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

Communications

A. Consent Agenda
   Proposed Meeting Minutes – May 23, 2017
   Mobis North America – MBDP Amendment – Marcia Gebarowski
   55 Ionia Partners, LLC – MCRP Amendment – Lynda Franke
   Exchange Building, LLC – MCRP Amendment – Julius Edwards
   Hotel Holdings Monroe, LLC – MBT Brownfield Credit Amendment – Lori LaPerriere
   Parkland Muskegon Inc./Highpoint Flats Muskegon – MBT Brownfield Credit & MCRP Amendment – Mary Kramer
   Woodward and Erskine – MCRP Amendment – Rob Garza
   CDBG Application Guide, HUD Program Year 2017-2018 – Update Priorities – Christine Whitz
   609 E Kirby Lofts LLC – MCRP Amendment – Julia Edwards
   MSHDA Housing Development Fund – Grant Amendment – Katharine Czarnecki

B. Business Investment
   a. Business Growth
      Autoliv ASP, Inc. – MBDP Grant – Marcia Gebarowski
      Williams International – MBDP Grant & Renaissance Zone Actions – Marcia Gebarowski
      Kroger, Chesterfield Township – MBDP Grant – Trevor Friedeberg
      Amazon, Romulus – MBDP Grant – Trevor Friedeberg
   b. Entrepreneurship
      invent@nmu – FY16 & FY17 Funding Allocation – Fred Molnar/LeTasha Peebles
      2017 Business Incubator Gatekeeper – Award Recommendations – Fred Molnar/Nadia Abunasser

C. Community Vitality
   213 Development, LLC, City of Bay City – Brownfield Act 381 Work Plan & MCRP – Chuck Donaldson
   409 on Nine Development Project, City of Ferndale – Brownfield Act 381 Work Plan – Nicol Brown
   City of Trenton/Former McLouth Steel Site – MSF Loan Request – Nicol Brown
MICHIGAN STRATEGIC FUND

RESOLUTION 2017-

APPROVAL OF JUNE 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 – May 23, 2017
Mobis North America – MBDP Amendment
55 Ionia Partners, LLC – MCRP Amendment
Exchange Building, LLC – MCRP Amendment
Hotel Holdings Monroe, LLC – MBT Brownfield Credit Amendment
Parkland Muskegon Inc./Highpoint Flats Muskegon – MBT Brownfield Credit & MCRP Amendment
Woodward and Erskine – MCRP Amendment
CDBG Application Guide, HUD Program Year 2017-2018 – Update Priorities
609 E Kirby Lofts LLC – MCRP Amendment
MSHDA Housing Development Fund – Grant Amendment

Ayes:
Nays:
Recused:

Lansing, Michigan
June 27, 2017
Members Present
Paul Anderson
Steve Arwood
Roger Curtis
Paul Gentilozzi
Larry Koops
Andrew Lockwood (on behalf of Treasurer Khouri)
Terri Jo Umlor

Members Absent
Jody DePree Vanderwel
Shaun Wilson
Wayne Wood

Mr. Arwood called the meeting to order at 10:00 am. He welcomed new board member, Paul Gentilozzi, President of Gentilozzi Real Estate in Lansing, who is the Speaker of the House nominee appointed to replace Dan Boge.

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

Communications: Jennifer Tebedo, MSF Administrator, advised the Board that they received revised material at the table for the Orchestra Place and Outfield Partners LLC projects under the Consent Agenda.

A. CONSENT AGENDA
Resolution 2017-069 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 – April 25, 2017
NanoBio Corporation – Loan Amendment – 2017-070
Orchestra Place – Renaissance Zone Amendment – 2017-071
Outfield Partners, LLC – City of Lansing – MCRP Amendment – 2017-072
OMH, L.L.C. – City of Grand Rapids – MCRP Amendment – 2017-073
Welsh Romulus, LLC – Request for MSF Consent to Transfer Ownership Interest – Renaissance Zone – 2017-074

Roger Curtis seconded the motion. The motion carried: 6 ayes; 0 nays; 0 recused.

Paul Anderson joined the meeting by phone at 10:04 am.
B. BUSINESS INVESTMENT
B1. Capital Access
Resolution 2017-075 Resthaven – Bond Authorizing
Chris Cook, Director Capital Programs, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2017-075. Roger Curtis seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

ROLL CALL VOTE: Ayes: Paul Anderson, Steve Arwood, Roger Curtis, Paul Gentilozzi, Larry Koops, Andrew Lockwood (on behalf of Treasurer Khouri), Terri Jo Umlor; Nays: None; Recused: None

Resolution 2017-076 Haviland – Bond Authorizing
Chris Cook, Director Capital Programs, provided the Board with information regarding this action item. Following brief discussion, Andrew Lockwood motioned for the approval of Resolution 2017-076. Paul Gentilozzi seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

ROLL CALL VOTE: Ayes: Paul Anderson, Steve Arwood, Roger Curtis, Paul Gentilozzi, Larry Koops, Andrew Lockwood (on behalf of Treasurer Khouri), Terri Jo Umlor; Nays: None; Recused: None

C. Community Vitality
Resolution 2017-077 City of Detroit DDA – Catalyst Development Area Tax Capture Amendment
Mark Morante, MSF Fund Manager, provided the Board with information regarding this action item. Following brief discussion, Paul Gentilozzi motioned for the approval of Resolution 2017-077. Roger Curtis seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Mr. Arwood adjourned the meeting at 10:15 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,

[Signature]

N.A. Khouri
State Treasurer

Cc: Andrew Lockwood
MEMORANDUM

Date:       June 27, 2017

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

From:       Marcia Gebarowski, Senior Business Development Project Manager

Subject:    Mobis North America, LLC (“Company” or “Applicant”)  
            Michigan Business Development Program Performance-based Grant Amendment Request

Request
This is a request on behalf of the Company to remove their final disbursement milestone, and to reduce their maximum grant award from $1,250,000 to $750,000.

Background
On October 28, 2014, the Michigan Strategic Fund approved a $1,250,000 award for Mobis North America, LLC under the Michigan Business Development Program (“MBDP”). The Company proposed to consolidate and expand its engineering and sales operations into a new facility in Plymouth Township which would result in the creation of 121 Qualified New Jobs and $26.5 million in capital investment. The township approved a property tax abatement in support of the project.

Mobis has created 94 new jobs at the project location, while maintaining their required statewide base employment. The Company has indicated they have reached their capacity and will not meet their final milestone requirement totaling 121 Qualified New Jobs. The Company has agreed to forego their final disbursement milestone.

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

a) Amend the October 28, 2014 approval for Mobis North America, LLC to remove their third disbursement milestone, and;
b) Reduce the amount of the maximum grant approved from $1,250,000 to $750,000, and;
c) All other aspects of the approval remain unchanged.
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, the MSF Board approved a $1,250,000 Michigan Business Development Program Performance based grant on October 28, 2014 for the expansion of an R&D facility in Plymouth Township (the "Project");

WHEREAS, the Company requests that the MSF Board approve an amendment to the Michigan Business Development Program performance-based grant to remove the third disbursement milestone and reduce the maximum amount approved from $1,250,000 to $750,000 (the "Grant Amendment Request");

WHEREAS, the MEDC recommends approval of the Grant Amendment Request; and

WHEREAS, the MSF Board wishes to approve the Grant Amendment Request.

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

Ayes:

Nays:

Recused:

Lansing, Michigan
June 27, 2017
MEMORANDUM

Date:       June 27, 2017

To:     Michigan Strategic Fund Board

From:   Lynda Franke, Underwriting and Incentive Structuring Specialist

Subject:  55 Ionia Partners, LLC and 196 Investors, LLC
Michigan Community Revitalization Program
Request for Approval of a MCRP Loan Participation and Servicing
Agreement Amendment

Request
55 Ionia Partners, LLC and 196 Investors, LLC (“Company”) is requesting approval of an amendment to
the Michigan Community Revitalization Program (MCRP) Loan Participation and Servicing Agreement
(“Agreement”) and any related ancillary agreements. The amendment request is to extend the loan
“Conversion Date” from July 1, 2017, to January 1, 2019, resulting in a delay to the start of principal and
interest repayment. The start date of the principal and interest repayment will be delayed for Macatawa
Bank (“Lender”) and the MSF Shares of the Loan Participation. The Lender also requests waiver of the
timing for the “Excess Debt Payment”, which was originally required by the Conversion Date. The
Excess Debt Payment, when paid, will be applied to the Lender’s Share of the Loan Participation, bringing
their outstanding balance to no greater than 70% of the property’s appraised value.

Background
The Michigan Strategic Fund Board (“MSF Board”) approved up to a $4,325,000 Other Economic
Assistance-Loan Participation on February 24, 2015, to the Company for the purpose of renovating a 13-
story building in the central business district of downtown Grand Rapids into approximately 38,000
square feet of ground floor retail and second story office, and approximately 111 market rate residential
units. On September 22, 2015, the MSF Board approved an amendment to extend the amortization period
due to a clerical error in the original approval.

Construction is complete, and the project is in compliance. The request is necessitated primarily by a
slower than anticipated lease-up of the commercial space. To date, only one of the commercial spaces
representing 38% of that space is currently leased, and there are no other commercial tenants in
negotiations. The residential portion is doing better, with 82 of 99 units currently leased. The 18 month
extension to the Conversion Date will allow the project time to advance its lease-up efforts. The Lender’s
rationale in allowing the extension is that 196 Investors, LLC will continue to be a Co-Borrower until
stabilization is met. The original terms were that 196 Investors, LLC would exit prior to the Conversion
Date. Under the proposed scenario, 196 Investors, LLC will remain as a Co-Borrower until the project has
reached stabilization as defined within the agreement. The Lender and MSF staff are comfortable with the
proposed change due to the financial strength of 196 Investors, LLC. The Lender will continue to require
196 Investors, LLC to maintain unencumbered liquidity totaling at least $40,000,000.
**Recommendation**

The MEDC staff recommends approval of an amendment to the MCRP Agreement and any related ancillary agreements to allow the following:

a) an extension of the Conversion Date  
b) an extension of the start of principal and interest repayment  
c) an extension for any required Excess Debt Payment  
d) date changes in Milestone Three to effectuate the modifications described.

