabilities. The solution was to install a Dissolved Air Flotation (DAF) pretreatment system at the Dairy facility utilizing existing infrastructure from the old GM Delphi facility to remove solids from the waste water. The second component is on the City waste treatment site which involves installation of a larger effluent pumps to handle the increased flow. In total, the wastewater upgrades are estimated to cost $3.7 million. Without capacity in the wastewater treatment system, fairlife and Continental Dairy have no choice but to stop expanding their Coopersville operations and focus new growth in other out-of-state locations that have wastewater capacity. Incentive assistance will be used to offset the cost of the DAF pretreatment system.

Background
fairlife and Continental Dairy are two separate dairy processing companies that are located on the same 100-acre dairy processing plant site at the former GM/Delphi Mfg. plant within the City of Coopersville.

Continental Dairy Facilities (CDF) has been in operation since 2008. In 2012, CDF began production of Cream Condensed Milk and Non-fat Dried Milk at their Coopersville location. The Company is currently on their fourth expansion, has moved from being a milk balancing plant to a regional dairy ingredient facility that takes in milk from four other Dairy Cooperatives from 35 different counties and has 93 employees because of the rapid milk production in the State of Michigan. Their Michigan plant produces over 300,000 pounds of dry, non-fat milk per day and has been so successful that it is currently being replicated in Texas.

fairlife, established in 2013, is a partnership between Select Milk Producers and The Coca-Cola Company with a goal to produce exceptional quality milk while changing the face of the dairy industry with cutting edge innovation, dedication to animal care and comfort, and a commitment to agricultural sustainability. fairlife’s patented cold filtration process filters natural milk to increase protein and calcium and decrease lactose and sugars. fairlife’s products include fairlife, Core Power, and Yup. fairlife also produces Dunkin Donuts ready to serve iced coffee. fairlife has 196 employees in Michigan.
Both Applicants have received incentives from the MSF in the past. fairlife has a $900,000 Michigan Business Development grant currently and is in good standing. They met both milestones and are in a monitoring period until 10/10/17. Continental Dairy has a 10 year $1,526,000 MEGA credit that will allow them to collect on it through 2021. They are in good standing. The City of Coopersville and fairlife, LLC have a $2,400,000 Community Development Block Grant Program (CDBG) grant for waste water infrastructure improvements. The grant is in good standing.

The Applicants are expanding their operations to include new products and production lines. fairlife will increase capacity by adding a third packaging line to produce fairlife, Core Power and Yup. The additional line will result in $120 million in private investment and the creation of 42 new jobs. CDF recognized a need for a facility to process butterfat or cream due to the increased supply of cream from fairlife and other manufacturers in Michigan. As a result CDF, is expanding operations to produce butter and buttermilk powder from that cream, which will result in $53 million in private investment and the creation of 10 jobs. In total the Companies will invest $173 million and create 52 new jobs to support the Coopersville Dairy Park Campus.

In addition to MSF support, the Michigan Department of Agriculture and Rural Development will contribute $225,000 in grant funding to the project.

The MEDC legal unit has completed a civil and criminal background check for the entity and individuals related to this project.

**Considerations**

a) Each Applicant is a “Qualified Business”, as defined in MCL 125.2088r(7)(b), that is located and operates in Michigan.

b) The project will be located in the City of Coopersville. The City of Coopersville has offered a “staff, financial, or economic commitment to the project” in the form of a $1.1 million upgrade to the City’s own Waste Water Treatment Plant.

c) The Applicant has demonstrated a need for the funding. Without capacity in the wastewater treatment system, fairlife and Continental Dairy would have no choice but to stop expanding their Coopersville operations and focus new growth in other out-of-state locations that have waste water capacity.

d) The Applicant plans to create 52 Qualified New Jobs above a statewide base employment level of 289.

e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: near term job creation and investment, involves out-of-state competition, is not a retail project, and has strong links to Michigan agriculture suppliers.

**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 the MSF Fund Manager to extend the commitment an additional 60 days.
MICHIGAN STRATEGIC FUND

RESOLUTION 2017-

APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
fairlife LLC and Continental Dairy Facilities, LLC

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, fairlife LLC and Continental Dairy Facilities, LLC ("Company") has requested a performance based MBDP grant of up to $2,407,000 ("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
March 28, 2017
# 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:** 3/15/2017

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<tbody>
<tr>
<td><strong>1. Company Name(s):</strong></td>
<td>fairlife LLC and Continental Dairy Facilities, LLC (&quot;Companies&quot; or &quot;Applicants&quot;)</td>
</tr>
<tr>
<td><strong>2. Company Address (&quot;Project&quot;):</strong></td>
<td>999 West Randall Coopersville, MI 49404</td>
</tr>
<tr>
<td><strong>3. MBDP Incentive Type:</strong></td>
<td>Performance Based Grant</td>
</tr>
<tr>
<td><strong>4. Maximum Amount of MBDP Incentive:</strong></td>
<td>Up to $2,407,000 (&quot;MBDP Incentive Award&quot;)</td>
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<tr>
<td><strong>5. Base Employment Level</strong></td>
<td>289 The number of jobs currently maintained in Michigan by the Companies based on data submitted by the Companies to the MEDC reflecting the Companies’ statewide employment level in Michigan prior to the proposed project. The Base Employment Level, including identification of the Companies data used to establish this level, shall be included in the final MBDP Incentive Award agreement (&quot;Agreement&quot;) between the MSF and the Company.</td>
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<tr>
<td><strong>6. Total Qualified New Job Creation: (above Base Employment Level)</strong></td>
<td>52 The minimum number of total Qualified New Jobs the Companies shall be required to create at the Project (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), 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</td>
</tr>
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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:**
   - Fairlife LLC: July 27, 2016
   - Continental Dairy Facilities, LLC: July 12, 2016

7. **Company Investment:**
   - $173 million in land and leasehold improvements, building renovations, machinery and equipment, furniture and fixtures, engineering and related soft costs or any combination thereof, for the Project.

8. **Municipality supporting the Project:**
   - City of Coopersville
   
   a. **Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide: approval by the City Council to invest in an upgrade to the City’s wastewater treatment plant necessary to support the project and the Companies capacity needs. The final terms and conditions demonstrating this support shall be included in the final Agreement.

9. **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 Companies, the Companies 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 otherwise be in compliance with all terms and conditions of the final Agreement, and further shall include:

   a. **Disbursement Milestone 1:**
      - Up to $2,407,000
      - Upon demonstrated creation of 52 Qualified New Jobs above the Base Employment Level, verification of final approval of municipality support and verification of final approval of funding from Michigan Department of Agriculture and Rural Development’s Food and Agriculture Investment Program in the amount of $225,000 by no later than June 30, 2017.

   b. **Milestone 2:**
      - $0
      - Upon demonstrated verification the Companies are in compliance with the City of Coopersville’s Nondomestic IPP User permit by no later than March 30, 2018.

10. **Term of Agreement:**
    - Execution of Agreement to 10/31/2018

11. **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 Companies moves 25% or more of their employees out of Michigan, if the Companies fails to maintain the Base Employment Level in Michigan, if the Companies fails to maintain the Qualified New Jobs incented by this Award.
12. Reporting Requirements:
Periodic reporting will be required with this program. The detailed information needed from the Companies 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 Companies; amount of proposed and actual investment made by Companies for Project; the committed number of new jobs and the actual number of new jobs created as a result of the Project.

13. Public Announcements:
The Companies 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. At the request and expense of the MSF or the MEDC, the Companies will cooperate with the MSF or the MEDC to promote the Project through one or more of the placement of a sign, plaque, media coverage or other public presentation at the Project or other location acceptable to the Parties.

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

If the Companies are interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Companies along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Companies by 3/16/2017, the MEDC may not be able to proceed with any recommendation to the MSF.

Acknowledged as received by:

Fairlife LLC
By: Andrew Arquette
Printed Name: Andrew Arquette
Its: CFO
Dated: 3/16/2017

Continental Dairy Facilities, LLC
By: Bruce Born
Printed Name: Bruce Born
Its: Director of Finance
Dated: 3/16/2017

Michigan Economic Development Corporation
By: Stacy Bowerman
Printed Name: Stacy Bowerman
Its: Senior Planning Project Manager
Dated: 3/16/2017
MEMORANDUM

Date: March 28, 2017

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

From: Stacy Bowerman, Senior Project Manager

Subject: Ford Motor Company (“Company” or “Applicant”) – Flat Rock Assembly Plant Michigan Business Development Program Performance-based Grant Request & State Essential Services Assessment Exemption

Summary
This is a request from the Applicant for a $10 million performance-based grant and a State Essential Services Assessment Exemption estimated to be worth $10.4 million over 15 years. This project involves the creation of 650 Qualified New Jobs with the potential for up to 700 new jobs in the City of Flat Rock, Wayne County. Additionally, this project will result in $435 million in Qualified Investment in Eligible Personal Property and construction of a new data center building, and total capital investment of $1.2 billion.

The Company’s project exceeds the $25 million in Qualified Investments in Eligible Personal Property requirement to waive the State Essential Services Assessment Exemption Guidelines which require the project to be located in an Eligible Distressed Area in order to be eligible for the maximum incentive. The initial incentive offer to the Company included a MSF Designated Renaissance Zone, estimated to be worth $27 million. However, because the project will be located on the same parcel as existing property the Renaissance Zone would not only abate new taxes but would also abate existing taxes both the State and City of Flat Rock currently receive. Authorizing a State Essential Services Assessment Exemption in lieu of a Renaissance Zone will reduce the overall tax liability related to the project. This project warrants a waiver of the requirement that the project be located in an Eligible Distressed Area due to the significant job creation and investment. The project will also help secure the Company’s advanced technology research and autonomous vehicle testing facilities in Michigan and will help attract high-technology suppliers to the region. The State Essential Services Assessment Exemption legislation allows for approval of an exemption for projects located in non-Eligible Distressed Areas for projects that exceed $25 million in Qualified Investments in Eligible Personal Property.

The Applicant has demonstrated a need for the funding. The Company also evaluated existing facilities outside of Michigan for this project, including a brand-new facility in Mexico. The costs to manufacture in the United States, especially labor costs and taxes, are higher than in Mexico. Additionally, the Company had to take into consideration the significant costs that have already been incurred to build the plant in Mexico. Incentive assistance was necessary to ensure the project moves forward in Michigan.

Background
The Company was founded in Michigan in 1903 and incorporated in Delaware in 1919. Based in Dearborn, Michigan, the Company is among the world’s largest vehicle producers. With about 201,000 employees, of which approximately 40,000 employees are located in Michigan, and 62 plants worldwide. Its core business includes designing, manufacturing, marketing, financing and servicing a full line of Ford cars,
trucks and SUVs, as well as Lincoln luxury vehicles. The Company is also aggressively pursuing emerging opportunities by investing in mobility, electrified and autonomous vehicles.

The Applicant has received incentives from the MSF in the past. The Company has a 15 year State Essential Services Assessment Exemption in the City of Livonia that was approved on April 26, 2016. The Company also has a Michigan Economic Growth Authority (MEGA) Retention Tax Credit effective until December 31, 2025. The tax credit is for a maximum 40,200 retained jobs in Michigan and requires the Company to make additional new capital investment of $6.2 billion over the term of the MEGA. Language will be included in the final agreement that job creation as a result of this project will not count toward the MEGA Tax Credit. The investment related to this project may be counted toward the required investment. However, the investment required in the MEGA amendment is not site specific and extends for the life of the MEGA so it does not require the company to locate this project in Michigan.

The Applicant plans to expand its Flat Rock Assembly plant to create a manufacturing innovation center capable of producing high-tech electrified and autonomous vehicles, in addition to the Ford Mustang and Lincoln Continental. The Applicant plans to make investments and create jobs related to the manufacture of a new autonomous vehicle, a new full electric small SUV, and a hybrid Mustang. The project is part of a $4.5 billion investment in electrified vehicles by 2020, offering the Company’s customers greater fuel efficiency, capability and power across its global vehicle lineup. The project also includes building a new enterprise data center on the Flat Rock Assembly Plant site to support the company’s global operations, including manufacturing facilities. The plans are part of the Company’s expansion to be an auto and a mobility company, including leading in electrified and autonomous vehicles and providing new mobility solutions.

The MEDC legal unit has completed a civil and criminal background check for the entity and individuals related to this project.