The maturity date of the Term Loan Note will remain the same.
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 2015-023 on February 24, 2015 the MSF Board awarded a MCRP Other Economic Assistance Loan Participation Award to 55 Ionia Partners, LLC, in furtherance of the Project of up to $4,325,000 (“Award”);

WHEREAS, by Resolution 2015-118 on September 22, 2015, the MSF Board approved an amendment to extend the amortization period due to a clerical error in the original award.

WHEREAS, the MEDC recommends that the MSF approve an amendment request: 1) to allow Macatawa Bank to extend the Conversion Date from July 1, 2017 to January 1, 2019, and 2) to waive the requirement of the Excess Debt Payment to occur by the Conversion Date. Principal and interest repayment will be delayed for both Macatawa Bank and the MSF Shares of the Loan Participation (the “Amendment Recommendation”).

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

Ayes: 

Nays: 

Recused: 

Lansing, Michigan 
June 27, 2017
MEMORANDUM

Date: June 27, 2017

To: Michigan Strategic Fund (MSF) Board

From: Lynda Franke, Underwriting and Incentive Structuring

Subject: Exchange Building, LLC
Michigan Community Revitalization Program (MCRP)
Request for Approval of an MCRP Loan Participation Award Amendment

Request
Exchange Building, LLC (“Company”) is requesting approval of an amendment to the Michigan Community Revitalization Program (MCRP) Other Economic Assistance Performance-Based Loan Participation Award approved at the MSF’s December 20, 2016, Board meeting.

Chemical Bank (“Lender”) is requesting additional subordination requirements related to repayment of the MSF Share to include these additional instances associated with the following defaults: 1) financial statements are not received when due; 2) taxes (property or otherwise) are not paid on time; 3) insurance is not paid on time or lapses; or 4) a loan payment required under the loan documents is not made. If any of these occur, any MSF repayments received by the Lender will be deposited into an escrow account, to be held until such time that the borrower cures the default. Once the default has been cured, the MSF will receive any escrowed funds, subject to the minimum 1.2 DSCR payment suspension included in the original MSF Board approval. MEDC staff is comfortable with these additional requirements as they are viewed as having nominal additional impact on the MSF’s ability to be repaid on its share.

Background
The Michigan Strategic Fund Board approved a $6,400,000 Other Economic Assistance Loan Participation award and MBT Brownfield Credit Amendment on December 20, 2016, to the Company for the purpose of redeveloping .6 acres of property located at 155 West Michigan Avenue in the city of Kalamazoo into a 15 story, mixed-use building with market rate residential units, a parking ramp and commercial spaces.

Recommendation
The MEDC staff recommends approval of an amendment to the MCRP Other Economic Assistance Loan Participation award to reflect the change in repayment terms on the MSF Share of the Loan Participation. All other terms from the original approval remain in place. The original approval is incorporated into this briefing memo in the following pages.
MEMORANDUM

Date: December 20, 2016

To: Michigan Strategic Fund Board

From: Emily Petz, Community Assistance Team Specialist
       Julius L. Edwards, Manager, Underwriting and Incentive Structuring
       Mary Kramer, Brownfield and MCRP Program Specialist

Subject: Kalamazoo County Brownfield Redevelopment Authority
         Request for Approval of an Act 381 Work Plan
         Exchange Building, LLC- Request for Approval Michigan Community
         Revitalization Program Other Economic Assistance Loan Participation
         W. Michigan and Rose Development, LLC - Request for Approval of MBT
         Brownfield Credit Amendment

Request
The proposed project will be undertaken by Exchange Building, LLC. The project will redevelop .6 acres
of property located at 155 West Michigan Avenue in the City of Kalamazoo. The existing downtown
parking lot will be converted into a 15 story mixed use building totaling approximately 335,674 square
feet. This newly constructed building will house market rate residential units, parking and commercial
space. The project is located in the downtown and qualifies for a Michigan Community Revitalization
Program (MCRP) award, Act 381 work plan and MBT Amendment because it is a facility.

In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the
City of Kalamazoo Brownfield Redevelopment Authority is seeking approval of local and school tax
capture for MSF eligible activities in the amount of $7,664,828.

Exchange Building, LLC is requesting approval of a MCRP incentive in the amount of $6,400,000 in the
form of an Other Economic Assistance Performance-Based Loan Participation.

W. Michigan and Rose Development, LLC requests the following amendment be made to the Brownfield
MBT credit for The Exchange project, originally approved by the MEGA Board on November 15, 2011.
The amendment requests to add a qualified taxpayer, Exchange Building, LLC; extend the project
completion date three years to December 13, 2019; and revise the scope of the project to increase the size
of the building from 8 to 15 stories to include residential and commercial uses as well as integrated
parking.
Significant costs are present on the site related to brownfield conditions and infill challenges. The development team has secured traditional bank financing of $36,576,000 or 69.4% of the project’s costs and a $150,000 DDA grant (0.3%). The development team is providing owner equity of $6,000,000 (11.4%) to the project. The remaining gap will be filled with a MBT credit with an anticipated value of $2,865,371 (5.4%) and a MCRP loan participation of $6,400,000 (12.1%). The MCRP loan participation will provide financial flexibility to the project allowing the development to remain financially feasible and achieve adequate cash flow to meet its debt service requirements once it reaches stabilization.

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 Applicant anticipates that the project will result in total capital investment in the amount of $52,691,371 along with the creation of approximately 83 permanent full-time equivalent jobs with an average hourly wage of $16.83.

**Background**

The site exists on a prominent downtown corner lot with Bronson Park to the southwest, the Radisson Hotel to the north, West Michigan Avenue in both east and west directions, and surrounding access to the Kalamazoo Mall. The .6 acre and approximately 335,674 gross square foot project encompasses 133 one- and two-bedroom apartments, approximately 58,720 square feet of leasable retail and office space, and will integrate 319 parking spaces. The ground level will be primarily occupied by a commercial bank as an anchor tenant for the project. Additional lease spaces for retail tenants will be constructed. The second, third, fourth, fifth and sixth floor will be integrated parking. A portion of the sixth floor will be Class A office lease space as will the entire seventh floor. The eighth through 14th floors will be upscale residential apartments. The 15th floor will be a penthouse for office or retail with a terrace. Accessible rooftop areas will be constructed as terraces for tenant use and event space. This project also envisions a significant change in the existing streetscape providing heated sidewalks, lighting, and other streetscape features.

Demolition activities will be necessary to remove a guard shack, 0.6 acres of asphalt surface, rail guards, bollards, fence, and light poles. Site preparation activities include auger cast piles to support the structure because of poor soils and supplemental geotechnical evaluations due to the increased size of the project. Infrastructure improvements include the creation of a multi-story integrated parking deck, streets, installation of heated sidewalks, streetscape improvements (lighting, bike racks, landscaping), and public utilities.

The principals of Phoenix Properties, LLC, PlazaCorp Realty Advisors, Inc. are partnering on the proposed project. The companies are responsible for the construction or redevelopment of several dozen properties in three states. Redevelopment ventures (incentivized by MSF and municipal partners) undertaken by Plazacorp and related entities include Neil's Automotive building, the United building, the Spearflex Block, the Globe Building, GTW Depot and 216-220 W. Michigan Avenue in Kalamazoo, Michigan.
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 $7,664,828. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $3,146,412.

b) A MCRP Other Economic Assistance Performance-Based Loan Participation in the amount of $6,400,000 for Exchange Building, LLC.

c) The Brownfield MBT credit amendment request to add a Qualified Taxpayer, Exchange Building, LLC; extend the project completion date three years to December 13, 2019; and revise the scope of the project to increase the size of the building from 8 to 15 stories to include residential and commercial uses as well as integrated parking.
FINANCING OPPORTUNITY – MCRP OTHER ECONOMIC ASSISTANCE PERFORMANCE-BASED LOAN PARTICIPATION

The project is seeking Michigan Strategic Fund (MSF) participation in coordination with Chemical Bank as the senior lender. The Lender, along with the Borrower, has requested the MSF participate in up to $6,400,000 in an estimated $42,976,000 construction to permanent loan financing. The MSF would be pari passu in terms of payments on its share of the loan, but would allow the collateral to apply first to the Lender’s share in an event of liquidation. It is anticipated that disbursements to the project on the loan will be made on a pro-rata basis. Below outlines a summary of the development sources and the proposed structure of the loan participation.

SUMMARY OF DEVELOPMENT SOURCES:

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemical Bank Share</td>
<td>$36,576,000</td>
<td>69.41%</td>
</tr>
<tr>
<td>MCRP Share</td>
<td>$6,400,000</td>
<td>12.15%</td>
</tr>
<tr>
<td>MBT Credit Equity</td>
<td>$2,865,371</td>
<td>5.44%</td>
</tr>
<tr>
<td>DDA Grant</td>
<td>$150,000</td>
<td>0.28%</td>
</tr>
<tr>
<td>Developer Equity</td>
<td>$6,000,000</td>
<td>11.39%</td>
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<tr>
<td>Deferred Developer Fee</td>
<td>$700,000</td>
<td>1.33%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$52,691,371</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

LOAN FACILITY

<table>
<thead>
<tr>
<th>Description</th>
<th>Detail</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSF Facility</td>
<td>MCRP Loan Participation and Servicing Agreement Under “Other Economic Assistance”</td>
</tr>
<tr>
<td>Borrower:</td>
<td>Exchange Building, LLC</td>
</tr>
<tr>
<td>Lender:</td>
<td>Chemical Bank</td>
</tr>
<tr>
<td>Total Loan Amount:</td>
<td>Currently estimated at $42,976,000</td>
</tr>
<tr>
<td>Lender Share:</td>
<td>Currently estimated at $6,400,000</td>
</tr>
<tr>
<td>MSF Share:</td>
<td>Up to the lesser of 20% of “Eligible Investment” or $6,400,000</td>
</tr>
<tr>
<td>Term:</td>
<td>To match that of the Lender, not to exceed 96 months with an interest only period of up to 36 months.</td>
</tr>
<tr>
<td>Amortization:</td>
<td>Up to 300 months following the interest only period.</td>
</tr>
<tr>
<td>Interest Rate:</td>
<td>On the MSF share anticipated to be 2.00% per annum.</td>
</tr>
</tbody>
</table>
Repayment Terms: Up to 36 months of monthly interest only payments followed by monthly principal and interest payments. Balance is due at maturity.

Subordination of Payments
It is anticipated that payments to the MSF will be allowed to the extent that the Debt Service Coverage Ratio (DSCR) is always above 1.20x. This ratio may be negotiated to a lower threshold (i.e. 1.10x)

Collateral: To match that of the Lender, currently anticipated being a mortgage lien on the property, assignment of leases and rents, and a security interest in the TIF reimbursements. MSF share of collateral will be subordinated to that of the Lender.

Guarantee: To match that of the Lender, currently anticipated to be the personal guarantees of Jeff Nicholson, Archie Leach, and Greg Taylor. The MSF Share of guarantee(s) will be subordinated to that of the Lender.

MSF Fees: The MSF shall be paid a one-time fee equal to one percent of the MSF’s share of the loan. The Lender may charge the borrower for this fee.

Funding: The MSF will fund up to $6,400,000 to be disbursed following closing of the Loan and other performance criteria.

Other Conditions: The MSF’s investment will be contingent upon the following:
- A minimum owner equity contribution of $6,000,000 to the project.
- Receipt of a “Guaranteed Maximum Price” construction contract.
APPENDIX B – Programmatic Requirements & Screening Guidelines

Property Eligibility
The project is located within the boundaries of the City of Kalamazoo, 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 October 14, 2011.

The property is the subject of a Brownfield Plan, duly approved by the City of Kalamazoo on June 6, 2016.

In addition, the project is requesting from the DEQ $35,172 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 $37,063,371.

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 site exists on a prominent downtown corner lot with Bronson Park to the southwest, the Radisson Hotel to the north, West Michigan Avenue in both east and west directions, and surrounding access to the Kalamazoo Mall.

B. If the project will act as a catalyst for additional revitalization of the community in which it is located:
   The project will make progress toward filling the large gap in housing in downtown Kalamazoo. In addition to creating more residential, the project will add commercial and parking space to allow downtown Kalamazoo to grow and expand. The project also is building upon momentum that has already started in downtown Kalamazoo. The project will bring new companies and foot traffic to the area adding to the vibrancy.
C. The amount of local community and financial support for the project:
The City of Kalamazoo will be contributing approximately $4,518,416 in Brownfield Tax Increment Financing (TIF). Downtown Kalamazoo Inc. is providing a grant of $150,000 and the DDA is contributing TIF in the amount of $1,300,000.

D. The applicant's financial need for a community revitalization incentive:
Significant costs are present on the site related to brownfield conditions and infill challenges. The development team has secured traditional bank financing of $36,576,000 or 69.4% of the projects costs and a $150,000 DDA grant (0.3%). The development team is providing owner equity of $6,000,000 (11.4%) to the project. The remaining gap will be filled with a MBT credit with an anticipated value of $2,865,371 (5.4%) and a MCRP loan participation of $6,400,000 (12.1%). The MCRP loan participation will provide financial flexibility to the project allowing the development to remain financially feasible and achieve adequate cash flow to meet its debt service requirements once it reaches stabilization.

E. The extent of reuse of vacant buildings, reuse of historical buildings, and redevelopment of blighted property:
The project will infill an existing site that is currently a surface parking lot.

F. Creation of jobs:
The project is estimated to create 83 full-time equivalent jobs. The average hourly wage is 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:
Private contributions include traditional bank financing of $36,576,000 and cash owner equity of $6,000,000.

H. Whether the project is financially and economically sound:
Upon reaching a stabilized occupancy it is anticipated that the project will generate sufficient cash flow to cover its senior debt service requirements by a ratio of over 1.20 to 1.00. Additionally, the MCRP Investment will be structured in a fashion to provide financial flexibility for the project. Also, the project will have the financial support of the development team and its investors.

Following a review of the rental rates and occupancy levels, staff has determined that each of the underwritten levels are aggressive relative to the existing residential developments in the area at between $1.80 to $2.00. The project is considered a new type of offering for the community providing an unparalleled level of quality in amenities. As a result of this offering being an unproven product in the market, MEDC staff is recommending structuring the MCRP investment as a loan participation with flexible repayment terms. It is anticipated that payments on the MCRP loan participation will be contingent upon the project achieving a minimum debt service coverage of 1.20 to 1.00. The project should result in a return on the MSF investment even if the aggressive residential rates are not fully reached.
I. **Whether the project increases the density of the area:**
   The project will increase density greatly by adding 15 stories and approximately 335,674 square feet of commercial, parking and residential space.

J. **Whether the project promotes mixed-use development and walkable communities:**
   The project is located directly downtown within walking distance to the Kalamazoo mall, numerous restaurants, shopping, festival space and theaters.

K. **Whether the project converts abandoned public buildings to private use:**
   This was not a public building.

L. **Whether the project promotes sustainable development:**
   Green elements will include required systems commissioning for performance; use white thermoplastic polyolefin (TPO) roofing materials with a high degree of reflectivity; LED lighting throughout; sustainable construction materials selection where possible; low or no water use bathroom fixtures, auto shut-off lighting in portions of the building; low E-glass; high efficiency appliances; web based Direct Digital Control (DDC) System will be used to operate the building Heating Ventilation and Cooling (HVAC) systems. The controls will enable the maintenance team to maximize the efficiency of the building operation through the use of scheduling and set point control and high efficiency HVAC systems.

M. **Whether the project involves the rehabilitation of a historic resource:**
   It does not include a historic resource.

N. **Whether the project addresses area-wide redevelopment:**
   The project is down the street from 216-220 W. Michigan Avenue, DTW Depot, and Peregrine PNC all previously MSF funded projects.

O. **Whether the project addresses underserved markets of commerce:**
   The residential unit creation is a response to a recent Target Market Analysis study completed for Kalamazoo (2015). The report shows a need for up to 1,400 additional residential units.

P. **The level and extent of environmental contamination:**
   Elevated levels of naphthalene and phenanthrene were detected in the soil and groundwater samples indicated elevated levels of fluoranthene and phenanthrene. The levels exceed the generic cleanup criteria for Groundwater Surface water Interface Protection (GSIP).

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 is not 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 an existing Michigan business.

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 factors need to be considered for this project.

Brownfield Act 381 Program Additional Project Information:

A. Reuse of functionally obsolete buildings and/or redevelopment of blighted property:
This is not a functionally obsolete or blighted property.

B. Cost gap that exists between the property and a similar greenfield property:
A greenfield site was not considered. The project is planned to support the city’s Master Plan to add vibrancy to the downtown. There are numerous increased costs to a downtown new construction site. The site will first have to undergo demolition activities to remove a guard shack, 0.6 acres of asphalt surface, rail guards, bollards, fence, and light poles. Auger cast piles will be added to support the structure because of poor soils. Infrastructure improvements will need to be included for the creation of a multi-story integrated parking deck, streets, installation of heated sidewalks, streetscape improvements (lighting, bike racks, landscaping), and public utilities.

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 58.4634 non-homestead mills available for capture, with school millage equaling 24 mills (41.05%) and local millage equaling 34.4634 mills (58.95%). Tax increment capture will begin in 2019 and is estimated to continue for 18 years. Because there is also a DDA TIF on the property that will reimburse project related activities up to $1.3 million, with approximately 19 percent of the State captured and approximately 24 percent of the Local capture will go towards the DDA TIF for approximately 11 years. The requested tax capture for MSF eligible activities breaks down as follows:

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<tr>
<th>School tax capture (41.05%)</th>
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<td>Local tax capture (58.95%)</td>
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Cost of MSF Eligible Activities

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<th>Activity</th>
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<td>Demolition</td>
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<td>Infrastructure Improvements</td>
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<td>Site Preparation</td>
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Brownfield MBT Credit Amendment Request By:
W. Michigan and Rose Development, LLC
2725 Airview Blvd., Suite 205
Kalamazoo, MI 49002
Contact: Gregory A. Taylor, Principal

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<td>Project Eligible Investment</td>
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ELIGIBLE INVESTMENT BREAKDOWN

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<tr>
<td>Site Improvements</td>
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<td><strong>Total</strong></td>
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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, by Resolution 2016-262 on December 20, 2016, the MSF Board awarded an MCRP Other Economic Assistance Performance-Based Loan Participation Award to Exchange Building LLC, in furtherance of the Project of up to $6,400,000 (“Award”);

WHEREAS, the MEDC recommends that the MSF approve an amendment to allow expanded subordination of repayment to MSF in the case of the following defaults: non-receipt of financial statements, nonpayment of taxes, nonpayment of or lapse in insurance, or nonpayment to the Lender. All other requirements remain in place from the original approval (the “Amendment Recommendation”).

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

Ayes:

Nays:

Recused:

Lansing, Michigan
June 27, 2017
MEMORANDUM

Date:       June 27, 2017

To:         Michigan Strategic Fund Board

From:       Lori LaPerriere, Brownfield and MCRP Program Specialist

Subject:    Request for Approval of a Large Brownfield MBT Credit Amendment
            Hotel Holdings Monroe, L.L.C. - Request for Approval of MBT Brownfield
            Credit Amendment #2

Request
The proposed project will be undertaken by Hotel Holdings Monroe, LLC. The project will redevelop
three parcels of property located at 710, 720, and 648 Monroe Avenue NW in the city of Grand Rapids.
The project is located in a downtown and qualifies for a MBT Amendment because it is functionally
obsolete.

Hotel Holdings Monroe, L.L.C. requests a time extension of two years and a change in scope amendment
be made to the Brownfield MBT credit for the Hotel Holdings Monroe, LLC project. Originally approved
by the MEGA Board on March 18, 2008, and amended on August 14, 2013; due to the economy and
capital markets.

In order to complete the project the developer has secured financing with a senior lender and is
contributing over 24 percent of equity to the project, along with the support through the MBT credit. The
MBT credit will meet the financing gap for the project.

The developer now anticipates that the project will result in total capital investment in the amount of
$61,300,000, along with the creation of approximately 160 permanent full-time equivalent jobs with an
average hourly wage of $12/hour and benefit packages.