**Considerations**

a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(7)(b), that is located and operates in Michigan.

b) The project will be located in the City of Flat Rock. The City of Flat Rock has offered a “staff, financial, or economic commitment to the project” in the form of a PA 198 property tax abatement.

c) The Applicant is an “Eligible Claimant”, as defined in Public Act 92 of 2014, which will claim an exemption for Eligible Personal Property.

d) The Qualified Investments will be made after MSF approval and completed within three years of December 31, 2017 (“Commencement of the Project”).

e) The Company has agreed to pay a State Essential Services Assessment Exemption administrative fee of $10,000 payable to the Michigan Economic Development Corporation upon completion of the first performance milestone.

f) The Applicant has demonstrated a need for the funding. The Company also evaluated existing facilities outside of Michigan for this project, including a brand-new facility in Mexico where they originally planned to assemble the vehicles. Incentive assistance was necessary to ensure the project move forward in Michigan.

g) The Applicant plans to create 700 Qualified New Jobs above a Flat Rock base employment level of 3,479.

h) Pursuant to the MBDP and State Essential Services Assessment Exemption program guidelines, the following was taken into consideration for the proposed project: involves out-of-state competition; has a net positive return to Michigan; level of job creation and investment; and has strong links to Michigan suppliers; if project is located in a distressed or targeted community.
**Exemption Value Breakdown**
The 15 year State Essential Services Assessment Exemption is estimated to be worth $10.4 million. The requested exemption breaks down as follows:

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<tr>
<td>11–15</td>
<td>$1,900,000</td>
</tr>
<tr>
<td>Total</td>
<td>$10,400,000</td>
</tr>
</tbody>
</table>

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

a) Approval of the MBDP Proposal as outlined in the attached term sheet (collectively, “MBDP Proposal”);
   a. 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;

b) Approval of the waiver of the State Essential Services Assessment Program Guidelines and approval of a State Essential Services Assessment Exemption for up to 15 years for up to $435 million in Qualified Investments in Eligible Personal Property;
   a. Closing the State Essential Services Assessment Exemption, is subject to satisfactory completion of due diligence (collectively, “Due Diligence”) and finalization of all transaction documents; and

c) Commitment will remain valid for 120 days with approval for the MSF Fund Manager to extend the commitment an additional 60 days.
MICHIGAN STRATEGIC FUND

RESOLUTION 2017-

APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO FORD MOTOR COMPANY

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, Ford Motor Company (“Company”) has requested a performance based MBDP grant of up to $10,000,000 (“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.

Yea:

Nay:

Recused:

Lansing, Michigan
March 28, 2017
WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF;

WHEREAS, the Michigan legislature passed legislation, 2014 PA 80, to revise the personal property tax system so as to allow individuals, small businesses and large businesses to thrive and create jobs in the State of Michigan, but which needed to be approved by the qualified electors of the State of Michigan;

WHEREAS, on August 5, 2014, the qualified electors of the State of Michigan approved the legislation to revise the personal property tax system. This revision took effect January 1, 2015. The approval also enacted 2014 PA 92 and 2014 PA 93, the State Essential Services Assessment Act (“SESA”) and the Alternative State Essential Services Assessment Act (“Alternative SESA”);

WHEREAS, the SESA Exemption and the Alternative SESA authorized the creation and operation of the SESA Exemption and Alternative SESA Program by the Michigan Strategic Fund (“MSF”) pursuant to MCL 211.1059;

WHEREAS, on October 28, 2014, the MSF Board approved the SESA Exemption and Alternative SESA Program Guidelines.

WHEREAS, Ford Motor Company (the “Company”) has requested that the MSF Board approve a SESA exemption of up to 15 years for a minimum qualifying investment of $100 million and a maximum qualifying investment of $435 million in eligible personal property, as defined in the SESA Exemption and Alternative SESA Program Guidelines, in the City of Flat Rock (the “SESA Exemption Request”);

WHEREAS, the MEDC recommends that the MSF Board 1) approve a waiver to the Program Guidelines to authorize a SESA Exemption in a non-Eligible Distressed Area, 2) approve SESA Exemption Request; 3) require a onetime administrative fee in the amount of $10,000 payable to the MEDC upon completion of the first performance milestone; and 4) authorize the MSF Fund Manager to execute all final documents necessary to effectuate the SESA Exemption Request; and

WHEREAS, the MSF Board desires to 1) approve a waiver to the Program Guidelines to authorize a SESA Exemption in a non-Eligible Distressed Area, 2) approve SESA Exemption Request; 3) require a onetime administrative fee in the amount of $10,000 payable to the MEDC upon completion of the first performance milestone; and 4) authorize the MSF Fund Manager to execute all final documents necessary to effectuate the SESA Exemption Request.
NOW, THEREFORE, BE IT RESOLVED, the MSF Board 1) approves a waiver to the Program Guidelines to authorize a SESA Exemption in a non-Eligible Distressed Area, 2) approves SESA Exemption Request; 3) requires a onetime administrative fee in the amount of $10,000 payable to the MEDC upon completion of the first performance milestone; and 4) authorizes the MSF Fund Manager to execute all final documents necessary to effectuate the SESA Exemption Request.

Ayes:

Nays:

Recused:

Lansing, Michigan
March 28, 2017
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: 3/15/2017

1. **Company Name:** Ford Motor Company ("Company" or "Applicant")

2. **Company Address:**
   Ford Motor Company
   1 American Road
   Dearborn, Michigan 48126

3. **Project Address ("Project"):** Flat Rock, Michigan 48134

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

5. **Maximum Amount of MBDP Incentive:** Up to $10,000,000 ("MBDP Incentive Award")

6. **Base Employment Level**
   3,479 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 employment level in Flat Rock, 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:** 650 The minimum number of total Qualified New Jobs the Company shall be required to create at the Project (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),

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**Note:**

The text above is a summary of the highlights and basic terms for the MBDP incentive award. For full details, please refer to the complete term sheet provided by the Michigan Economic Development Corporation.
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. The Qualified New Jobs for the MBDP are ineligible for credit under the Company’s Global MEGA Tax Credit. The Retained Jobs for the Global MEGA Tax Credit are ineligible for the MBDP funding.

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

8. **Company Investment:** $1.2 billion for building construction and renovation, site preparation and/or infrastructure improvements, machinery and equipment, computers and IT equipment, and special tooling, or any combination thereof, for the Project.

9. **Municipality supporting the Project:** City of Flat Rock

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 property tax abatement 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 the Company must otherwise be in compliance with all terms and conditions of the final Agreement, and further shall include:

a. **Disbursement Milestone 1:** Up to $5,000,000 Upon demonstrated creation of 325 Qualified New Jobs above the Base Employment Level, verification the Company has retained the maximum number of Retained Jobs allowed under the Global MEGA Tax Credit as of the most recent Tax Credit Certificate, and verification of final approval of municipality support by no later than December 31, 2020.

b. **Disbursement Milestone 2:** Up to $5,000,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 325 additional Qualified New Jobs.
11. **Term of Agreement:**

   Execution of Agreement to September 30, 2021

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.

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. At the request and expense of the MSF or the MEDC, the Company will cooperate with the MSF or the MEDC to promote the Project through one or more of the placement of a sign, plaque, media coverage or other public presentation at the Project or other location acceptable to the Parties.

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

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by March 16, 2017, the MEDC may not be able to proceed with any recommendation to the MSF.
MEMORANDUM

Date: March 28, 2017

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

From: Stacy Bowerman, Senior Project Manager

Subject: Ford Motor Company (“Company” or “Applicant”) Michigan Business Development Program Performance-based Grant Request & Michigan Assembly Plant - State Essential Services Assessment Exemption Romeo Engine Plant Alternative State Essential Services Assessment

Summary
This is a request from the Applicant for a State Essential Services Assessment Exemption estimated to be worth $7.25 million over 15 years for $310 million in Eligible Personal Property in the City of Wayne, Wayne County and an Alternative State Essential Services Assessment estimated to be worth $1.3 million over 15 years for $105 million in Eligible Personal Property in the Village of Romeo, Macomb County. Additionally, the Applicant is requesting a $2 million performance-based grant for the creation of 100 Qualified New Jobs related to the project. In total this project involves a capital investment of $1 billion in the City of Wayne and the Village of Romeo. In Wayne, it helps secure approximately 3,600 jobs and in Romeo it creates 100 new jobs.

The Applicant has demonstrated a need for the funding. The Company also evaluated existing facilities globally and within the United States for this project. The Company currently produces the Ranger overseas, which offers lower labor costs and tax rates than the United States. The Company will incur significant training costs as a result of the addition of two new product lines to the plant in Wayne. Incentive assistance was necessary to ensure the project move forward in Michigan.

Background
The Company was founded in Michigan in 1903 and incorporated in Delaware in 1919. Based in Dearborn, Michigan, the Company is among the world’s largest producer of cars and trucks. With about 201,000 employees, of which approximately 40,000 employees are located in Michigan, and 62 plants worldwide. Its core business includes designing, manufacturing, marketing, financing, and servicing a full line of Ford cars, trucks, and SUVs, as well as Lincoln luxury vehicles. The Company is also pursuing emerging opportunities through investments in mobility, electrification and autonomous vehicles.

The Applicant has received incentives from the MSF in the past. The Company has a 15 year State Essential Services Assessment Exemption in the City of Livonia that was approved on April 26, 2016. The Company also has a Michigan Economic Growth Authority (MEGA) Retention Tax Credit effective until December 31, 2025. The tax credit is for a maximum 40,200 retained jobs in Michigan and requires the Company to make additional new capital investment of $6.2 billion over the term of the MEGA. Language will be included in the final agreement that job creation as a result of this project will not count toward the MEGA Tax Credit. The investment related to this project may be counted toward the required investment...
as a result of the 2015 MEGA amendment. However, the investment required in the MEGA amendment is not site specific and extends for the life of the MEGA so it does not require the company to locate this project in Michigan.

The Applicant plans to invest in new manufacturing equipment and tooling related to the manufacture of two new vehicles. The Company will be bringing back the Ranger midsize pickup truck to its North American vehicle lineup in 2019 and Bronco midsize SUV to its global vehicle portfolio in 2020. Both vehicles will be manufactured at the Company’s Michigan Assembly Plant in Wayne, Michigan. In addition, the project includes investment in new machinery and equipment and tooling to manufacture engines components at its Romeo Engine Plant, some of which will be supplied to the new vehicles produced at the Michigan Assembly Plant.

The MEDC legal unit has completed a civil and criminal background check for the entity and individuals related to this project.

**Considerations**

a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(7)(b), that is located and operates in Michigan.

b) The project will be located in the City of Wayne. The City of Wayne has offered a “staff, financial, or economic commitment to the project” in the form of expedited permit assistance.

c) The Applicant is an “Eligible Claimant”, as defined in Public Act 92 of 2014, which will claim an exemption for Eligible Personal Property.

d) The Applicant is eligible for a 15 year State Essential Services Assessment Exemption in the City of Wayne based on the following:
   a. The project will be located in the City of Wayne, which is an Eligible Distressed Area; and
   b. The project will result in Qualified Investments of greater than $100 million in Eligible Personal Property.

e) The Applicant is eligible for a 15 year Alternative State Essential Services Assessment Exemption in the Village of Romeo based on the following:
   a. The project is Transformational Project due to significant job creation and investment. The project will also help attract high-technology suppliers to the region.
   b. The project will result in Qualified Investments of greater than $100 million in Eligible Personal Property.

f) The Qualified Investments will be made after MSF approval and completed within three years of December 31, 2017 (“Commencement of the Project”).

g) The Company has agreed to pay a State Essential Services Assessment Exemption administrative fee in the amount of $10,000 for each exemption for a total of $20,000 payable to the Michigan Economic Development Corporation upon completion of the first performance milestones.

h) The Applicant has demonstrated a need for the funding. The Company also evaluated existing facilities globally for this project. The Company evaluated labor cost, facility product lines, and long term cost of doing business when determining where to locate the project. Incentive assistance was necessary to ensure the project move forward in Michigan.

i) The Applicant plans to maintain a base employment level of 643 at Romeo Engine Plant.

j) Pursuant to the MBDP and State Essential Services Assessment Exemption program guidelines, the following was taken into consideration for the proposed project: involves out-of-state competition; has a net positive return to Michigan; level of job retention and investment; has strong links to Michigan suppliers; and is located in a distressed community.
Exemption Value Breakdown

City of Wayne:
The 15 year State Essential Services Assessment Exemption is estimated to be worth $7.25 million. The requested exemption breaks down as follows:

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<tr>
<td>11-15</td>
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Village of Romeo:
The 15 year Alternative State Essential Services Assessment is estimated to be worth $1.3 million. The requested exemption breaks down as follows:

<table>
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<tr>
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Recommendation
MEDC Staff recommends the following (collectively, “Recommendation”):

a) Approval of the MBDP Proposal as outlined in the attached term sheet (collectively, “MBDP Proposal”);
   a. 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;

b) Approval of the State Essential Services Assessment Exemption for up to 15 years for up to $310 million in Qualified Investments in Eligible Personal Property in the City of Wayne;
   a. Closing the State Essential Services Assessment Exemption, is subject to satisfactory completion of due diligence (collectively, “Due Diligence”) and finalization of all transaction documents;

c) Approval of the Alternative State Essential Services Assessment for up to 15 years for up to $105 million in Qualified Investments in Eligible Personal Property in the Village of Romeo;
   a. Closing the Alternative State Essential Services Assessment, is subject to satisfactory completion of due diligence (collectively, “Due Diligence”) and finalization of all transaction documents; and

d) Commitment will remain valid for 120 days with approval for the MSF Fund Manager to extend the commitment an additional 60 days.
MICHIGAN STRATEGIC FUND

RESOLUTION

2017-

ALTERNATIVE STATE ESSENTIAL SERVICE ASSESSMENT APPROVAL

FORD MOTOR COMPANY

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

WHEREAS, the Michigan legislature passed legislation, 2014 PA 80, to revise the personal property tax system so as to allow individuals, small businesses and large businesses to thrive and create jobs in the State of Michigan, but which needed to be approved by the qualified electors of the State of Michigan;

WHEREAS, on August 5, 2014, the qualified electors of the State of Michigan approved the legislation to revise the personal property tax system. This revision took effect January 1, 2015. The approval also enacted 2014 PA 92 and 2014 PA 93, the State Essential Services Assessment Act (“SESA”) and the Alternative State Essential Services Assessment Act (“Alternative SESA”);

WHEREAS, the SESA Exemption and the Alternative SESA authorized the creation and operation of the SESA Exemption and Alternative SESA Program by the Michigan Strategic Fund (“MSF”) pursuant to MCL 211.1059;

WHEREAS, on October 28, 2014, the MSF Board approved the SESA Exemption and Alternative SESA Program Guidelines.

WHEREAS, Ford Motor Company (the “Company”) has requested that the MSF Board approve an Alternative SESA of up to 15 years for a minimum qualifying investment of $100 million and a maximum qualifying investment of $105 million in eligible personal property, as defined in the SESA Exemption and Alternative SESA Program Guidelines, in the Village of Romeo (the “Alternative SESA Request”);

WHEREAS, the MEDC recommends that the MSF Board 1) approve Alternative SESA Request; 2) require a onetime administrative fee in the amount of $10,000 payable to the MEDC upon completion of the first performance milestone; and 3) authorize the MSF Fund Manager to execute all final documents necessary to effectuate the Alternative SESA Request; and

WHEREAS, the MSF Board desires to 1) approve Alternative SESA Request; 2) require a onetime administrative fee in the amount of $10,000 payable to the MEDC upon completion of the first performance milestone; and 3) authorize the MSF Fund Manager to execute all final documents necessary to effectuate the Alternative SESA Request.
NOW, THEREFORE, BE IT RESOLVED, the MSF Board 1) approves Alternative SESA Request; 2) requires a one-time administrative fee in the amount of $10,000 payable to the MEDC upon completion of the first performance milestone; and 3) authorizes the MSF Fund Manager to execute all final documents necessary to effectuate the Alternative SESA Request.

Ayes:

Nays:

Recused:

Lansing, Michigan
March 28, 2017
MICHIGAN STRATEGIC FUND

RESOLUTION 2017-

APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO FORD MOTOR COMPANY

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, Ford Motor Company ("Company") has requested a performance based MBDP grant of up to $2,000,000 ("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
March 28, 2017
WHEREAS, the Michigan Economic Development Corporation ("MEDC") provides administrative services to the MSF;

WHEREAS, the Michigan legislature passed legislation, 2014 PA 80, to revise the personal property tax system so as to allow individuals, small businesses and large businesses to thrive and create jobs in the State of Michigan, but which needed to be approved by the qualified electors of the State of Michigan;

WHEREAS, on August 5, 2014, the qualified electors of the State of Michigan approved the legislation to revise the personal property tax system. This revision took effect January 1, 2015. The approval also enacted 2014 PA 92 and 2014 PA 93, the State Essential Services Assessment Act ("SESA") and the Alternative State Essential Services Assessment Act ("Alternative SESA");

WHEREAS, the SESA Exemption and the Alternative SESA authorized the creation and operation of the SESA Exemption and Alternative SESA Program by the Michigan Strategic Fund ("MSF") pursuant to MCL 211.1059;

WHEREAS, on October 28, 2014, the MSF Board approved the SESA Exemption and Alternative SESA Program Guidelines.

WHEREAS, Ford Motor Company (the "Company") has requested that the MSF Board approve a SESA exemption of up to 15 years for a minimum qualifying investment of $100 million and a maximum qualifying investment of $310 million in eligible personal property, as defined in the SESA Exemption and Alternative SESA Program Guidelines, in the City of Wayne (the "SESA Exemption Request");

WHEREAS, the MEDC recommends that the MSF Board 1) approve SESA Exemption Request; 2) require a onetime administrative fee in the amount of $10,000 payable to the MEDC upon completion of the first performance milestone; and 3) authorize the MSF Fund Manager to execute all final documents necessary to effectuate the SESA Exemption Request; and

WHEREAS, the MSF Board desires to 1) approve SESA Exemption Request; 2) require a onetime administrative fee in the amount of $10,000 payable to the MEDC upon completion of the first performance milestone; and 3) authorize the MSF Fund Manager to execute all final documents necessary to effectuate the SESA Exemption Request.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board 1) approves SESA Exemption Request; 2) requires a onetime administrative fee in the amount of $10,000 payable to
the MEDC upon completion of the first performance milestone; and 3) authorizes the MSF Fund Manager to execute all final documents necessary to effectuate the SESA Exemption Request.

Ayes:

Nays:

Recused:

Lansing, Michigan
March 28, 2017
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: 3/15/2017

1. **Company Name:** Ford Motor Company (“Company” or “Applicant”)

2. **Company Address:**
   - Ford Motor Company
   - 1 American Road
   - Dearborn, Michigan 48126

3. **Project Address (“Project”):**
   - Romeo, Michigan 48065
   - Wayne, Michigan 48184

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

5. **Maximum Amount of MBDP Incentive:** Up to $2,000,000 (“MBDP Incentive Award”)

6. **Base Employment Level**: 643
   - 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 employment level in Romeo, 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:** 100 (above Base Employment Level)
   - The minimum number of total Qualified New Jobs the Company shall be required to create in Romeo, 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),
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. The Qualified New Jobs for the MBDP are ineligible for credit under the Company’s Global MEGA Tax Credit. The Retained Jobs for the Global MEGA Tax Credit are ineligible for the MBDP funding.

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

8. Company Investment: $1 billion for site preparation, machinery and equipment, and special tooling, or any combination thereof, for the Project.

9. Municipality supporting the Project: City of Wayne

a. Municipality Support. One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide expedited permit assistance. 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 the Company must otherwise be in compliance with all terms and conditions of the final Agreement, and further shall include:

a. Disbursement Milestone 1: Up to $2,000,000 Upon demonstrated creation of 100 Qualified New Jobs above the Base Employment Level, verification the Company has retained the maximum number of Retained Jobs allowed under the Global MEGA Tax Credit as of the most recent Tax Credit Certificate, and verification of final approval of municipality support by no later than March 31, 2020.

11. Term of Agreement: Execution of Agreement to September 30, 2020

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.

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. At the request and expense of the MSF or the MEDC, the Company will cooperate with the MSF or the MEDC to promote the Project through one or more of the placement of a sign, plaque, media coverage or other public presentation at the Project or other location acceptable to the Parties.

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

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by March 16, 2017, the MEDC may not be able to proceed with any recommendation to the MSF.

Acknowledged as received by:

Ford Motor Company

By:  
Printed Name: Gabby Bruno
Its: Regional Government Relations Manager
Dated: 3/22/2017

Michigan Economic Development Corporation

By:  
Printed Name: Stacy Bowerman
Its: Senior Planning Project Manager
Dated: 3/22/2017
MEMORANDUM

Date: March 28, 2017

To: Michigan Strategic Fund Board

From: Fred Molnar, VP, Entrepreneurship and Innovation

Subject: Flint Ferris Wheel Innovation Center Business Incubator Award Request

ACTION
MEDC Staff recommends the Michigan Strategic Fund (“MSF”) Board approve a grant of $1,500,000 for the establishment and administration of the Ferris Wheel Innovation Center Business Incubator in the City of Flint using funds originally allocated to the Michigan Business Development Program (“BDP”).

BACKGROUND TO AWARD
Pursuant to MCL 125.2088b(2)(c), funds appropriated to the MSF for purposes of carrying out the MSF Act shall be expended or invested for activities authorized under the MSF Act, as long as those activities provide for repayment for breach of the agreement or the failure to meet measurable outcomes. Under MCL 125.2007(c), the MSF has, among other things, the power to make grants.

The business incubator program provides funding to stimulate the creation and continued growth of businesses and jobs by capitalizing on the State of Michigan’s skilled labor force, its nationally recognized university system, its SmartZones, and its business incubators. Of the active business incubators throughout the state, there are currently none under the business incubator program that are strategically aligned to address the significant issues impacting Flint.

The Flint based Ferris Wheel Innovation Center (“Ferris Wheel”) will be the first business incubator of its kind to serve the region. Modeled after its successful counterpart, Invent@NMU and led by the founder David Ollila, the Ferris Wheel will bring a new spin to the way incubators are implemented by layering components. The first element will offer a full spectrum of innovation, entrepreneurial and operational support to all individuals and companies with a product, software, service, or social venture at any stage in the business cycle. This support will include idea validation, concept ideation, product development, prototyping, capitalization, market development, operations management, and business formation. The next layer will incorporate local university students to assist active entrepreneurs with opportunities related to science, technology, engineering, mathematics, creative, and business services using the incubator to work toward bringing products from concept to market. This will provide a paid
opportunity to enhance their academic pursuits while gaining real job experience in their field and yield greater agility in providing free to low cost services for residents that may not typically be able to afford such resources. The final level of the program will focus on engaging the local community through weekly events held by the incubator in the form of workshops, competitions, mentoring, boot camps, demo days, and asset mapping. The incubator will also partner with the University of Michigan-Flint to further assist entrepreneurs in Flint outside of the base services they receive from the Ferris Wheel.

The Ferris Wheel will be housed in the newly dedicated Ferris building which will be comprised of seven stories totaling a little over 40,000 square feet to support a co-working space, conference center, and retail service area to meet the needs of entrepreneurs from conception to formation and allow the community to utilize the space during events. The MSF will be considering a development incentive for the real estate portion through MEDC’s Michigan Community Revitalization Program (“MCRP”) team as a collaborative effort to bring this project to completion.

BACKGROUND TO FUNDING REQUEST
Funds originally allocated to the MBDP will be used to fund this grant. The funding request will allocate the full $1,500,000 over the course of a three-year period and is expected to fund the grant award through March 31, 2020, with the option to extend the grant for up to an additional two years and allocate additional funding at the discretion of the MSF. The grant funds will cover staffing, programming activities and other related operating expenses. Skypoint Ventures and the C.S. Mott Foundation are contributing $3,000,000 in matching funds to the project.

RECOMMENDATION
Flint has been plagued with economic disparity marked by an inflation in business decline and poverty. The efforts behind their comeback have been slow and steady. In order to add momentum to the challenging landscape, the MEDC Staff recommends the MSF Board 1) approve a grant of up to $1,500,000 to the Ferris Wheel Innovation Center for an initial term of three years, with the option to extend the grant for up to an additional two years and allocate additional funding, at the discretion of the MSF; 2) transfer $1,500,000 from funding originally allocated to MBDP to fund this grant; and 3) authorize the MSF Fund Manager, in coordination with MEDC Staff, the MSF Fund Manager to negotiate the final terms and conditions of the final documents necessary to effectuate the grant award.
WHEREAS, the Michigan legislature enacted the Michigan Strategic Fund Act, MCL 125.2001 et. seq., (the “Act”) to enable the Michigan Strategic Fund (“MSF”) to provide incentives in the form of grants, loans, and other economic assistance for the development and improvement of Michigan’s economy;

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

WHEREAS, pursuant to MCL 125.2088b(2)(c), funds appropriated to the MSF for purposes of carrying out the MSF Act shall be expended or invested for activities authorized under the MSF Act, as long as those activities provide for repayment for breach of the agreement or the failure to meet measurable outcomes;

WHEREAS, pursuant to Section 7(c) of the Act, MCL 125.2007(c), the MSF has, among other things, the power to make grants;

WHEREAS, the Ferris Wheel Innovation Center is establishing a business incubator to support business development and entrepreneurial activities in the City of Flint (the “Project”);

WHEREAS, in connection with the Project, the Ferris Wheel Innovation Center has requested a grant of up to $1,500,000 to support business incubator activities and operations for an initial term of three years, with the option to extend up to two additional years and allocate additional funding at the discretion of the MSF (the “Award Request”);

WHEREAS, MEDC recommends that the MSF Board 1) approve the Award Request and 2) transfer $1,500,000 from the funds allocated to the Michigan Business Development Program to fund the Award Request (the “Award Recommendation”).

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

BE IT FURTHER RESOLVED, the MSF authorizes the MSF Fund Manager to negotiate the final terms and conditions of the final documents necessary to effectuate the Award Recommendation.