Background
The project is expected to be a seven-story Embassy Suites hotel that includes the following: 245 suites,
sport bar/restaurant, lobby bar, indoor pool, and indoor/outdoor Jacuzzi, banquet facilities, and a fitness
facility. There will also be a five-story, on-site parking ramp that will include at least 288 parking spaces.
The total eligible investment will be more than $10 million higher than the amount in the original
application.

Because of time constraints of the statutory limits on the credit the Qualified Tax Payer proposes that the
amended MBT project consist of the following:
1. Completion of the superstructure for the seven-story building, which will include caissons, structural steel, concrete towers, concrete floors and roof slabs, framing, the interior metal studs, and other aspects of the superstructure.

2. Completion of the roof.

3. Completion of the exterior walls of the first five stories of the structure.

4. Completion of the rough-in of the infrastructure for the mechanicals for the building, including equipment, boilers, air makeup units, mechanical rooms, etc.

5. Furniture, fixtures and equipment in the approximate amount of $4,000,000.

Prior to receiving the MBT credit award, the project shall be completed in its entirety and a certificate of occupancy will be required in order to claim the credit.

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

**Recommendation**
MEDC staff recommends approval of the following (the “Recommendation”):
   a) The Brownfield MBT credit amendment request of a two year extension and change of scope. At the time a Certificate of Completion for the project is requested, to receive the Credit, the applicant shall: (1) provide a certificate of occupancy.
APPENDIX A – Programmatic Requirements & Screening Guidelines

Brownfield MBT Credit Amendment Request By:

Hotel Holdings Monroe, LLC  
c/o Suburban Inns  
6407 Valencia Drive NE  
Rockford, MI 49341

Contact: Peter Beukema, Member

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<td>Requested Credit Percentage:</td>
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(capped) (capped)
APPENDIX B – Project Map and Renderings

EXTERIOR VIEW
EMBASSY SUITES HOTEL AND PARKING GARAGE
710 MONROE, GRAND RAPIDS, MICHIGAN
At the meeting of the Michigan Strategic Fund (“MSF”) held on June 27, 2017 in Lansing, Michigan;

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

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

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

WHEREAS, a request has been submitted to amend the Project to extend the completion date to from March 20, 2016, to March 20, 2018, and amend the project to a seven-story building with an on-site five-story parking ramp to serve the building; and

WHEREAS, no certificate of completion has been issued for the Project; and

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF, and recommends approval of the amendment by the MSF Board, provided that the maximum credit amount does not exceed $3,459,000;

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board amends the Project by modifying the scope of the Project by:

1. Completion of the superstructure for the seven-story building, which will include caissons, structural steel, concrete towers, concrete floors and roof slabs, framing, the interior metal studs, and other aspects of the superstructure.
2. Completion of the roof.
3. Completion of the exterior walls of the first five stories of the structure.
4. Completion of the rough in of the infrastructure for the mechanicals for the building, including equipment, boilers, air makeup units, mechanical rooms, etc.
5. Furniture, fixtures and equipment in the approximate amount of $4,000,000.

BE IT FURTHER RESOLVED, that the Project is amended to extend the date of completion by two year(s) to March 20, 2018.

BE IT FURTHER RESOLVED, that the Project is required to submit a Certificate of Completion request within one year of project completion.
Ayes:

Nays:

Recused:

Lansing, Michigan
June 27, 2017
MEMORANDUM

Date: June 27, 2017

To: Michigan Strategic Fund Board

From: Mary Kramer, Brownfield and MCRP Program Specialist

Subject: Parkland Muskegon, Inc./Highpoint Flats Muskegon Project
Michigan Community Revitalization Program - Request for Approval of a Loan Agreement Amendment #4
MBT Brownfield Credit – Request for Approval of Amendment #5

Request
Parkland Muskegon, Inc. (“Company”) is requesting approval of amendment #4 to the Michigan Community Revitalization Program (“MCRP”) Loan Agreement (“Agreement”) and any related ancillary agreements and amendment #5 to the Michigan Business Tax (“MBT”) Credit #S08-0016. The MCRP amendment request dated June 2, 2017, includes a request to revise the scope of the project to remove the basement portion of commercial space, white-box 12,000 square feet of commercial space, remove site improvements, extend Milestone One Completion of Construction due date to September 30, 2018, and extend Milestone Two Conditions to Loan Disbursement to December 31, 2018.

The MBT amendment request dated April 25, 2017, includes a request to scale back the required activities to be completed by July 21, 2018, which is the end of the statutory 10-year period for the MBT credit; however, the project would still need to be completed and final certificate of occupancy issued by September 30, 2018, before the credit would be issued for the portion of the project that was completed prior to the end of the statutory period. The scaled back activities to be completed by July 21, 2018, include the following: exterior shell renovations including sandblasting and repainting of the exterior and installation of new windows and completion of framing of the 47 residential units and full mechanical rough-in for all of the units which includes plumbing, HVAC, fire suppression and electrical. The amendment also requests a revision to the project scope to remove the basement portion of commercial space, white-box 12,000 square feet of commercial space, and remove site improvements.

Background
On February 27, 2013, the Michigan Strategic Fund Board (“MSF”) approved a $1,950,000 MCRP loan to the Company for the purpose of renovating an eight-story building along with new construction of a two-story addition alongside to include a total of 72 one- and two-bedroom residential units. The project was re-approved on September 25, 2013, because the agreement had not been executed by the end of the due diligence period. The MBT credit in the amount of $1,640,000 was approved on July 21, 2008.
The previous amendments to the MCRP award included extensions of Milestone due dates, a revision to the start date for submittal of the annual financial reports, and changes to the project scope. The previous amendments to the MBT credit included the addition of a qualified taxpayer, changes to the scope of the project, and extensions of time.

The current scope change requested includes removing the basement portion of the commercial space, white-boxing 12,000 square feet of commercial space and removing the site improvements. The Muskegon real estate climate has proven challenging and in order to make the project work with minimal returns, the developer is reducing the scope and needs additional time. Financing is in place and the developer will be contributing equity of $1,434,645, which is approximately 16 percent of the project costs.

Project construction has started and the company is current with reporting requirements.

Attached is a map and rendering in Exhibit A. The original MCRP approval is attached as Exhibit B.

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

1. An amendment to the MCRP Loan Agreement and any related ancillary agreements to include the following: (1) extension of Milestone One Completion of Construction due date to September 30, 2018; (2) extension of Milestone Two Conditions to Loan Disbursement to December 31, 2018; (3) removal of the basement level commercial space; (4) white-boxing 12,000 square feet of commercial space; and (5) removal of site improvements per the Company’s request dated June 2, 2017, with the MSF Fund Manager or MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate the amendment approved under the MCRP.

2. An amendment to the MBT credit #S08-0016 to include the following: (1) removal of the basement level commercial space; (2) white-boxing 12,000 square feet of commercial space; (3) removal of site improvements; and (4) allowing scaled back activities to be completed by July 21, 2018, the end of the 10-year statutory period. These activities will include exterior shell renovations such as sandblasting and repainting of the exterior and installation of new windows and completion of framing of the 47 residential units and full mechanical rough-in for all of the units which includes plumbing, HVAC, fire suppression and electrical. Final completion of the project and certificate of occupancy must be completed by September 30, 2018, in order to receive the credit on the activities completed by July 21, 2018.
APPENDIX A – MAP AND RENDERING
MEMORANDUM

DATE: February 27, 2013

TO: Michigan Strategic Fund (“MSF”) Incentive Subcommittee

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

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

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

APPENDIX B – MCRP ORIGINAL APPROVAL

**MCRP PROGRAM AND ITS GUIDELINES**

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

**SOURCE OF INFORMATION**

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

**HISTORY OF THE APPLICANT**

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

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

**PROJECT DESCRIPTION**

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

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

b) The project is located in a downtown or traditional commercial center. Preference was given to project based on significance of the eight-story building and the increased density for downtown Muskegon with the added residents.

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

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

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

LOAN FACILITY
Borrower: Parkland Muskegon, Inc.

Senior Lender: Line of Credit – Currently Proposed with First Community Bank

MSF Loan Amount: Up to $1,950,000, not to exceed 25% of Eligible Investment. $390,000 forgiven upon completion of project. Loan will be subordinate to the senior lender.

Term: 25 Years

Interest Rate: Zero percent (0%)
APPENDIX B – MCRP ORIGINAL APPROVAL

Repayment: Repayments are to begin after MSF disbursement. $40,000 principal annually. In addition to the $40,000 annual payment, the project will receive the assignment of 100% of Brownfield Tax Increment Finance Revenues applied against principal. Balloon at the end of 25 years.

Prepayment: No prepayment penalty at any time.

Guarantee: Currently contemplated to include the personal Guarantee of Jonathan Lee Rooks, subordinate to senior loan. The final terms and conditions of the Guarantee to be acceptable to the MSF Fund Manager, the Borrower, and the Senior Lender.

Funding: Permanent Certificate of Occupancy and other performance criteria to be contained in final loan documents.

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

A. THE IMPORTANCE OF THE PROJECT TO THE COMMUNITY IN WHICH IT IS LOCATED:
The public will benefit from the re-use of one of the largest vacant structures in the downtown. The project improvements will likely help increase property values in the area and add to the marketability of downtown Muskegon. This will be one of the largest revitalization projects undertaken in downtown Muskegon.

B. IF THE PROJECT WILL ACT AS A CATALYST FOR ADDITIONAL REVITALIZATION OF THE COMMUNITY IN WHICH IT IS LOCATED:
The project would be a tremendous catalyst for downtown Muskegon. The downtown has struggled to rebuild since the mall properties were demolished and the real estate market crashed. There are limited residential options presently and the project will add density to the downtown.

C. THE AMOUNT OF LOCAL COMMUNITY AND FINANCIAL SUPPORT FOR THE PROJECT:
The City of Muskegon established a Renaissance Zone (begin phase out in 2021) that benefits the project and also has dedicated tax increment revenues totaling $400,000, plus 5% interest to cover carrying cost for the activities.

D. THE EXTENT OF REUSE OF VACANT BUILDINGS, REUSE OF HISTORICAL BUILDINGS, AND REDEVELOPMENT OF BLIGHTED PROPERTY:
The project includes the rehabilitation of an eight-story building that has sat vacant for a number of years and formerly operated as the Hackley Bank.