Ayes:

Nays:

Recused:

Lansing, Michigan
March 28, 2017
MEMORANDUM

Date: March 28, 2017

To: Michigan Strategic Fund (MSF) Board

From: Nate Scramlin, Senior Community Assistance Team Specialist
      Rob Garza, Brownfield and MCRP Senior Program Specialist

Subject: SkyPoint Ventures, LLC and Flint Ferris Building, LLC - Request for Approval of a Michigan Community Revitalization Program Grant

Request
SkyPoint Ventures, LLC and Flint Ferris Building, LLC plan to rehabilitate the vacant Ferris Building to provide seven floors of retail space, office space and an entrepreneurial hub in the heart of downtown Flint. The project will redevelop .15 acres on 1 parcel of property located at 615 S. Saginaw Street in the City of Flint. The project is located in a downtown and qualifies for a Michigan Community Revitalization Program (MCRP) award because it is functionally obsolete.

SkyPoint Ventures, LLC and Flint Ferris Building, LLC (Applicants) are requesting approval of a MCRP incentive in the amount of $1,000,000 in the form of a performance-based grant.

The developer is contributing an initial equity investment of approximately 83% of total project cost. As a result, the project deviates from MCRP program parameters by yielding no developer return and not utilizing senior financing. With this large equity investment from the developer a gap still exists which will be filled with the requested MCRP grant. SkyPoint Ventures has a philanthropic angle for the community development projects they are undertaking in the City of Flint and while this deal does not greatly benefit the developer through monetary gains, they understand and are interested in the community benefits the project will have for the City. Not only will this project redevelop a seven-story vacant building in downtown Flint, but the business climate and entrepreneurial hub they plan to bring to downtown will add vibrancy, people on the street, and growth opportunity to a traditionally underserved area. MCRP detailed structure is provided in Appendix A.

The Applicants anticipate that the project will result in total capital investment in the amount of $6,139,952 along with the creation of approximately 10 permanent full-time equivalent jobs with an average hourly wage of $21.

Background
The Applicant plans to rehabilitate the Ferris Building in downtown Flint into an epicenter of entrepreneurial activity through seven stories of flex office space anchored by the "Invent Innovation Hub", a business services and idea incubator. The MSF will also be considering operational support for
the Invent Innovation Hub through the MEDC’s Entrepreneurship program. This development will include approximately 46,000 square feet of mainly office space with two small retail spaces. A membership style fee structure for specific types and sizes of office spaces will be used in multiple co-working style spaces throughout the building. This innovative business incubator, deemed “The Ferris Wheel”, will be the front door to fledgling businesses and entrepreneurs wanting to expand their idea, product, or offering. Once occupied, this building will fuel a pedestrian on-street presence and help bolster surrounding service and restaurant businesses in the downtown. It is the goal that the entrepreneurial businesses graduating from the incubator will continue to thrive in downtown Flint, locating in surrounding buildings and commercial spaces. The building is directly adjacent to multiple MSF supported projects, including the Flint Farmer's Market, MSU School of Public Health, the Capitol Theatre, the Dryden Building, and Buckham Alley.

SkyPoint Ventures, LLC and Flint Ferris Building, LLC are a relatively new entities but have recently completed two projects in Genesee County: The Dryden Building, a rehabilitation of a five-story mixed-use building located in Flint, and Red Fox Outfitters, a privately financed adaptive-reuse of a historic granary located in Fenton. In addition, the MSF approved an Act 381 Work Plan for a project located in Fenton. Flint Ferris Building, LLC is a single purpose LLC created for the purpose of this project and contains the same principals as SkyPoint Ventures, LLC.

**Appendix B** addresses the programmatic requirements and **Appendix C** includes a project map and renderings.

**Recommendation**

MEDC staff recommends approval of the following:

a) A MCRP performance-based grant in the amount of $1,000,000 for Skypoint Ventures, LLC and Flint Ferris Building, LLC. Due to no debt-service coverage ratio because the Applicants chose to forego senior financing, staff is recommending approval of a deviation from the MCRP Incentive Parameters, which requires a minimum DSCR of 1.20 to 1.00
# APPENDIX A - Summary of Terms

1. **Company Name:** SkyPoint Ventures, LLC and Flint Ferris Building, LLC, or Related Entity (“Companies” or “Co-Applicants”)

2. **Company Address:** 601 South Saginaw Street Suite 500 Flint, Michigan 48502

3. **MCRP Incentive Type:** Performance Based Grant

4. **Maximum Amount of MCRP Incentive:** Lesser of 18% of the Eligible Investment, as defined by the Program Guidelines, or $1,000,000 (“MCRP Incentive Award”)

5. **Project Description (“Project”):** The project will include a rehabilitation of an existing seven-story building into a mixed-use building that will contain approximately 2,354 square feet of first floor retail space and approximately 44,000 square feet of office space throughout the remainder of the building.

6. **Anticipated Minimum Eligible Investment:** $4,748,362 The minimum is based on 80% of the total Eligible Investment amount requested on the MCRP incentive application. The Eligible Investment on the Project is anticipated to include:
   - Building Alteration/Rehabilitation/Improvement
   - Site Improvements
   - Addition of Machinery, Equipment or Fixtures to the Project
   - Professional Fees

7. **Start Date for Measurement of Eligible Investment:** July 1, 2016

8. **Project Qualifying As:** Functionally Obsolete

9. **Progress and Milestones & Disbursement:** The final terms and conditions of each of the Progress Milestones shall be included in the final Agreement, including that before any disbursement is made to the Applicant, the Applicant must demonstrate timely completion of all Progress Milestones, as required, and otherwise be in full compliance with all terms and conditions of the final Agreement. The MSF
Fund Manager, in coordination with Michigan Economic Development Corporation (MEDC) Staff, is authorized to negotiate the final terms and conditions of the final Agreement to be used to memorialize MCRP awards on the MSF’s behalf in accordance with the Guidelines and are anticipated to include:

a. Pre-improvement Progress Milestone: Demonstration by the Company to the satisfaction of the MSF of completion of all pre-improvement requirements as applicable and required by the MSF, including: documentation of state approval of the Commercial Rehabilitation Act tax exemption.

b. Completion of the Project Progress Milestone: Issuance of a certificate of occupancy on terms and conditions satisfactory to the MSF Fund Manager.

10. Municipality supporting the Project (“Municipal Support”): The municipality has committed to provide: A Commercial Rehabilitation Act tax exemption for 10 years with an estimated value of $70,000 and a City of Flint Downtown Development Authority (DDA) Infrastructure Improvement Grant valued at $35,000. The final terms and conditions evidencing this support shall be included in the final Agreement.

11. Term of Agreement: From execution of the final Agreement until the date three (3) years after the completion of the final Progress Milestone.

12. Repayment and Penalty Terms: Some repayment and penalty provisions are required by law. The repayment and penalty terms and conditions will be effective through the Term of the Agreement and shall be defined in the final Agreement, and may include any or all of the following: a penalty, reduction of all or a portion of the MCRP Incentive Award, repayment of any portion of any disbursement of the MCRP Incentive Award, or ineligibility of the Applicant and its sponsors for any support or economic assistance from the MSF, as the case may be, if the Applicant fails to comply with the Agreement, any reporting requirements defined in the final Agreement, or otherwise violates the MSF Act.

13. Final Terms and Conditions: The MSF Fund Manager, in coordination with MEDC Staff, is authorized to negotiate the final terms and conditions of the final Agreement to be used to memorialize MCRP awards on the MSF’s behalf in accordance with the Guidelines and is anticipated to include the terms described above.
MCRP Program and its Guidelines
On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program (MCRP) and on September 22, 2015, the MSF Board approved its restated program guidelines. The primary intended objective of the MCRP is to provide incentives to persons that make eligible investments on eligible property in Michigan. The total eligible investment for this project is estimated to be $5,935,452.

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 MCRP, the following statutory criteria is being considered by the MSF:

A. The importance of the project to the community in which it is located:
The City of Flint and SkyPoint Ventures are excited about the prospect of opening a full service entrepreneurial hub and incubator as well as the innovative office space needed to attract new, fresh talent to the area. The continued revitalization of downtown Flint through the renovation of old vacant buildings in the downtown is fueling more vibrancy and excitement throughout the downtown business community and area residents.

B. If the project will act as a catalyst for additional revitalization of the community in which it is located:
The intent of the Ferris Wheel project is to be a catalyst for additional revitalization of the community through entrepreneurship, business expansion, and collaboration.

C. The amount of local community and financial support for the project:
The City of Flint is supporting the project through the approval of a Commercial Rehabilitation Act tax exemption valued at approximately $70,000 as well as a Downtown Development Authority infrastructure improvement grant of $35,000.

D. The applicant's financial need for a community revitalization incentive:
The Applicants are foregoing traditional senior financing and contributing approximately 83% equity into this project. The developer will not receive a return on the equity investment, but understands the importance of this project to the City. The MCRP grant will close the remaining gap in financing.
E. The extent of reuse of vacant buildings, reuse of historical buildings, and redevelopment of blighted property:
   This project will completely rehabilitate the vacant Ferris Building in downtown Flint.

F. Creation of jobs:
   This project estimates that 10 new full-time equivalent positions will be created with an average hourly wage of $21.

G. The level of private sector and other contributions, including, but not limited to, federal funds and federal tax credits:
   The Applicants will be providing a significant owner equity investment totaling nearly 83% of the total cost of the project.

H. Whether the project is financially and economically sound:
   The Applicants have the financial capacity to support the vast majority of project costs. The lack of developer return will not impact the ability of the Applicant to complete the project.

I. Whether the project increases the density of the area:
   This project will greatly increase the density of available quality office space in downtown Flint, as well as the number of people visiting the downtown area for business and local restaurants, shops, and the Flint Farmer’s Market.

J. Whether the project promotes mixed-use development and walkable communities:
   By offering both retail and office spaces in one building this project promotes mixed-use development and encourages more walkability among downtown destinations. The new development is walkable to mass transit, restaurants, shops, the soon-to-be re-opened Capitol Theatre, public services, and the Flint Farmers' Market.

K. Whether the project converts abandoned public buildings to private use:
   This project does not involve an abandoned public building.

L. Whether the project promotes sustainable development:
   This project promotes sustainable development through the reuse of the current vacant structure rather than demolishing and adding those usable materials to the waste stream while also adding eco-friendly heating and cooling solutions to the building through a highly-efficient VRF Heating Ventilation and Cooling system with EcoSmart controls and building zone management.

M. Whether the project involves the rehabilitation of a historic resource:
   This project is not qualifying as a historic resource, although its historic resource status is undetermined.
N. Whether the project addresses area-wide redevelopment:
The Ferris Wheel project will be a catalyst for small business creation and economic
development. Fostering this type of activity will build community capacity to generate additional
investment in both the City of Flint and the surrounding region.

O. Whether the project addresses underserved markets of commerce:
The Ferris Wheel project will address a chronically underserved commerce market -- the City of
Flint – and in the process help to re-catalyze the economic development momentum that was
stunted most recently by the City's water crisis.

P. The level and extent of environmental contamination:
The building had minimal asbestos contamination and the primary abatement of contaminants
occurred during initial demolition and stabilization efforts in 2016. Ancillary abatement will be
performed on a case-by-case basis if additional asbestos containing materials are discovered in
the final stages of interior demolition.

Q. If the rehabilitation of the historic resource will meet the federal Secretary of the Interior's
standards for rehabilitation and guidelines for rehabilitating historic buildings
(36 CFR 67):
This project is not qualifying as a historic resource, although its historic resource status is
undetermined.

R. Whether the project will compete with or affect existing Michigan businesses within the
same industry:
This project will not compete with existing businesses within the same industry, but will in fact
encourage collaboration between businesses within similar industries and further the current and
continued efforts in the City of Flint to bolster these businesses.

S. Any other additional criteria approved by the board that are specific to each individual
project and are consistent with the findings and intent of this chapter:
No additional criteria needs to be addressed.
APPENDIX C – Project Map and Renderings
WHEREAS, the Michigan legislature amended the Michigan Strategic Fund Act, MCL 125.2011 et. seq., to add Chapter 8C (being MCL 125.2090a – MCL 125.2090d) to enable the Michigan Strategic Fund (“MSF”) to create and operate the Michigan Community Revitalization Program (“MCRP”) to provide incentives in the form of grants, loans and other economic assistance for redevelopment of communities in Michigan;

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

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

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

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

WHEREAS, SkyPoint Ventures, LLC and Flint Ferris Building, LLC (“Companies”) have requested a performance based grant of up to $1,000,000 (“Award Request”), along with other general terms and conditions;

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
March 28, 2017
MEMORANDUM

Date: March 28, 2017

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

From: Lynda Franke, Underwriting and Incentive Structuring Specialist

Subject: Investment Fund Award to Northern Michigan University (NMU) for the UP Rural Broadband “Super Highway” Initiative

Request
NMU is requesting $6.5 million Investment Fund Award to bring high-speed broadband service to every city and township in the Upper Peninsula (UP) over the next 24 months. The funds will be used to build out and equip 64 sites with one to two towers per site. NMU will match the MSF’s contribution at a ratio of approximately $0.50 to every MSF $1.00 contributed to the project, with the total cost of the project anticipated to be approximately $9.7 million. Once operational, the MSF will receive 35% of net revenues from the project (generated from user fees) until such time as the MSF has recouped the funds provided and earned a 2% rate of return on those funds.

Background
The Governor’s Infrastructure Commission report, issued November 2016 states: “In order to unlock the potential of new technology, Michigan must ensure that secure, reliable, affordable, and universal advanced communications services are available to all residents. Affordable, high-speed internet service is essential for the advancement of education, health, public safety, research and innovation, civic participation, e-government, and economic development.” Further, the Commission Report went on and made the following specific broadband recommendation:

• All residents and businesses have access to a fixed broadband connection with a download speed of at least 25 Mbps and an upload speed of 3 Mbps by 2020 and a download speed of at least 100 Mbps by 2024.
• All community anchor institutions have access to a fixed broadband connection with download and upload speeds that meet the minimum recommended speeds for their sector by 2024.
• All areas of the state (geographic) have access to a mobile broadband connection with a download speed of at least 10 Mbps by 2020 and at least 25 Mbps by 2024.

For more detail see:
While much of the state meets or exceeds these standards already, much if not most of the UP does not. In fact, only 75% of UP households have access to what has traditionally been recognized as broadband at a speed of 6 Mbps or more and another 20,000 UP households have no access to broadband at all. The FCC recommended in 2015 that the definition of broadband be defined as a minimum download speed of 25Mbps. So essentially, UP households are functioning with something less than what would be considered today as broadband internet access. This situation has created a serious “homework gap” for UP students based solely on their geographical and financial access to high-speed internet.

The NMU Proposal
Northern Michigan University is proposing to build and operate a broadband network throughout the entire UP. They propose to work with local communities to gain access to existing public infrastructure or city/state owned property for tower deployment. All told, approximately 64 sites will receive towers with each having an 8 to 9 mile signal radius. NMU also plans on partnering with private sector providers to enhance its ability to add cellular phone service. An added feature of the NMU network will be its focus on education. For example, they propose to work with K-12 schools to establish their broadband needs, including effectively implementing 1 to 1 Chromebook computing initiatives; provide educational access for UP residents to take degree programs; work with business, industry and the not-for-profit community to identify and address online employee education and training needs and opportunities; and, package 3-6 personal or professional development courses as part of the monthly charge that can be taken at any time by users of the network.

The broadband network will be funded by user fees, at an initial cost of $20 per month guaranteed for the first three years for students and educational partners. Community members will be charged $35 per month, and access will include a revolving selection of personal and professional development courses. Based on conservative assumptions, the proposal will generate sufficient revenue above expenses to repay the MSF within 12 to 15 years, including the 2% rate of return. The structure of the Award is outlined in Appendix A.

Recommendation
MEDC staff recommends approval of the following:

a) Approval of a $6,500,000 Investment Fund Award request as outlined in Appendix A to Northern Michigan University or an acceptable Related Entity.
APPENDIX A

FINANCING OPPORTUNITY – OTHER ECONOMIC ASSISTANCE
The project is seeking an Other Economic Assistance Award from the MSF. The summary below outlines the development sources and investment for the proposed partnership.

SUMMARY OF DEVELOPMENT SOURCES:

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>Northern Michigan University</td>
<td>$3,220,000</td>
<td>33.33%</td>
</tr>
<tr>
<td>MSF Share</td>
<td>$6,500,000</td>
<td>66.67%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$9,720,000</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

FINANCING FACILITY

MSF Incentive: Other Economic Assistance

Applicant(s): Northern Michigan University

Award Amount: Up to $6,500,000

Fees: One-time fee of 1% of the Award Amount.

Draw Period: Approximately 24 months following the effective date of the agreement.

Repayment Terms: Net revenue split of 35%/65% between the MSF and the Applicant. Annual payments will begin for the first positive cash flow year and continue until the MSF receives the Award amount plus a 2% rate of return.

Funding: Disbursements upon receipt and review of NMU expense reports and supporting documentation for the project. MSF will reimburse NMU for 66% of the qualifying project expenditures up to $6,500,000. Individual advances will be subject to MEDC staff review, approval by the MSF Fund Manager or another approved representative of the MSF, and completion of to be determined Milestones.
Other Requirements: Final agreement will require periodic progress reports, default and repayment provisions, and other State of Michigan and MSF required terms.
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 and activities;

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 125.2088(h)(5)(b), 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 grants, loans or investments made by the MSF under Chapter 8A or Chapter 8C;

WHEREAS, pursuant to MCL 125.2088(h)(3), the Investment Fund shall be invested as authorized under Chapter 8A for the purpose of creating incentives for activities arising out of retaining or creating jobs, or increasing capital investment activity, or increasing commercial lending activity or encouraging the development and commercialization of competitive edge technologies, or revitalizing Michigan communities;

WHEREAS, pursuant to Chapter 8A, specifically, MCL 125.2088(b)(2)(c), Investment Fund monies are authorized to be invested for programs or activities authorized under the MSF Act as long as the programs or activities provide for repayment for breach of the written agreement or the failure to meet measureable outcomes;

WHEREAS, pursuant to the MSF Act, specifically, MCL 125.2007(c), the MSF has, among other things, the power to make Other Economic Assistance awards;

WHEREAS, Northern Michigan University has requested an Other Economic Assistance Award of up to $6.5 million to build out high-speed broadband service across the Upper Peninsula of Michigan, along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC recommends that the MSF approve funding of up to $6.5 million from the Investment Fund to fund the Northern Michigan University UP Rural Broadband “Super Highway” Initiative (“Funding”);
WHEREAS, the MEDC recommends that the MSF approve an Other Economic Assistance Award 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 transaction documents within 150 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 or MSF Financial Officer, the Time Period may be extended for up to an additional 60 days (the foregoing, collectively, the “Recommendation for the MCC Investment”).

WHEREAS, the MEDC recommends that the MSF Board delegate to the MSF Fund Manager or MSF Financial Officer the authority to negotiate the final terms and conditions of, and sign, all documents necessary to effectuate the Other Economic Assistance Award for Northern Michigan University (“Delegation to Finalize the Award”).

NOW THEREFORE, BE IT RESOLVED, the MSF approves the Funding;

BE IT FURTHER RESOLVED, the MSF approves the Recommendation for the Northern Michigan University Award; and

BE IT FURTHER RESOLVED, the MSF approves the Delegation to Finalize the Northern Michigan University Award.

Ayes:

Nays:

Recused:

Lansing, Michigan
March 28, 2017
EXHIBIT A

TERM SHEET

FINANCING FACILITY

MSF Incentive: Other Economic Assistance

Applicant(s): Northern Michigan University, or Acceptable Related Entity

Award Amount: Up to $6,500,000

Fees: One-time fee of 1% of the Award Amount.

Draw Period: Approximately 24 months following the effective date of the agreement.

Repayment Terms: Net revenue split of 35%/65% between the MSF and the Applicant. Annual payments will begin for the first positive cash flow year and continue until the MSF receives the Award amount plus a 2% rate of return.

Funding: Disbursements upon receipt and review of NMU expense reports and supporting documentation for the project. MSF will reimburse NMU for 66% of the qualifying project expenditures up to $6,500,000. Individual advances will be subject to MEDC staff review, approval by the MSF Fund Manager or another approved representative of the MSF, and completion of to be determined Milestones.

Other Requirements: Final agreement will require periodic progress reports, default and repayment provisions, and other State of Michigan and MSF required terms.
MEMORANDUM

Date: March 28, 2017

To: Michigan Strategic Fund Board

From: Brittney Hoszkiw, Community Assistance Team Specialist
Jim Davis, Incentive Structuring and Underwriting Specialist
Mary Kramer, Brownfield and MCRP Program Specialist

Subject: Selden Partners, LLC, New Center Council, Inc. and AG Selden, LLC- or Other Related Entity Request for Approval Michigan Community Revitalization Program Other Economic Assistance Loan Participation

Request
The project will redevelop a .23 acre parcel of property located at 644 Selden in the City of Detroit, commonly known as the Casket Company building. The Casket Company building will be rehabilitated and a two-floor addition of residential space will be added over a portion of the building, creating a mixed-use development with a destination restaurant, creative innovation work space and approximately eight residential units. The proposed project will be undertaken by Selden Partners, LLC, New Center Council, Inc. and AG Selden, LLC. The project is located in a traditional commercial center and qualifies for a Michigan Community Revitalization Program (MCRP) Award because it is functionally obsolete.

Selden Partners, LLC, New Center Council, Inc. and AG Selden, LLC (Applicants) are requesting approval of a MCRP Award in the amount of $1,000,000 in the form of an Other Economic Assistance Performance-Based Loan Participation with Capital Impact Partners (Lender). It is anticipated that the project will not be able to meet the MCRP Incentive parameters of a debt service coverage ratio of 1.20 to 1.00 in the first couple years of operation. Staff is requesting a deviation from this requirement as the project will be at just under 1.20 to 1.00 in the first couple of years at 1.17 to 1.00. Staff is comfortable with this request because it is anticipated the project will be able to meet the 1.20 to 1.00 by year 2 to 3 of operations.

The project has been able to secure just over $4.5 million in traditional debt financing from Capitol Impact Partners (approximately 63% loan to cost) and it is anticipated the developer will raise approximately $1.5 million in equity investment. Even with the strong debt and equity leverage, a financial gap to complete the project remains. The MCRP Loan Participation Award will allow the project to be completed and help ensure a reasonable return to the investors (less than 10%). The MCRP detailed structure is provided in Appendix A.

The Applicants anticipate that the project will result in total capital investment in the amount of $7,236,720, along with the creation of approximately 65 permanent full-time equivalent jobs with an average hourly wage of $17.68.
**Background**
The Casket Company building will be rehabilitated and a new addition will be added to create a mixed use development of restaurant, creative company accelerator space and residential units. The building currently contains environmental hazards that must be remediated prior to occupancy. There are no functioning mechanical systems, elevators or plumbing. The roof has been neglected for years resulting in significant water damage to the building. Upon completion, the building will increase in size from approximately 18,000 to 31,000 square feet with the addition of the residential space. The ground floor will feature a meat centric Up North themed restaurant operated by Jon Carlson, the owner/operator of Jolly Pumpkin. The restaurant will include an outdoor patio which will integrate into the Selden Courtyard. Midtown Detroit Inc. will master-lease and program the second floor with small innovation companies and entrepreneurs seeking a collaborative environment with shared amenities and affordable rents. The third floor will feature two-story loft style residential units with balconies for each unit.

The Applicants have not received any Michigan Strategic Fund (MSF) incentives in the past. The project is being sponsored by Midtown Detroit Inc., which has previously received MSF incentives. Past incentivized projects include Woodward Willis LLC and Strathmore Apartments LDFA, LLC. Construction of both projects has been completed and they are in full compliance with the MSF agreements.

**Appendix B** addresses the programmatic requirements and **Appendix C** includes a project map and renderings.

**Recommendation**
MEDC staff recommends approval of the following:

A) A MCRP other economic assistance performance-based loan participation in the amount of $1,000,000 for Selden Partners, LLC, New Center Council, Inc. and AG Selden, LLC.

B) Due to the Debt Service Coverage Ratio (DSCR) projection of 1.17 on the Stabilized Operating Statement, staff is recommending approval of a deviation from the MCRP Incentive Parameters, which requires a minimum DSCR of 1.20 to 1.00.
APPENDIX A – TERM SHEET

FINANCING OPPORTUNITY – MCRP OTHER ECONOMIC ASSISTANCE LOAN PARTICIPATION

The project is seeking Michigan Strategic Fund (MSF) participation in coordination with Capital Impact Partners (“Lender”) as the lead lender. The Lender, along with the Borrower, has requested the MSF participate in up to a $1,000,000 subordinated 2nd position loan facility for construction and lease up. It is anticipated that the MSF would be subordinated on a limited basis in terms of payments on its share of the financing, but fully subordinated to Lender’s collateral and guarantee(s) interests in an event of liquidation. It is anticipated that disbursements to the project on the financing 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:

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<thead>
<tr>
<th>Source</th>
<th>Amount</th>
<th>Percentage</th>
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<tr>
<td>Bank Share</td>
<td>$4,545,652</td>
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<tr>
<td>MSF Share</td>
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<td>13.82%</td>
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<tr>
<td>Deferred Dev. Fees</td>
<td>$100,000</td>
<td>1.38%</td>
</tr>
<tr>
<td>Developer Equity</td>
<td>$1,591,068</td>
<td>21.99%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$7,236,720</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

LOAN FACILITY

MSF Facility: MCRP Loan Participation and Servicing Agreement Under “Other Economic Assistance”

Borrower: Selden Partners, LLC, New Center Council, Inc. and AG Selden, LLC or a Related Entity

Lender: Capital Impact Partners or Related Entity

Total Amount of Loans: $5,545,652

Lender Share: $4,545,652

MSF Share: Up to the lesser of $1,000,000 or 20% of “Eligible Investment”

Term: To match that of Lender, anticipated to be 15 years.

Amortization: To match that of Lender, anticipated to be a 30 year amortization

Interest Rate: Anticipated to 2% per annum.