E. CREATION OF JOBS:
The project will create 2 full time jobs to manage the properties.
APPENDIX B – MCRP ORIGINAL APPROVAL

F. The level of private sector and other contributions, including, but not limited to, federal funds and federal tax credits:
The MEGA Board approved a 20% MBT Brownfield Credit in July 2008 totaling $1,640,000. The total private investment for the entire property is $10.7 million.

G. Whether the project increases the density of the area:
The density will be increased because the project adds 72 residential units to the downtown core.

H. Whether the project promotes mixed-use development and walkable communities:
The project promotes a walkable community based on the location of the building and its proximity to downtown amenities, such as the post office and the theatre.

I. Whether the project converts abandoned public buildings to private use:
The property does not contain any public buildings.

J. Whether the project promotes sustainable development:
This project will be utilizing several LEED qualifying aspects. The re-use of such a large, vacant building prevents demolition and disposal issues. It alleviates the consumption of new material. The developer will be utilizing water and energy efficiency aspects for residents.

K. Whether the project involves the rehabilitation of a historic resource:
The property does not contain a historic resource.

L. Whether the project addresses area-wide redevelopment:
This project includes the development of three downtown adjacent and contiguous parcels.

M. Whether the project addresses underserved markets of commerce:
This project addresses underserved markets because the former mall site in downtown Muskegon has been largely vacant for several years and has resulted in a lack of residential options available.

N. The level and extent of environmental contamination:
The property has been determined to be a facility due to contamination related to historic fill conditions. Soil and groundwater samples identified contamination at concentrations above the Part 201 Generic Residential Cleanup Criteria.

O. If the rehabilitation of the historic resource will meet the federal Secretary of the Interior’s standards for rehabilitation and guidelines for rehabilitating historic buildings (36 CFR 67):
The project does not contain a historic resource; therefore, the federal Secretary of Interior’s standards do not apply.

P. Whether the project will compete with or affect existing Michigan businesses within the same industry:
This project fills a residential need in the downtown and will not compete with other Michigan businesses.
APPENDIX B – MCRP ORIGINAL APPROVAL

Q. Any other additional criteria approved by the board that are specific to each individual project and are consistent with the findings and intent of this chapter:
No additional criteria is necessary to note.

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

Please see below for more information on the recommended action.

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

a) Closing the MCRP Proposal, subject to available funding under the MCRP at the time of closing (“Available Funding”), completion of due diligence, the results of which are satisfactory to the MEDC (collectively, “Due Diligence”), finalization of all MCRP transaction documents, and further subject to the following terms and conditions:
• Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.
At the meeting of the Michigan Strategic Fund (“MSF”) held on June 27, 2017 in Lansing, Michigan;

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

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

WHEREAS, on July 21, 2008, the MEGA Chairperson issued a pre-approval letter for a Small Brownfield MBT Tax Credit to Parkland Muskegon, Inc. (the “Applicant”) to make eligible investment up to $8,200,000 at an eligible property in the City of Muskegon (the “Project”);

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

WHEREAS, a request has been submitted to amend the Project as follows: (1) remove basement level commercial space; (2) white-box 12,000 square feet of commercial space; (3) remove site improvements; and (4) allow scaled back activities to be completed by July 21, 2018, the end of the 10-year statutory period. These activities will include exterior shell renovations such as sandblasting and repainting of the exterior and installation of new windows and completion of framing of the 47 residential units and full mechanical rough-in for all of the units which includes plumbing, HVAC, fire suppression and electrical. Final completion of the project and certificate of occupancy must be completed by September 30, 2018, in order to receive the credit on the activities completed by July 21, 2018; and

WHEREAS, no certificate of completion has been issued for the Project; and

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF, and recommends approval of the amendment by the MSF President, provided that the maximum credit amount does not exceed $1,640,000;

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board recommends that the MSF President issue an amended pre-approval letter to amend the Project to revise the project scope as follows: (1) remove basement level commercial space; (2) white-box 12,000 square feet of commercial space; (3) remove site improvements; and (4) allow scaled back activities to be completed by July 21, 2018, the end of the 10-year statutory period. These activities will include
exterior shell renovations such as sandblasting and repainting of the exterior and installation of new windows and completion of framing of the 47 residential units and full mechanical rough-in for all of the units which includes plumbing, HVAC, fire suppression and electrical. Final completion of the project and certificate of occupancy must be completed by September 30, 2018, in order to receive the credit on the activities completed by July 21, 2018.

BE IT FURTHER RESOLVED, that the Project is required to submit a Certificate of Completion request within one year of project completion.

Ayes:

Nays:

Recused:

Lansing, Michigan
June 27, 2017
MICHIGAN STRATEGIC FUND

RESOLUTION 2017 -

APPROVAL OF AN AMENDMENT TO A MICHIGAN COMMUNITY REVITALIZATION PROGRAM LOAN AWARD FOR PARKLAND MUSKEGON, INC.

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

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

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

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 2013-030 on February 27, 2013, the MSF Board awarded a MCRP Loan Award to Parkland Muskegon, Inc., in furtherance of the Project of up to $1.95 million (“Award”);

WHEREAS, by Resolution 2013-152 on September 25, 2013, the MSF Board re-approved a MCRP Loan Award to Parkland Muskegon, Inc., in furtherance of the Project of up to $1.95 million (“Award”);

WHEREAS, by Resolution 2015-183 on December 15, 2015, the MSF Board approved a MCRP amendment to revise the start date for submittal of annual financial reports to begin prior to the disbursement of loan funds and then annually thereafter until the loan is repaid in full;

WHEREAS, by Resolution 2016-204 on October 25, 2016, the MSF Board approved a MCRP amendment to extend milestone due dates, revise the scope of the project and define the loan repayment amount in lieu of the assignment of Brownfield TIF costs;

WHEREAS, the MEDC is recommending that the MSF approve the amendment recommendation as follows: (1) extend Milestone One Completion of Construction due date to September 30, 2018; (2) extend Milestone Two Conditions to Loan Disbursement to December 31, 2018; (3) remove the basement level commercial space; (4) white-box 12,000 square feet of commercial space; and (5) remove site improvements per the Company’s request dated June 2, 2017, with all other requirements remaining in place from the original approval and
with the MSF Fund Manager or MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate the amendment.

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

Ayes:

Nays:

Recused:

Lansing, Michigan
June 27, 2017
MEMORANDUM

Date: June 27, 2017

To: Michigan Strategic Fund Board

From: Rob Garza, Brownfield and MCRP Senior Program Specialist

Subject: Woodward and Erskine, LLC
Michigan Community Revitalization Program
Request for Approval of a Loan Agreement Amendment #1

Request

Background
The Michigan Strategic Fund (“MSF”) Board approved a $1,500,000 performance based loan on June 8, 2015, to the Company for the purpose of constructing a five-story, mixed use building containing integrated parking located at 3152 Woodward Avenue in Detroit.

The building has been occupied since late 2016 and a temporary certificate of occupancy has been issued for the project. Additional eligible MCRP costs may be incurred through the remainder of 2017, which will determine how much, if any, of the MCRP loan may be drawn upon. The requested additional time will allow the developer to determine the necessity of the loan for project completion. The company is current with all other reporting requirements.

Recommendation
The MEDC staff recommends approval of an amendment to the MCRP Loan Agreement and any ancillary agreements to extend the Milestone Two due date from March 1, 2017, to December 31, 2017, and the Milestone Three due date from August 1, 2017, to December 31, 2017.
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 2015-070 on June 8, 2015 the MSF Board awarded a MCRP Loan Award to Woodward and Erskine LLC, in furtherance of the Project of up to $1,500,000 (“Award”) located at 3152 Woodward Avenue in Detroit;

WHEREAS, the MEDC is recommending that the MSF approve the amendment recommendation to extend the Milestone Two due date from March 1, 2017, to December 31, 2017, and extend Milestone Three from August 1, 2017, to December 31, 2017, with all other requirements remaining in place from the original approval.

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

Ayes:

Nays:

Recused:

Lansing, Michigan
June 27, 2017
MEMORANDUM

Date:       June 27, 2017

To:         Michigan Strategic Fund (MSF) Board Members

From:       Christine Whitz, Director, Community Development Block Grant Program

Subject:    Community Development Block Grant Program
            2017 Application Guide Excerpt

Request
Michigan Economic Development Corporation (“MEDC”) Staff recommends the Michigan Strategic
Fund (“MSF”) approval of the attached Application Guide Excerpt for Program Year 2017. (Attachment A)

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

The State’s responsibilities include ensuring the State’s and their Grantee’s compliance with the statute, HUD
regulations, and the Consolidated Plan. The attached document is an excerpt from the Application Guide for
potential applicants based on the requirements within the Consolidated Plan, Federal regulations and policies
developed by staff to ensure consistency with grantees.

While the Michigan State Housing Development Authority (“MSHDA”) submits the Consolidated Plan to
HUD, on the State’s behalf, the MSF has authority over the Consolidated Plan related to CDBG funds.
This excerpt outlines the selection criteria for the various programs funded with the CDBG allocation. The
document is updated at least annually to assure that we are adjusting to the changing needs of the communities
that are eligible and the goals of the Michigan Economic Development Corporation (MEDC). These updates
are based on conversations with grantees and internal staff that work with the program.

Recommendation
The MEDC Staff recommends:

- The MSF approves the attached Application Guide Excerpt for Program Year 2017.
WHEREAS, Executive Order 1999-1, issued pursuant to Article V of the Michigan Constitution of 1963 and the laws of State of Michigan, consolidated the State’s economic development functions and programs and their accompanying powers of the Michigan Strategic Fund (“MSF”); and

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

WHEREAS, pursuant to SFCR 10.1-1, 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 or decisions approved under the CDBG program; and

WHEREAS, the CDBG program desires to adopt the policies, criteria, and parameters for the selection of projects which are enumerated in the attached 2017 Application Guide Excerpt (the “Guide Excerpt”); and

WHEREAS, the CDBG program staff reviewed the Guide Excerpt and concluded that the policies meet the enabling legislation, federal regulations and the requirements of the Consolidated Plan; and

WHEREAS, the CDBG program staff recommends that the MSF adopt the attached Guide Excerpt to update the selection criteria in the current Application Guide adopted in 2016 for the CDBG program.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board adopts the attached Guide Excerpt as the policies, criteria, and parameters for projects being considered and funded with 2017 Program Year funds; and

BE IT FURTHER RESOLVED, that the MSF Board authorizes the Fund Manager to make minor modifications to the document, if needed, and to take any action necessary to effectuate the terms of this Resolution.

Ayes:

Nayes:

Recused:

Lansing, Michigan
June 27, 2017
Business Development Program Requirements

BUSINESS DEVELOPMENT PROGRAM EVALUATION-GENERAL

All Business Development Projects will be evaluated on the following:

- **National Objective:** Proposed projects are expected to result in the creation of full-time equivalent (FTE) positions of which at least 51% of the created positions will be held by LMI persons. Proposed projects are expected to create and/or retain the largest number of positions with the least amount of Community Development Block Grant (CDBG) investment.

- **Job Creation:** Priority will be given to projects creating ten or more permanent full-time positions that pay an average hourly rate of at least $9.00 or 75% of the average hourly wage rate of the applicable county.

- **Leverage Ratio:** Proposed projects are expected to leverage private investment funds. Funding priority will be given to projects when the leverage ratio of all other private and public funds to CDBG funds is 1:1 or greater.

- **Local Participation:** Proposed projects are expected to demonstrate local government support.

- **Economic Impact:** Proposed projects are evaluated on their economic impact, including the diversification of the economic base of the local and State economies.

- **Financial Viability:** All projects must be financially viable. Please refer to the Economic Development Underwriting (Financial Viability) section for guidance on that evaluation process.

ELIGIBLE ACTIVITIES AND SPECIFIC RELATED CRITERIA:

I. **Business Development-Assistance to Benefit Businesses:** Eligible under this category activity would be activities eligible under HCDA that provide assistance to private, for-profit entities. The following identifies specific related criteria for some eligible activities under this category.

   A. **Machinery and Equipment:** These projects are generally supported by the CDBG Revolving Loan Program or other incentive programs available at the MEDC.

   B. **Job Training:** Funds can be used for On the Job Training (OJT) or Vendor Training. On the Job Training (OJT) will be reimbursed per person for actual costs. OJT expenses for individual trainees should be completed within six months of their hiring date. Employees trained with CDBG funds should be retained for 90 days after conclusion of training, unless waived by the Michigan Strategic Fund (MSF) Fund Manager. There is no reimbursement for company trainers. Grant proceeds should be used for Michigan residents. Along border communities, Michigan residents should be given first priority, unless waived by the MSF or the MSF Fund Manager (for projects over $1 million).

   C. **Land Acquisition:** CDBG funding can be utilized for property acquisition activities. Projects should be accompanied by a viable business plan, at least one appraisal completed within
the past 12 months, along with the current SEV, documentation that all taxes are current, as well as verification that non-mortgage liens have not been placed on the property. Specific requirements for appraisals are outlined in Chapter 6 (Acquisition) of the Grant Administration Manual (GAM) GAM.

D. Working Capital: Grant proceeds may be used for working capital needs. Working capital is the money needed to grow business, to cover short term obligations and to cover business expenses. Expenses to be considered include, but may not be limited to, rent or mortgage, salaries and wages, benefits, inventory, utilities, supplies, computer/printer/software, insurance, shipping and delivery costs, storage costs, equipment rental fees, marketing/advertising costs, accounting fees and vehicle expense.

II. Business Development - Assistance to Benefit Communities: Communities may request grants to provide public infrastructure improvements necessary for the location, expansion, and/or retention of a specific for-profit business firm(s) which is engaged in an economic base activity.

Eligible under this activity would be public improvements, as identified in Section 105(a)(2) of Title I of the HCDA. Examples of eligible public infrastructure projects include the following items: public water or sanitary sewer lines and related facilities, streets, roads, bridges, sidewalks, parking facilities, pedestrian malls, alleys, drainage systems, waterways, publicly-owned utilities and systems, and projects designed to reduce, eliminate or prevent the spread of identified soil or groundwater contamination.

In addition to the evaluation criteria, proposed public infrastructure projects are expected to have local government funding for public infrastructure activities. A minimum of ten percent (10%) local government cash match may be required.

III. Business Development - Planning: Planning grants may be available to help communities accomplish project specific planning which is likely to lead to an eligible economic development implementation project. Eligible under this activity would be planning and capacity building, as identified in Section 105(a)(12) of Title I of the HCDA. CDBG Planning funding cannot be utilized to create, update, or provide information solely for a community to meet legislatively mandated community planning requirements, including Local Development Financing Authority plans.

Projects will only be considered that can demonstrate that the planning grant will likely lead to an eligible implementation project. The planning study must be specific, with identified goals and outcomes. Funding priority will be given to communities with a higher percentage of matching funds (committed funds only), but a cash match equal to the awarded CDBG funds is required. The maximum individual grant award will not exceed $100,000.
IV. Business Development - Unique Grants: Innovative and creative funding requests may be considered by the MEDC, based on special and/or unique needs, or situations requiring innovative program approaches not specifically provided for in identified programs. This may include, but is not limited to, brownfield site redevelopment, targeted industry development, building and building rehabilitation activities, CDBG Section 108 loan guarantees, activities and services listed in the above categories which do not meet identified screening or selection criteria and/or projects associated with other State or Federally funded initiatives. No additional criteria will be utilized to evaluate these projects beyond the general criteria expenses. Expenses to be considered include, but may not be limited to, rent or mortgage, salaries and wages, benefits, inventory, utilities, supplies, computer/printer/software, insurance, shipping and delivery costs, storage costs, equipment rental fees, marketing/advertising costs, accounting fees and vehicle expense.
Community Development Program Requirements

COMMUNITY DEVELOPMENT PROGRAM EVALUATION-GENERAL

All Community Development Projects should align with the current Community Development Guidance document and will be evaluated on the following:

- **National Objective**: Proposed projects are expected to meet a National Objective of blight elimination; benefiting a population of individuals of whom at least 51% reside in LMI households; or projects that will result in the creation of full-time equivalent (FTE) jobs of which at least 51% of the created positions will be held by LMI persons. Preference will be given to projects with job creation commitments. For job creation or retention projects, funding priority will be given to projects creating permanent, full-time equivalent positions and where the amount of CDBG funds per position created is $35,000 or less. Applicants should keep in mind that the average grant award amounts to approximately $15,000 per FTE and may be dependent upon the overall impact of the investment and the wages being offered by the employer.

- **Economic Impact**: Proposed projects are evaluated on their economic impact on local and State economies. This includes the following items:
  - **Location** - Projects will be given priority if they are located within a “traditional downtown” defined as a grouping of 20 or more commercial parcels of property that include multi-story buildings of historical or architectural significance. The area must have been zoned, planned or used for commercial development for 50+ years. The area must consist of, primarily, zero-lot-line development, have pedestrian friendly infrastructure, and an appropriate mix of business and services. The area should have characteristics that create a sense of place.
  - **Project Type** - Priority will be given to projects that demonstrate a majority of the following screening guidelines:
    - located within a community designated as a Main Street or Redevelopment Ready;
    - where building rehabilitation is a factor, consist of:
      - multi-story,
      - mixed-use components,
      - eligible for Historic or Contributing Designation,
      - partially or completely vacant building being returned to active use, and,
      - complete and holistic projects.

- **Leverage Ratio**: Funding priority will be given to projects when the leverage ratio of all other private and public funds to CDBG funds is 1:1 or greater.

- **Local Participation**: Proposed projects are expected to demonstrate local government support.

- **CDBG Request**: All grant requests, with the exception of planning grants, shall not be less than $50,000.

- **Financial Viability**: All Community Development projects must be financially viable. Please refer to the Economic Development Underwriting (Financial Viability) section for guidance on that evaluation process.
ELIGIBLE ACTIVITIES AND SPECIFIC RELATED CRITERIA:

I. Community Development - Assistance to Benefit Small Business: Direct Assistance to Businesses provides grants to create and retain jobs in Michigan and help create vibrant communities. These grants enable communities to formulate an economic development strategy to support locally owned and operated businesses. The purpose of these grants is to provide funding to jumpstart growth of existing and new businesses, create new jobs, or retain existing jobs, and to enhance the entrepreneurial environment in the community. Eligible under this category would be activities eligible under the HCDA. The following identifies specific related criteria for some eligible activities under this category.

A. Community Development - Façade Improvements: Grants are available for communities that seek to target areas of traditional downtowns for façade improvements which will have a significant impact on the downtown/community. The Façade Improvement Program is structured to provide commercial/mixed-use building façade improvements to sustain and minimize deterioration of traditional downtowns. This program is based on the premise that the exterior improvements will stimulate additional private investment in the buildings, and the surrounding area, attract and increase additional customers, thereby resulting in additional downtown economic opportunities.

Communities that are qualified as LMI communities with a population over 15,000 must include at least, but no more than, five participating properties with façade improvements to meet the area wide benefit national objective for this initiative. LMI communities with a population of 15,000 or less must have at least two, but no more than five, participating properties to meet the area wide benefit National Objective. Participating property owners will be required to escrow contributing funds prior to MSF approval. Multiple Façade projects in a single community may be limited by assessment of UGLG and/or Certified Grant Administrator’s capacity.

All projects which include historic resources must meet the Secretary of Interior’s Standards for Rehabilitation. Complete and transformative exterior historic rehabilitation projects may be considered for 25% contribution.

B. Community Development - Building Acquisition: Building Acquisition grants are available for acquisition of vacant, partially vacant, or substantially underused buildings, located in traditional downtowns for rehabilitation into a commercial/mixed use building that will result in job creation. CDBG funding can only be utilized for property acquisition activities.

The CDBG funding allows the community and/or the developer to acquire property that would not typically be purchased and redeveloped due to the substantial amount of money required to rehabilitate. Projects should be accompanied by a viable business plan, at least one appraisal completed within the past 12 months, along with the current State Equalized Value (SEV), documentation that all taxes are current, as well as verification that non-mortgage liens have not been placed on the property. Specific requirements for appraisals are outlined in
Chapter 6 (Acquisition) of the Grant Administration Manual (GAM).