Repayment Terms: Anticipated to be monthly interest only payments for 15 months, followed by equal monthly payments of principal and interest.
Collateral: Anticipated to be a 2nd priority lien on property located at 644 Selden, Detroit, MI 48201 (the property), and 2nd priority lien on all the business assets, and a security interest in reserves of the project. MSF collateral will be subordinated to that of the Lender.

Guarantee: Anticipated to match that of Lender. The MSF Share of guarantee(s) will be subordinated to the Lender.

Fee: The MSF shall be paid a one-time fee equal to one percent of the MSF’s share of the MCRP Award. The lender may charge the borrower for this fee.

Funding: The MSF will fund up to $1,000,000 to be disbursed following closing of the loan and completion of other performance criteria.

Other Conditions:
- Loan to be subordinated to the senior lender from a lienholder and payment standpoint.
- Submittal of final Guaranteed Maximum Price (GMP) Construction Contract
APPENDIX B – Programmatic Requirements & Screening Guidelines

MCRP Program and its Guidelines
On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program (MCRP) and on September 22, 2015, the MSF Board approved its restated program guidelines. The primary intended objective of the MCRP is to provide incentives to persons that make eligible investments on eligible property in Michigan. The total eligible investment for this project is estimated to be $5,495,159.

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 MCRP, the following statutory criteria is being considered by the MSF:

A. The importance of the project to the community in which it is located:
   This project is going to provide much needed residential units and creative, low cost spaces to support the innovation companies in Detroit. This project is the first leg of a larger Detroit initiative: Detroit Innovation District (DiD). The DiD is the result of the convening of an advisory committee led by New Economy Initiative (NEI), and included the City of Detroit, Midtown Detroit Inc. (MDI), Invest Detroit and other key stakeholders to address a growing need for creative, low cost spaces to support the innovation and entrepreneurial community in Detroit. The DiD strategy is intended to result in the creation and attraction of entrepreneurial start-ups and new divisions of established companies within emerging sectors; increase and retain talent; develop skills and job opportunities for youth and adult residents; and leverage district innovation and entrepreneurial assets for social good and scalable product creation.

B. If the project will act as a catalyst for additional revitalization of the community in which it is located:
   The project is a critical component of the Selden Innovation Corridor, led by Midtown Detroit Inc. The project is the key to making the corridor a place where innovation works, plays and lives. It is directly tied to several other projects Midtown Detroit Inc. is investing in along Selden Street and neighboring blocks. The project will be delivered together with four other catalytic investments including the Selden Innovation Courtyard, redevelopment of the Welding Building, acquisition and investment in the Selden Innovation Center one block down from the project, and the Eco Home project which is a two phase project with 20 single family sustainable homes.

C. The amount of local community and financial support for the project:
   The City of Detroit is supporting this project with an Obsolete Property Rehabilitation Act (OPRA) tax exemption. The OPRA will abate local taxes for a 12 year period and 50 percent of state school taxes for the first 6 years. The value of OPRA is estimated to be $1,199,485.
D. **The applicant's financial need for a community revitalization incentive:**
   The project has been able to secure just over $4.5 million in traditional debt financing from Capitol Impact Partners (approximately 63% loan to cost) and it is anticipated the developer will raise approximately $1.5 million in equity investment. Even with the strong debt and equity leverage, a financial gap to complete the project remains. The MCRP Loan Participation Award will allow the project to be completed and help ensure a reasonable return to the investors (less than 10%).

E. **The extent of reuse of vacant buildings, reuse of historical buildings, and redevelopment of blighted property:**
   The Casket Company Building has been vacant for many years and will be activated as a result of this project. The building and adjoining parking lot are somewhat of an eyesore in their current state, but will be an inviting and attractive asset to the community once complete. While the building does have attractive “historic” characteristics, it is not a historic resource (not a contributing building in a designated historic district or on a historic register).

F. **Creation of jobs:**
   The project is expected to create 65 full-time equivalent jobs with an average hourly wage of $17.68.

G. **The level of private sector and other contributions, including, but not limited to, federal funds and federal tax credits:**
   Capital Impact Partners is providing $4.5 million, or 63% loan-to-cost, in traditional debt financing. The development team is providing $1.5 million in cash equity, which is approximately 22% of the total project cost.

H. **Whether the project is financially and economically sound:**
   It is anticipated that upon reaching stabilization the project will be able to maintain a Debt Service Coverage Ratio (DSCR) greater than 1.17 to 1.00 throughout a 20 year horizon. Additionally, the project is strongly supported by the local community and will carry the financial support of the lenders, investors and MSF.

   A review by staff of the proposed residential and commercial rental structure finds it be in line with the market. Also, occupancy rates in the area continue to be high especially for newly created and renovated space.

I. **Whether the project increases the density of the area:**
   This project will activate 18,000 square feet of space that has been vacant for many years and it will increase the density of the neighborhood by adding an additional 13,000 square feet for multi-story residential units and other uses.

J. **Whether the project promotes mixed-use development and walkable communities:**
   Once completed, the project will host a meat-themed Up North-style destination restaurant, creative company accelerator space on the second floor and eight residential units. The project will increase the walkability by activating vacant space, filling in the development efforts on the block and by providing outdoor public space in the courtyard.
K. Whether the project converts abandoned public buildings to private use:
The project is not converting an abandoned public building to private use.

L. Whether the project promotes sustainable development:
The project will feature high efficient HVAC units, outdoor living space for each of the residential units and outdoor green space for the entrepreneurial tenants. Double paned windows and thermal insulation will be installed to maintain a solid barrier. Low flow toilets and efficient water heaters will be installed to save on consumption and energy usage.

M. Whether the project involves the rehabilitation of a historic resource:
This project does not involve the rehabilitation of a historic resource.

N. Whether the project addresses area-wide redevelopment:
The project is located in Midtown, Detroit, an area of Detroit that is benefiting from targeted investment around neighborhood anchors and cultural destinations.

O. Whether the project addresses underserved markets of commerce:
This development is going to provide the first creative, low-cost space for innovation entrepreneurs through the Detroit Innovation District (DiD) initiative.

P. The level and extent of environmental contamination:
Lead and asbestos will be properly abated during the development.

Q. If the rehabilitation of the historic resource will meet the federal Secretary of the Interior's standards for rehabilitation and guidelines for rehabilitating historic buildings (36 CFR 67):
This project does not involve the rehabilitation of a historic resource.

R. Whether the project will compete with or affect existing Michigan businesses within the same industry:
This project will provide affordable space for Detroit entrepreneurs. It will not compete with or affect existing Michigan businesses.

S. Any other additional criteria approved by the board that are specific to each individual project and are consistent with the findings and intent of this chapter:
In addition to the redevelopment project that is the subject of this request, just west of the Casket Company Building is a vacant lot (656 Selden) which Midtown Detroit, Inc. is redeveloping into a public courtyard. The courtyard will serve as the anchor outside area for use to collaborate. The Selden Courtyard will provide 32 seating areas and will be on a rail system which can be reconfigured in various seating arrangements to accommodate small group meetings, social space and open air workspace. The space will include a stage area with full audio and projection screen which can be used for presentations, group meetings and community events. The Courtyard investment is approximately $1 million and expects to be completed by early summer 2017.
APPENDIX C – Project Map and Renderings
WHEREAS, the Michigan legislature amended the Michigan Strategic Fund Act, MCL 125.2011 et. seq., to add Chapter 8C (being MCL 125.2090a – MCL 125.2090d) to enable the Michigan Strategic Fund (“MSF”) to create and operate the Michigan Community Revitalization Program (“MCRP”) to provide incentives in the form of grants, loans and other economic assistance for redevelopment of communities in Michigan;

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

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

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

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

WHEREAS, Capital Impact Partners (“Lender”) will be providing financing to Selden Partners, LLC, New Center Council, Inc., AG Selden, LLC and/or related entities (“Proposed Borrower”) of approximately $5,545,652 toward the construction activities to real property (“Project”);

WHEREAS, the Lender and the Proposed Borrower have requested an Other Economic Assistance Performance Based Loan Participation award from the MSF under the MCRP for the Project in an amount not to exceed $1,000,000 (“Award Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

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

WHEREAS, the MEDC has recommended that the MSF approve the Company’s Award Request in accordance with the Term Sheet, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents within 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”); and

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

Nays:

Recused:

Lansing, Michigan
March 28, 2017
EXHIBIT A
“Term Sheet”

LOAN FACILITY

MSF Facility: MCRP Loan Participation and Servicing Agreement Under “Other Economic Assistance”

Borrower: Selden Partners, LLC, New Center Council, Inc. and AG Selden, LLC or a Related Entity

Lender: Capital Impact Partners or Related Entity

Total Amount of Loans: $5,545,652

Lender Share: $4,545,652

MSF Share: Up to the lesser of $1,000,000 or 20% of “Eligible Investment”

Term: To match that of Lender, anticipated to be 15 years.

Amortization: To match that of Lender, anticipated to be a 30 year amortization

Interest Rate: Anticipated to 2% per annum.

Repayment Terms: Anticipated to be monthly interest only payments for 15 months, followed by equal monthly payments of principal and interest.

Collateral: Anticipated to be a 2nd priority lien on property located at 644 Selden, Detroit, MI 48201 (the property), and 2nd priority lien on all the business assets, and a security interest in reserves of the project. MSF collateral will be subordinated to that of the Lender.

Guarantee: Anticipated to match that of Lender. The MSF Share of guarantee(s) will be subordinated to the Lender.

Fee: The MSF shall be paid a one-time fee equal to one percent of the MSF’s share of the MCRP Award. The lender may charge the borrower for this fee.

Funding: The MSF will fund up to $1,000,000 to be disbursed following closing of the loan and completion of other performance criteria.

Other Conditions:
- Loan to be subordinated to the senior lender from a lienholder and payment standpoint.
- Submittal of final Guaranteed Maximum Price (GMP) Construction Contract
MEMORANDUM

Date: March 28, 2017

To: Michigan Strategic Fund Board

From: Brittney Hoszkiw, Community Assistance Team Specialist
       Julius Edwards, Manager, Incentive Structuring and Underwriting
       Mary Kramer, Senior Brownfield and MCRP Program Specialist

Subject: City of Detroit Brownfield Redevelopment Authority
         Request for Approval of an Act 381 Work Plan

City Modern 440 Alfred Street LLC and Brush Park Development Company
Phase I LLC - Request for Approval Michigan Community Revitalization
Program Performance-Based Loan

Request

The proposed City Modern project includes the infill development of an approximately 8.4 acre site located within the Brush Park Historic District between John R Street, Edmund Place, Brush Street, and along both sides of Alfred Street in the City of Detroit. The Act 381 Work Plan includes the entire 8.4 acre site. The proposed MCRP Award would be utilized to fund one phase of the overall project which is the redevelopment of the “440 Alfred Street” site. The 440 Alfred Street site is comprised of seven parcels that total nearly one acre, located on the southeast corner of the overall City Modern project site. The overall project will include the restoration of three existing historic residential structures and the construction of approximately 24 new buildings. The proposed project will be undertaken by City Modern 440 Alfred Street LLC and Brush Park Development Company Phase I LLC, whose parent company is Bedrock Real Estate Services. The project qualifies for a Michigan Community Revitalization Program (MCRP) award and Act 381 Work Plan because it is a facility and blighted.

In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the City of Detroit Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of $15,796,867.

City Modern 440 Alfred Street LLC and Brush Park Development Company Phase I LLC (Applicants) are requesting approval of a MCRP incentive in the amount of $7.5 million in the form of a Performance-Based Loan. As part of the MCRP request, staff is requesting two deviations from the MCRP Incentive Parameters. Staff is requesting to waive the requirements that the project meet a 1.20 to 1.00 debt service coverage and inclusion of federally-insured senior lender on the project. It is projected that the project may not be able to meet the 1.20 to 1.00 service coverage ratio requirement in the first couple years of operation, but is expected to meet this requirement by at least the third year of operations. The project is...
not utilizing a senior lender for construction of the project and is utilizing an affiliate for construction financing. To mitigate the risk associated with not having a senior lender in place to handle normal construction due diligence, MEDC staff is recommending to disburse the MCRP Award following construction completion. It is anticipated that the project will pursue traditional senior financing upon the project reaching stabilization.

The development team is providing approximately 82.6% or $35.6 million of the total development cost to finance construction of the 440 Alfred Street project. It is anticipated upon the project reaching stabilization the project will be able to support approximately $19 million in traditional senior debt. The remaining financing gap will be filled by a $7.5 million MCRP Performance Based Loan Award. The MCRP Award will allow the development team to achieve an acceptable level of return and assist in jumpstarting what is anticipated to be over a $100 million real estate investment in the Brush Park area of Detroit.

The City Modern development is a particular economic challenge due to its large sub-grade parking components and costs related to Brownfield conditions. The eligible activities will alleviate Brownfield conditions across the site and make it suitable for redevelopment, and protect human health and the environment. Without Brownfield tax increment reimbursement, the cost burden related to Brownfield conditions would make the project financially unfeasible. MCRP detailed structure is provided in Appendix A.