Exclusively residential structures and government owned buildings, other than Land Bank properties, are not eligible for Building Acquisition funds. Ineligible activities for this initiative include appraisals, structural analysis, or other soft costs associated with acquisition. Projects that will rehabilitate significant structures, with preference to historic buildings and leverage private/public funds to assist with the rehabilitation of the property at a 1:1 ratio of CDBG funds, may receive up to 75% of the property’s appraised value. Projects that do not involve extensive rehabilitation projects and are intended for growing small businesses, should have a contribution of at least 50% of the property’s appraised value.

C. Community Development – Rehabilitation: Grants are available for rehabilitation of properties. Funding priority will be given to the rehabilitation of vacant, deteriorated and abandoned buildings which are considered to be blighted and detrimental to public health and safety. Materials are expected to be high quality and capable of preserving the building for several decades to come. Funding priority will be given to projects with the highest percentage of private matching funds (committed funds only), but all projects should have a contribution of at least 50% of the total project cost.

D. Community Development – Rental Rehabilitation: Projects that provide moderate or substantial rehabilitation activities of existing occupied or vacant rental housing or conversion of vacant space to rental units of which 51% of total units will be occupied by Low or Moderate Income (LMI) households upon completion. Rental units must be occupied by LMI households at affordable rents. LMI household means a household having an income equal to or less than the Section 8 low-income limits established by HUD. This distinction is very important because there can be situations where the persons residing in an assisted housing unit are not all members of the same family. For rental rehabilitation projects, compliance with the LMI benefit national objective is based on the initial occupancy of the rental unit following the completion of the CDBG assisted work. Income eligibility must be determined prior to lease signing. New leases require a minimum duration of 1 year. Projects will be evaluated based on financial need. Also, projects should be encouraged to bundle applications to make the most impact on the community’s housing needs.

E. Community Development - Public Infrastructure related to Small Business: Communities may request grants to provide public infrastructure improvements necessary for the location, expansion, and/or retention of a specific for-profit business. These projects will be considered on an ongoing basis. Public infrastructure includes items located on public property, such as: parking facilities, streetscape, farmers’ markets, public water or sanitary sewer lines, and related facilities, demolition as part of a larger project, streets, roads, bridges, private utilities and public utilities, Wi-Fi and broadband. Projects involving Green Infrastructure will be prioritized. A minimum 25% cash match is required.
II. **Community Development Assistance to Benefit Communities:** Assistance to Communities is designed to assist local units of government that have plans in place to promote and strengthen the infrastructure and environment in their downtowns. Public infrastructure includes items located on public property, such as: parking facilities, streetscape, farmers’ markets, public water or sanitary sewer lines, and related facilities, demolition as part of a larger project, streets, roads, bridges, private utilities and public utilities, Wi-Fi and broadband. Projects involving Green Infrastructure will be prioritized. These grants are expected to create vibrant communities and enhance sense of place through blight elimination, job creation, and by benefiting areas of low-moderate income individuals.

III. **A. Community Development - Planning:** Planning grants may be available to help communities accomplish project specific planning which is likely to lead to an eligible economic development implementation project. Eligible under this activity would be planning and capacity building, as identified in Section 105(a)(12) of Title I of the of the HCDA. CDBG Planning funding cannot be utilized to create, update, or provide information solely for a community to meet legislatively mandated community planning requirements, including Downtown Development Authority plans.

Projects will only be considered that can demonstrate that the planning grant will likely lead to an eligible implementation project. The planning study must be specific, with identified goals and outcomes. Funding priority will be given to communities with a higher percentage of matching funds (committed funds only), but a cash match equal to the awarded CDBG funds is required. The maximum individual grant award will not exceed $100,000.

**B. Community Development - Funding Round Grants:** Grants may be available for public infrastructure that upgrade existing public infrastructure systems. Announcement of these activities will be made to eligible communities as funding becomes available. Competitive ranking of projects will be based on the proposals received, and awards will be based on the availability of funds. Selection criteria will be announced at the time of the competition. A maximum of up to twenty five percent (25%) local government cash match may be required. The maximum individual grant award may not exceed $2,000,000.

IV. **Community Development – CDBG Loan Fund/Revolving Loan Fund (RLF):** The intent of the RLF is to provide CDBG eligible loans to businesses and Units of Local Governments (UGLUs) located with the nine geographic regions established by the MSF, or within the geographic boundaries of an existing Local RLF within the identified regional territory. The MEDC will work with the identified funds to consider projects with existing funding and new funds. However, the MEDC does not intend to further capitalize any funds that are remaining local due to the goal of streamlining funding and creating efficiencies throughout the state. Please note due to the unique nature of these projects and goal of supporting eligible projects brought forward by the funds, Community Development criteria may be waived by MEDC staff.
All Regionalized and Locally held RLF Managers and CDBG Regional RLF Managers were notified that they would have to meet the State of Michigan’s definition of “Continuing Activity” as approved by the MSF. Continuing Activity is defined as the successful funding of an eligible CDBG loan activity or extension of commercial credit in the preceding 12 months (July 1st – June 30th) or, in the cases in which the RLF had insufficient funds to advance on a proper loan request, a request for assistance was made of the State CDBG program and a loan/grant was approved, with a loan/grant agreement having been signed.

If the definition of Continuing Activity is not met, the CDBG Regional RLF Manager will have removed the revolving fund distinction from the CDBG funds. The funds will be reclassified as general CDBG funds, and, per State policy, must be returned to the State as general program income.

V. **Community Development - Unique Grants:** Innovative and creative funding requests may be considered by the MEDC based on special and/or unique needs, or situations requiring innovative program approaches not specifically provided in identified programs. This may include, but is not limited to, brownfield site redevelopment, small business development, CDBG Section 108 loan guarantees, farm-to-food grants, demolition of blight, activities and services listed in the above categories which do not meet identified screening or selection criteria, and/or projects associated with other State, or are Federally funded.
MEMORANDUM

Date: June 27, 2017

To: Michigan Strategic Fund Board

From: Julius Edwards, Manager, Incentive Structuring and Underwriting

Subject: 609 E Kirby Lofts LLC
Michigan Community Revitalization Program
Request for Approval of an Other Economic Assistance-Loan Participation Agreement Amendment

Request
609 E Kirby Lofts LLC ("Company") is requesting approval of an amendment to the Michigan Community Revitalization Program Other Economic Assistance Loan Participation Agreement ("Agreement") and any related ancillary agreements. The amendment request includes a request to extend the due date for both the Project Completion Status Submission by Lender and the Conversion of Capital Impact Loan II to December 31, 2017. In addition, the Company is requesting to increase the MCRP award advance percentage up to 50 percent of “Eligible Investment”. The 50 percent advance percentage is allowed for up to three single projects per year for the specific purpose of historic preservation. This is the first request for this year.

Background
The Michigan Strategic Fund Delegates approved a $1,000,000 Other Economic Assistance Performance-Based Loan Participation on July 26, 2013, to the Company for the purpose of renovating the historic, but blighted Tushiyah United Hebrew School that was built in 1922 located at 600 and 609 East Kirby in Midtown Detroit into 25 market-rate housing units and a 32 space gated surface lot.

An amendment to the project was approved on October 4, 2013, to change the structure of the original loan, allowing the MSF to participate in a single $2,050,000 loan with Capital Impact. The MSF share of the loan remained the same at $1,000,000 with $300,000 of principal forgiven upon completion. A second amendment to the project was approved on November 10, 2015, to extend the deadline for construction completion six months, to March 22, 2016. A third amendment was approved on June 9, 2016, to extend the deadline for construction completion.

The project has been completed and a final Certificate of Occupancy was issued in August 2016. The additional time is needed because all outstanding bridge loans associated with the State Historic and Brownfield credits have to be paid before the conversion of the Capital Impact Loan II milestone can be completed. The State Historic credit has been certified and the refund application submitted to the State. The Brownfield MBT credit is currently under review. The additional time allows the credit review process to be completed and the Department of Treasury to issue refunds and all final documentation to be completed and submitted.
Allowance for the MCRP award to be up to 50 percent of the eligible investment is needed to allow for changes to “Eligible Investment”. During construction the project incurred a number of costs that the development team anticipated would be considered “Eligible Investment”, but have been determined by MEDC staff to not be eligible. This has resulted in a potential financing shortfall for the project, if not for the proposed change to the MCRP advance percentage the development would be forced to repay the MSF approximately $200,000-300,000. All MCRP monies have been advanced and the project is complete, fully stabilized and performing above expectations. The proposed change would not result in the MSF advancing any additional monies, but allow the development team to be eligible for the full amount of MCRP award that has been advanced. The company is current with reporting requirements.

**Recommendation**
The MEDC staff recommends approval of an amendment to the MCRP Other Economic Assistance Loan Participation Agreement and any related ancillary agreements to allow for:

1) an MCRP award for up to 50 percent of eligible investment but not more than $1,000,000; and
2) extension of the due date for both the Project Completion Status Submission by Lender and the Conversion of Capital Impact Loan II to December 31, 2017, per the Company’s request.
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, on July 26, 2013, the MSF Delegates awarded a MCRP Other Economic Assistance Loan Participation Award to 609 E Kirby Lofts LLC, in furtherance of the Project of up to $1,000,000 (“Award”);

WHEREAS, on October 4, 2013, the MSF Delegates approved a MCRP amendment to change the structure of the original loan, allowing MSF to participate in a single $2,050,000 loan with Capital Impact;

WHEREAS, on November 10, 2015, the MSF Delegates approved a MCRP amendment to extend the deadline for construction completion;

WHEREAS, on June 9, 2016, the MSF Delegates approved a MCRP amendment to extend the deadline for construction completion;

WHEREAS, the MEDC is recommending that the MSF approve the amendment recommendation to allow for an MCRP award of up to 50 percent of “Eligible Investment”, but not more than $1,000,000 and to extend the due date for both the Project Completion Status Submission by Lender and the Conversion of Capital Impact Loan II to December 31, 2017, with all other requirements remaining in place from prior approvals;

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

Nays:

Recused:

Lansing, Michigan
June 27, 2017
MEMORANDUM

Date:       June 27, 2017

To:         Michigan Strategic Fund Board

From:       Katharine Czarnecki, Senior Vice President, Community Development

Subject:    Acceptance of the Michigan State Housing Development Authority Housing Development Fund (HDF) grant amendment

Request
This request is for the Michigan Strategic Fund’s acceptance of MSHDA’s Housing Development Fund (HDF) grant amendment dated January 25, 2017. This amendment will alter the payment structure of the grant.