The Applicants anticipate that the overall City Modern project will result in total capital investment of over $100 million and the creation of approximately 83 permanent full-time equivalent jobs with an average hourly wage of $16.83. Of that total, the MCRP portion of the project will result in total capital investment of $43,067,728, along with the creation of approximately 26 permanent full-time equivalent jobs with an average hourly wage of $16.83.

**Background**
The overall City Modern project will infill an 8.4 acre site that is mostly vacant, while also renovating the four existing historic homes that currently sit on the site. It will include construction of 24 buildings resulting in over 420,000 gross square feet of new or rehabilitated housing consisting of 408 units, both for sale and for rent. Residential building typologies ranging from two to six stories and include approximately 25,000 square feet of ground floor retail. There will be public green space throughout the project area. The project is located in a primarily residential part of the neighborhood, although it is just one block from Woodward Avenue, the commercial center.

The 440 Alfred Street site is the subject of the MCRP application and is a portion of the overall project that consists of an apartment building that will sit on the southeast corner of the overall City Modern site. The building will contain approximately 69 residential units above approximately 7,874 square feet of retail space and two levels of sub-grade parking consisting of approximately 136 parking spaces in total. The sub-grade parking will support much of the overall City Modern project's residential and transient parking needs.
Lead and asbestos abatement will be necessary prior to demolition activities in order to protect human health. Demolition activities will be necessary to locate, empty, excavate, and dispose of underground storage tanks. Site preparation activities include geotechnical evaluation and engineering, staking, temporary construction roads and traffic controls, clearing and grubbing, grading, and more. Infrastructure improvements including right of way improvements, underground parking, and storm water management are necessary to support the new development.

City Modern 440 Alfred Street LLC and Brush Park Development Company Phase I LLC are owned by Brush Park Development Company, whose parent company is Bedrock Real Estate Services. Bedrock Real Estate Services LLC is a full service, Detroit-based real estate firm with over 300 team members specializing in leasing, financing, developing and managing commercial and residential space. Since its founding in 2011, Bedrock and its affiliates have invested more than $2.2 billion in acquiring, renovating and developing 90 properties in downtown Detroit totaling more than 14 million square feet. Bedrock’s investment in the Capitol Park neighborhood in particular serves as a tangible example of Bedrock’s experience tackling challenging, mixed-use redevelopment projects with a focus on multi-family residential. Bedrock has invested in several key properties in the district including 1215 Griswold. Bedrock and its’ affiliates have utilized Brownfield Tax Credits, Brownfield Tax Increment Financing and MCRP for various projects in the past including 1215 Griswold LLC and The Madison. Appendix B addresses the programmatic requirements and Appendix C includes a project map and renderings.

**Recommendation**

MEDC staff recommends approval of the following:

A) Local and school tax capture for the Act 381 eligible activities totaling $15,796,867. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $6,091,902.

B) Approval of funds to be transferred for the specific purpose of this project through MCL 125.2088b(2) to the MCRP Program for the purpose of the program authorized under MCL 125.2088b(2) as long as the program provides for repayment for breach of the written agreement or the failure to meet measurable outcomes.

C) A MCRP performance-based loan in the amount of $7.5 million for City Modern 440 Alfred Street LLC and Brush Park Development Company Phase I LLC.

D) Approval to waive the MCRP Incentive Parameters debt service coverage and senior lender requirements.
APPENDIX A

FINANCING OPPORTUNITY – MCRP PERFORMANCE-BASED DIRECT LOAN
The development team is seeking a MCRP Loan in an amount of up to $7,500,000. The MSF would be in a senior secured position until a traditional lender has been secured. At that time it is anticipated the MSF security would be subordinated to that of the senior lender and payments would be subordinated on a limited basis. It is anticipated that upon achieving stabilization the project will be able to secure approximately $19 million in senior financing. Below outlines a summary of the development sources and investment for the proposed project.

SUMMARY OF DEVELOPMENT SOURCES:

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Debt (anticipated)</td>
<td>$18,861,357</td>
<td>43.79%</td>
</tr>
<tr>
<td>MCRP Direct Loan</td>
<td>$7,500,000</td>
<td>17.41%</td>
</tr>
<tr>
<td>Developer Equity</td>
<td>$16,706,371</td>
<td>38.80%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$43,067,728</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

LOAN FACILITY
MSF Facility: MCRP Performance-Based Loan

Borrower: City Modern 440 Alfred Street LLC and Brush Park Development Company Phase I LLC or a Related Entity

Loan Amount: Up to the lesser of $7,500,000 or 20% of “Eligible Investment”

Term: Anticipated to be 120 months

Amortization: Anticipated to be 300 months

Interest Rate: Anticipated to be 2% per annum

Repayment Terms: Anticipated to be 12 monthly interest only payments, followed by 108 equal principal and interest payments with the remaining principal balance due at maturity.

Collateral: Anticipated to be lien interest in the property and the corresponding TIF reimbursements. The MSF’s lien interest can be subordinated to a third-party senior lender.
Guarantee: Guarantees acceptable to the MSF Fund Manager limited to statutory defaults under the MCRP Agreement

MSF Fees: A one-time fee equal to one percent of the MSF Loan Award.

Funding: The MSF will fund up to $7,500,000 to be disbursed following completion of construction of the 440 Alfred Street project and other performance criteria.

Other Conditions: Milestones or closing conditions anticipated to include:
- Receipt of a Guaranteed Maximum Price contract
- Final Development Budget
- Receipt of State approval of the tax abatement
APPENDIX B – Programmatic Requirements & Screening Guidelines

Property Eligibility – Act 381 Work Plan and MCRP
The project is located within the boundaries of the City of Detroit, which is a Qualified Local Governmental Unit, and has 29 parcels that have been deemed blighted because they are tax reverted properties. There are 10 properties that have been determined to be a facility as determined by the Michigan Department of Environmental Quality on January 27, 2017 and the remaining 8 parcels are adjacent and contiguous to qualifying parcels. The seven parcels that are part of the 440 Alfred Street/MCRP portion qualify as a facility.

The property is the subject of a Brownfield Plan, duly approved by the City of Detroit on May 31, 2016.

In addition, the project is requesting from the DEQ $987,564 in TIF to assist with environmental eligible activities.

MCRP Program and its Guidelines
On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program (MCRP) and on September 22, 2015, the MSF Board approved its restated program guidelines. The primary intended objective of the MCRP is to provide incentives to persons that make eligible investments on eligible property in Michigan. The total eligible investment for this project is estimated to be $39,617,199.

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 MCRP, the following statutory criteria is being considered by the MSF:

A. The importance of the project to the community in which it is located:
The redevelopment of the City Modern development site is critically important to the City of Detroit. The site has long been vacant and is located a block off of the light rail public transit route (QLINE). The project provides mixed income housing in an area of the City that includes major employers such as John D. Dingell VA Medical Center, Wayne State University School of Medicine, and Children’s Hospital of Michigan.

B. If the project will act as a catalyst for additional revitalization of the community in which it is located:
This project will support and tie into the City of Detroit’s plan to revitalize the Brush Park Historic District, which was once a premier urban neighborhood. Brush Park is strategically located between Detroit’s Central Business District and Midtown, two of Detroit’s fastest
developing areas and its’ largest employment centers. The redevelopment of Brush Park will provide a high quality, sustainable residential area for employees in these major business districts who desire to live within walking distance of where they work, play, and shop. The development will bring new companies and visitors into this downtown area, which will help make this area of the city an attractive and viable neighborhood.

C. The amount of local community and financial support for the project:
A Public Act 210 Commercial Rehabilitation Act tax exemption has been approved for the 440 Alfred Street portion of the project with an estimated value of approximately $1.8 million over a 10 year period. The project as a whole plans to receive approximately $16.8 million in Brownfield TIF reimbursements, of which approximately $9.7 million is expected to be the local portion. The project as whole also includes a Neighborhood Enterprise Zone on approximately 100 units.

D. The applicant's financial need for a community revitalization incentive:
The development team is providing approximately 82.6% or $35.6 million of the total development cost to finance construction of the 440 Alfred Street project. It is anticipated upon the project reaching stabilization the project will be able to support approximately $19 million in traditional senior debt. The remaining financing gap will be filled by a $7.5 million MCRP Direct Loan Award. The MCRP Award will allow the development team to achieve an acceptable level of return (less than 5%) and assist in jumpstarting what is anticipated to be over a $100 million real estate investment in the Brush Park area of Detroit with the overall City Modern project.

E. The extent of reuse of vacant buildings, reuse of historical buildings, and redevelopment of blighted property:
The MCRP project does not include the reuse of vacant or historical buildings and is not redeveloping blighted property.

F. Creation of jobs:
It is estimated that 26 full-time equivalent jobs will be created with an average hourly wage estimated to be $16.83.

G. The level of private sector and other contributions, including, but not limited to, federal funds and federal tax credits:
The development team is contributing approximately $35.6 million in private financing to the project in the form of debt and equity.

H. Whether the project is financially and economically sound:
Upon reaching stabilized occupancy it is anticipated the project will be able to support up to $19 million in traditional debt and the $7.5 million in MCRP debt. Additionally, the project will be supported by the Bedrock Development group of companies and is part of a larger redevelopment effort taking place in the area.
Staff review of the proposed rental structure has determined that the rents are in line with other comparable developments. Additionally, this area of the City is anticipated to see a significant amount of future development and an increase in rental rates.

I. **Whether the project increases the density of the area:**
The project is located in a primarily residential part of the neighborhood, although it is just one block from Woodward Avenue, the commercial center. The intent is to provide neighborhood scale retail for residents of the new 408 housing units, while ensuring that larger scale retail is pointed toward Woodward Avenue in proximity to transit.

J. **Whether the project promotes mixed-use development and walkable communities:**
The City Modern development at Brush Park includes a variety of strategies to promote walkability such as neighborhood-scale retail, public mews, and increased residential density of over 40 units per acre from the current average of 7.

K. **Whether the project converts abandoned public buildings to private use:**
The project does not convert abandoned public buildings to private use.

L. **Whether the project promotes sustainable development:**
The project incorporates several sustainable elements such as investing in alley treatments to manage water runoff, green roofs, pedestrian mews to include rain gardens, bioswales, and flow-through planters, and access to shared transportation systems such as bike share and car share to reduce dependency on the automobile.

M. **Whether the project involves the rehabilitation of a historic resource:**
The MCRP project does not involve the rehabilitation of a historic resource.

N. **Whether the project addresses area-wide redevelopment:**
The project will increase residential density and add more affordable housing units to the city. The project increases walkability of lower Midtown to the entertainment district and is expected to spur additional development.

O. **Whether the project addresses underserved markets of commerce:**
This project will address the lack of supply and ongoing demand for housing among the city’s largest employment centers.

P. **The level and extent of environmental contamination:**
The size and historical uses of the property present unique redevelopment challenges. The costs related to eligible environmental and non-environmental tasks such as conducting a due care evaluation, removal of USTs, and excavation and disposal of approximately 92,000 tons of contaminated fill soil and approximately 52,000 tons of unstable fill soil are approximately $19 million for the City Modern development as a whole, an extraordinary cost specifically relates to the site being a Brownfield. About 11% of the environmental costs and $7.8 million of the parking infrastructure costs can be allocated to the 440 Alfred Street portion of the project.
Q. If the rehabilitation of the historic resource will meet the federal Secretary of the Interior's standards for rehabilitation and guidelines for rehabilitating historic buildings (36 CFR 67):
The MCRP project does not include the rehabilitation of a historic resource.

R. Whether the project will compete with or affect existing Michigan businesses within the same industry:
The project will not compete with or affect existing Michigan businesses within the same industry.

S. Any other additional criteria approved by the board that are specific to each individual project and are consistent with the findings and intent of this chapter:
No additional criteria needs to be considered.

Brownfield Act 381 Program Additional Project Information:

A. Reuse of functionally obsolete buildings and/or redevelopment of blighted property:
The project does not include any functionally obsolete buildings. Of the total 47 parcels that are included in the Act 381 Work Plan, 29 parcels are considered blighted as they are tax reverted properties.

B. Cost gap that exists between the property and a similar greenfield property:
The Brownfield Tax Increment Financing is needed to offset the significant costs related to site preparation and construction of integrated parking structures on two mixed-use buildings.

C. Whether project will create a new brownfield property in the State:
No new Brownfields will be created by this project.

Tax Capture Breakdown
There are 63.62 non-homestead mills available for capture, with school millage equaling 24 mills (37.72%) and local millage equaling 39.62 mills (62.28%). Tax increment capture will begin in 2017 and is estimated to continue for 21 years. Due to an Act 210 Commercial Rehabilitation Act tax exemption and Neighborhood Enterprise Zones on portions of the property, the blended ratio for the requested tax capture for the MSF eligible activities breaks down as follows:

<table>
<thead>
<tr>
<th>Tax Category</th>
<th>Blended Ratio</th>
<th>Total Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>School tax capture</td>
<td>(38.56%)</td>
<td>$6,091,902</td>
</tr>
<tr>
<td>Local tax capture</td>
<td>(61.44%)</td>
<td>$9,704,965</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>$15,796,867</strong></td>
</tr>
</tbody>
</table>
### Cost of MSF Eligible Activities

<table>
<thead>
<tr>
<th>Activity</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demolition</td>
<td>$60,000</td>
</tr>
<tr>
<td>Lead or Asbestos Abatement</td>
<td>$45,000</td>
</tr>
<tr>
<td>Infrastructure Improvements</td>
<td>$11,633,773</td>
</tr>
<tr>
<td>Site Preparation</td>
<td>+ $1,984,590</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>$13,723,363</td>
</tr>
<tr>
<td>Contingency (15%)</td>
<td>+ $2,058,504</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>$15,781,867</td>
</tr>
<tr>
<td>Brownfield/Work Plan Preparation</td>
<td>+ $15,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$15,796,867</td>
</tr>
</tbody>
</table>
APPENDIX C – Project Map and Renderings
BEFORE PHOTOS
RENDERINGS – ACT 381 WORK PLAN PROJECT AREA
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 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, on December 21, 2011, by Resolution 2011-185, the MSF (i) created the MCRP, (ii) adopted the guidelines for the MCRP, as later amended (“Guidelines”);

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

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

WHEREAS, the 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 and activities, and the MCRP;

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)(c), the MSF Board shall direct the investment and reinvestment of the Investment Fund as authorized under Chapter 8A for incentives, including, but not limited to, for the purposes of creating incentives in this state for Revitalizing Michigan Communities;

WHEREAS, pursuant to MCL 125.2088b(2)(c), the Investment Fund may allocate money for authorized programs to make expenditures or investments from the Investment Fund for programs or activities authorized pursuant to the 21st Century Jobs Trust Fund legislation as long as those programs or activities provide for repayment for breach of the written agreement or the failure to meet measurable outcomes;
WHEREAS, pursuant to the MSF Act, specifically, MCL 125.2007(c), the MSF has, among other things, the power to make loans and investments;

WHEREAS, City Modern 440 Alfred Street LLC and Brush Park Development Company Phase I LLC or such entities formed or to be formed in the furtherance of the 440 Alfred Street Project (“Applicant” or “Co-Applicants”) have requested a Performance-Based Loan Award from the MSF under the MCRP for the project in an amount not to exceed up to $7,500,000 (“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 recommends that the MSF approve the MCRP Award Request through the Investment Fund 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 transaction documents within 240 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 120 days (the foregoing, collectively, the “MCRP Award Recommendation”).

WHEREAS, the MEDC recommends that the MSF approve funding of up to $7,500,000 from the Investment Fund to fund the MCRP Award Recommendation (the “Funding”);

WHEREAS, the MEDC recommends the MSF waive the MCRP Incentive Parameters debt service coverage and senior lender requirements;

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

BE IT FURTHER RESOLVED, the MSF approves the Funding.

Ayes:

Nays:

Recused:

Lansing, Michigan
March 28, 2017
**EXHIBIT A**

“Term Sheet”

<table>
<thead>
<tr>
<th><strong>Loan Facility</strong></th>
<th>MCRP Performance-Based Loan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Borrower:</strong></td>
<td>City Modern 440 Alfred Street LLC and Brush Park Development Company Phase I LLC or a Related Entity</td>
</tr>
<tr>
<td><strong>Loan Amount:</strong></td>
<td>Up to the lesser of $7,500,000 or 20% of “Eligible Investment”</td>
</tr>
<tr>
<td><strong>Term:</strong></td>
<td>Anticipated to be 120 months</td>
</tr>
<tr>
<td><strong>Amortization:</strong></td>
<td>Anticipated to be 300 months</td>
</tr>
<tr>
<td><strong>Interest Rate:</strong></td>
<td>Anticipated to be 2% per annum</td>
</tr>
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<td><strong>Repayment Terms:</strong></td>
<td>Anticipated to 12 monthly interest only payments, followed by 108 equal principal and interest payments with the remaining principal balance due at maturity.</td>
</tr>
<tr>
<td><strong>Collateral:</strong></td>
<td>Anticipated to be lien interest in the property and the corresponding TIF reimbursements. The MSF’s lien interest can be subordinated to a third-party senior lender.</td>
</tr>
<tr>
<td><strong>Guarantee:</strong></td>
<td>Guarantees acceptable to the MSF Fund Manager limited to statutory defaults under the MCRP Agreement</td>
</tr>
<tr>
<td><strong>MSF Fees:</strong></td>
<td>A one-time fee equal to one percent of the MSF Loan Award.</td>
</tr>
<tr>
<td><strong>Funding:</strong></td>
<td>The MSF will fund up to $7,500,000 to be disbursed following completion of construction of the 440 Alfred Street project and other performance criteria.</td>
</tr>
<tr>
<td><strong>Other Conditions:</strong></td>
<td>Milestones or closing conditions anticipated to include:</td>
</tr>
<tr>
<td></td>
<td>• Receipt of a Guaranteed Maximum Price contract</td>
</tr>
<tr>
<td></td>
<td>• Final Development Budget</td>
</tr>
<tr>
<td></td>
<td>• Receipt of State approval of the tax abatement</td>
</tr>
</tbody>
</table>
WHEREAS, the Michigan Economic Growth Authority ("MEGA") has been established by 1995 PA 24, as amended (the "Act");

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

WHEREAS, Executive Order 2012-9 transferred all the authority, powers, duties, functions, responsibilities, records, personnel, property, unexpended balances of appropriations, allocations or other funds of the MEGA to the 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 on 47 parcels within the Brush Park Historic District within the City of Detroit, known as Brush Park Parcels A+B Redevelopment Project aka City Modern 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 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, the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as 38.56% to 61.44% 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 March 22, 2017. 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 $15,781,867 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 $6,091,902.

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 five (5) 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:

Lansing, Michigan
March 28, 2017
MEMORANDUM

Date: March 28, 2017

To: Michigan Strategic Fund Board

From: Ryan Kilpatrick, Senior Community Assistance Team Specialist
      Mary Kramer, Brownfield and MCRP Program Specialist

Subject: City of Grand Rapids Brownfield Redevelopment Authority
Request for Approval of an Act 381 Work Plan

Request
Lofts on Wealthy, LLC is proposing to rehabilitate and repurpose the existing vacant approximately
70,000 square foot, five and six story building located at 733 and 751 Wealthy Street SE (former home to
Kregel Publications) into a mixed-use development that will provide increased density at the site and
provide new residential and retail options for residents and patrons.

The proposed project will be undertaken by Lofts on Wealthy, LLC and will redevelop 1.03 acres of
property in the City of Grand Rapids’ Wealthy Street Corridor. The project is located in a traditional
commercial corridor and qualifies for an Act 381 Work Plan because it is a facility.

In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the
City of Grand Rapids Brownfield Redevelopment Authority is seeking approval of local and school tax
capture for MSF eligible activities in the amount of $970,250.

The expenses required to prepare the century old building for a new life as a mixed-used center of activity
are overly burdensome for the market to bear. The roughly $1 million in eligible Brownfield expenses
could not be financed by a private lender without the requested tax increment reimbursement. This would
increase the developer’s equity requirements and push private returns below a reasonable market rate.
The eligible activities will alleviate Brownfield conditions across the site, make it suitable for
redevelopment, and protect human health and the environment. Without Brownfield tax increment
reimbursement, the cost burden related to Brownfield conditions would make the project financially
unfeasible.

Lofts on Wealthy, LLC anticipates that the project will result in total capital investment in the amount of
approximately $14 million, along with the creation of approximately 12 permanent full-time equivalent
jobs with an average hourly wage of $12.

Background
The project will include first floor retail use that is planned to contain up to five retail units containing a
total of approximately 15,000 square feet and approximately 1,400 square feet of community space. The
remaining floors (floors 2 through 6) will include a mixture of micro/studio, one, two and three bedroom residential market rate rental units (approximately 75 units at 53,000 square feet). In addition to the building improvements, site improvements will include the addition of an adjacent surface parking lot that will contain approximately 53 to 68 spaces.

Lead and asbestos abatement will be necessary prior to demolition activities in order to protect human health. Demolition activities will be necessary to remove interior walls, flooring, fixtures, mechanicals and ceiling systems. Demolition will also include selective exterior removal to create new window openings. Site preparation activities include mass grading, land balancing, utility relocation and erosion control. Infrastructure improvements including curbs/gutters, sidewalks, landscaping/streetscape improvements, utility upgrades, as determined to be necessary, for water/sewer/sanitary and installation of an urban storm water management system that is necessary to support the new development.

Although Lofts on Wealthy, LLC has not previously received a MSF award, the ownership entity, 616 Development, has completed several projects in the City of Grand Rapids over the last four years, including Lofts on Michigan, Lofts on Alabama, and Lofts on Monroe. These projects each received Brownfield TIF support as well as Michigan Community Revitalization Program funds.

Appendix A addresses the programmatic requirements and Appendix B includes a project map and renderings.

**Recommendation**
MEDC staff recommends approval of the following:
  a) Local and school tax capture for the Act 381 eligible activities totaling $970,250. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $812,033.
APPENDIX A – Programmatic Requirements & Screening Guidelines

Property Eligibility
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 a facility as verified by Michigan Department of Environmental Quality (DEQ) on February 17, 2017.

The property is the subject of a Brownfield Plan, duly approved by the City of Grand Rapids on December 13, 2016.

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 increase the density of the area by bringing new residents and new retail space to this underutilized vacant site along the Wealthy Street Corridor. The project promotes mixed-use development and a walkable community as it incorporates residential and commercial/retail uses on the site which currently only houses a vacant building. The property is located in a historic district and the proposed project was approved by the local Historic Preservation Commission.

b) Jobs Created (Excluding Construction and other Indirect Jobs):
This project is expected to create approximately 12 new, full-time equivalent jobs.

c) Area of High Unemployment:
The City of Grand Rapids unadjusted jobless rate was 4.2% in October 2016.

d) Level and Extent of Contamination Alleviated:
Lofts on Wealthy, LLC will comply with due care activities through the construction process which will likely include capping of impacted soils during the site preparation and construction of the adjacent surface parking lot as necessary.

e) Reuse of Functionally Obsolete Buildings and/or Redevelopment of Blighted Property:
The project will result in the full rehabilitation of a functionally obsolete property.

f) Cost Gap that Exists between the Property and a Similar Greenfield Property:
The Brownfield TIF is needed to offset significant costs associated with interior and exterior demolition as well as lead and asbestos abatement, site preparation and public infrastructure improvements.

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 project is financially and economically sound.

i) **Other Factors Considered:**
No additional factors need to be considered for this project.

**Tax Capture Breakdown**
There are 46.8431 non-homestead mills available for capture, with school millage equaling 24 mills (51.23%) and local millage equaling 22.8431 mills (48.77%). Tax increment capture will begin in 2018 and is estimated to continue for 15 years. The project has been approved for an Obsolete Property Rehabilitation Act (OPRA) tax abatement for 12 years, so the blended ratio of capture for the entire 15 years is 83.69% state to 16.31% local. The requested tax capture for MSF eligible activities breaks down as follows:

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>School tax capture</td>
<td>(83.69%)</td>
<td>$ 812,033</td>
</tr>
<tr>
<td>Local tax capture</td>
<td>(16.31%)</td>
<td>$ 158,217</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>$ 970,250</td>
</tr>
</tbody>
</table>

**Cost of MSF Eligible Activities**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demolition</td>
<td>$450,000</td>
</tr>
<tr>
<td>Lead or Asbestos Abatement</td>
<td>$55,000</td>
</tr>
<tr>
<td>Infrastructure Improvements</td>
<td>$120,000</td>
</tr>
<tr>
<td>Site Preparation</td>
<td>+ $210,000</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td>$835,000</td>
</tr>
<tr>
<td>Contingency (15%)</td>
<td>+ $125,250</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td>$960,250</td>
</tr>
<tr>
<td>Brownfield/Work Plan Preparation</td>
<td>+ $10,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$970,250</td>
</tr>
</tbody>
</table>
APPENDIX B – Project Map and Renderings
WHEREAS, the Michigan Economic Growth Authority (“MEGA”) has been established by 1995 PA 24, as amended (the “Act”);

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

WHEREAS, Executive Order 2012-9 transferred all the authority, powers, duties, functions, responsibilities, records, personnel, property, unexpended balances of appropriations, allocations or other funds of the MEGA to the 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 Grand Rapids Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 733 and 751 Wealthy Street SE within the City of Grand Rapids, known as Lofts on Wealthy, LLC Redevelopment Project (the “Project”);

WHEREAS, the City of Grand Rapids 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 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, the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as 83.69% to 16.31% 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 March 9, 2017. 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 $960,250 for the principal activity costs of non-environmental activities and a contingency 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 $812,033.

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 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:

Lansing, Michigan
March 28, 2017