Background
In January 2016, the MSF, MSHDA and MEDC signed a Memorandum of Understanding (MOU) to transfer certain community development programs and community development funding at the MSF. In March 2016, the MSF board authorized staff to submit an application to MSHDA for an HDF grant. Due to delays, the grant application wasn’t able to move forward at that time.

On January 25, 2017, the MSF approved acceptance of the HDF grant with an annual payment ($5.3 million) plan to cover January 17, 2016, through January 17, 2026. The amendment will alter that to make a one-time payment of thirty million dollars ($30,000,000). All activities approved for repayment under the initial agreement remain the same.

Recommendation
MEDC staff recommends acceptance of the MSHDA HDF grant amendment and receipt of $30 million.
WHEREAS, the Department of Talent and Economic Development (“TED”) was created by Executive Order 2014-12 (“EO 2014-12”), effective March 16, 2015 (the “Effective Date”);

WHEREAS, under EO 2014-12, the Michigan Strategic Fund (“MSF”) was transferred from the Department of Treasury to TED and the Michigan State Housing Development Authority (“MSHDA”) was transferred from the MSF to TED;

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

WHEREAS, at its December 15, 2015 meeting, the MSF Board authorized the MSF Fund Manager to enter into a Memorandum of Understanding to achieve the objective of aligning community development programs, the MSF, the MEDC, and MSHDA and to define the roles and responsibilities of each with respect to community development activities and operations (the “Community Development Activities”);

WHEREAS, at its March 22, 2016 meeting, the MSF Board authorized the MSF Fund Manager to submit an application to MSHDA for a Housing Development Fund grant to support Community Development Activities;

WHEREAS, the MSF Fund Manager submitted an application to MSHDA for a Housing Development Grant to support Community Development Activities;

WHEREAS, on January 25, 2017, MSHDA approved a Housing Development Grant for the MSF to support Community Development Activities;

WHEREAS, on January 30, 2017, the MSF accepted the Housing Development Grant and authorized the MSF Fund Manager to execute all documents necessary to effectuate the Housing Development Grant;

WHEREAS, MSHDA and the MSF wish to amend the Housing Development Grant to alter the disbursement schedule of the grant from annual payments of $5,300,000 to a one-time payment of $30,000,000 (the “Housing Development Grant Amendment”);

WHEREAS, the MEDC recommends and the MSF wishes to approve the Housing Development Grant Amendment.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the Housing Development Fund Grant Amendment and authorizes the MSF Fund Manager to finalize all documents necessary to effectuate the Housing Development Grant consistent terms and conditions of this resolution.

Ayes: 
Nays: 
Recused: 

Lansing, Michigan 
June 27, 2017
THIS AMENDED AND RESTATED GRANT AGREEMENT ("Agreement") made and entered into as of June ___ 2017, by and between the Michigan Strategic Fund, a public body corporate and politic of the State of Michigan, whose address is 300 N. Washington Square, Lansing, Michigan 48913 (the "Grantee"), and the Michigan State Housing Development Authority, a public body corporate and politic of the State of Michigan, whose address is 735 East Michigan Avenue, Lansing, Michigan 48912 ("the Authority").

REcITALS:

A. Section 23 of Public Act 346 of 1966, as amended (the "Act"), creates and establishes a housing development fund under the jurisdiction and control of the Authority, and further provides that the Authority may use the monies held in the housing development fund to make grants to local communities, as defined by the Authority in rules promulgated under the Act, or to public or private nonprofit organizations or local governmental agencies organized to provide assistance to persons and families of low or moderate income, in any amounts as the Authority determines, not to exceed the net costs, exclusive of any federal aid or assistance, incurred by the recipient in planning for or implementing housing assistance or community or housing development.

B. On January 25, 2017, the Authority approved a Housing Development Grant to the Grantee, in an amount not to exceed Five Million Three Hundred Thousand Dollars ($5,300,000) (the "Initial Grant"), which grant was memorialized through the execution of a Housing Development Fund Grant Agreement dated February 21, 2017 ("Initial Grant Agreement") for low and moderate income housing and/or neighborhood conservation/renewal efforts and programs described in Exhibit A thereto (collectively, the "Initial Program").

C. Effective March 12, 2017, Governor Rick Snyder’s Executive Order 2016-23 permanently transferred certain MSHDA staff to the MSF (the "Transferred Staff") to administer the Initial Program.

D. The term of the Initial Grant Agreement, adopted to cover Transferred Staff salaries (and other related expenses) and activities, commenced on March 13, 2017 and terminates on June 30, 2018.

E. The Initial Grant covers all of year 2 and a portion of year 3 of a 10 year anticipated duration period of annual grants by the Authority to the Grantee, with the 10 year grant period commencing on January 17, 2016 and expiring on January 17, 2026, with all of the funds required to be depleted at the end of the grant term.

F. The Authority wishes to have this Agreement amend and replace the Initial Grant Agreement in its entirety in order to fulfill the following:

1. Memorize and confirm that the Agreement shall have a term that expires on January 17, 2026 ("Restated Grant Term");
2. Replace the Initial Program with the description of low and moderate income
housing and/or neighborhood conservation/renewal efforts and programs set forth in Exhibit A attached hereto (collectively, the “Program”)

3. Make a one-time payment of Thirty Million Dollars ($30,000,000) to the Grantee for the following:
   a. To pay for the purpose restriction noted below by the expiration date;
   b. To enable the MSF, as the new permanent employer of the Transferred Staff, to pay the costs of the Transferred Staff services
   c. To have the one-time payment qualify as a “voluntary non-exchange transaction” during the Restated Grant Term.

G. The Grantee and Authority therefore wish to enter into this Agreement to (i) amend and replace the Initial Grant Agreement in its entirety and (ii) comply with the terms of the Housing Development Fund Grant Report and Resolution dated June 28, 2017.

NOW, THEREFORE, in consideration of and as a condition to receiving the Grant, the Grantee agrees that:

1. The terms and conditions set forth herein are a reasonable and appropriate means to assure the use of funds in accordance with the Act and the Authority's General Rules, and the resolution for this Grant (defined below in Section 4 hereof) (the “Resolution”).

2. All aspects of the Grantee's plan for the use of the Grant are specifically described in the Program attached hereto as Exhibit A (Scope of Work), which Program is incorporated herein, and the Grantee will operate the Program as described in Exhibit A.

3. All actions of the Grantee and requirements of the Grantee's Program are subject to the terms of this Agreement, the provisions of the Act and the Rules of the Authority, being R 125.101, et seq (the “Rules”).

4. The Authority shall make a one-time grant to the Grantee in the amount of Thirty Million Dollars ($30,000,000) (the “Grant”). The funds can be spent immediately upon the effective date of the grant agreement subject to the Grant Purpose restriction as defined below.

5. This Grant is intended to be a “voluntary non-exchange transaction” under Statement No. 33 of the Governmental Accounting Standards Board.

6. The parties to this Agreement acknowledge that the Grant must be used in accordance with the Act and this Agreement, and the activities of the Grantee will be subject to review by Authority staff to ensure compliance with this Agreement, the Act and the Rules, and the Grantee will provide any books, records or documents in such form and at such place as the Authority may request.

7. The Grantee agrees to spend Grant proceeds in such amounts as may be necessary to pay for the activities described in Exhibit A.

8. If any of the Grant proceeds are to be used for the construction or rehabilitation of housing, then:
   a. all housing units constructed or rehabilitated under the Grant will meet all local codes and will be maintained in good repair; and
b. all housing units constructed or rehabilitated under the Grant shall either be affordable to persons whose incomes do not exceed 80 percent of the area median income, adjusted for family size for the area in which each unit will be located, or shall support ongoing neighborhood revitalization efforts where at least 51% of the households in the neighborhood have incomes that are at or below 80% of median income as defined by the U.S. Department of Housing and Urban Development.

9. Any of Grantee's activities that are assisted by the use of Grant proceeds and the selection of persons for participation in the Program shall not discriminate against any person on the grounds of race, color, creed, religion, height, weight, sex, age (except for a development specifically designed for elderly occupants), national origin, handicap, or marital or familial status except as provided by law. The Grantee shall comply with all requirements imposed by Title VIII of the Civil Rights Act of 1968 (as amended by the Fair Housing Amendments Act of 1988), the Americans with Disabilities Act, the Elliott-Larsen Civil Rights Act, and the Michigan Persons with Disabilities Civil Rights Act.

10. The Grantee assumes responsibility for any and all costs to implement the Grantee's Program exceeding the amount of the Grant.

11. By January 17, 2026 (the “Expiration Date”), the Grant funds shall be spent on HDF activities that fulfill the purpose of the grant (the “Grant Purpose”) as described in this Agreement and Exhibit A and as approved by an authorized officer of the Authority at the end of the grant term described below in Section 12. Upon the expiration of this Grant Agreement, if the Authority determines that the Grant, in part or in its entirety, has not been spent in a manner that meets the Grant Purpose, the Grantee shall immediately return to the Authority the Grant amount not spent on the Grant Purpose.

12. The term of this Agreement shall commence on June 30, 2017 and shall expire on the Expiration Date (the “Restated Grant Term”).

13. The invalidity of any clause, part, or provision of this Agreement shall not affect the validity of the remaining portion hereof.

14. This Agreement may be signed in several counterparts and all so executed shall constitute one agreement, binding on all parties hereto.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year shown above.

MICHIGAN STRATEGIC FUND

By: ________________________________
    Date

Its: ________________________________
By: ____________________________________________
Earl Poleski   Date
Its: Executive Director

Exhibit A

Housing Development Fund Grant Agreement, HDF-325

Grant Purpose

The Grantee will use MSHDA Housing Development Funds to promote community development, including but not limited to infrastructure improvements, economic development projects, blight elimination, and community facilities in a manner consistent with the terms and conditions of the Memorandum of Understanding signed January 14, 2016, by the Authority and the Grantee and January 15, 2016, by the Michigan Economic Development Corporation (MEDC), and an “Amendment #1” thereto signed March 14, 2016 by the Authority and March 17, 2016 by the Grantee and the MEDC, together with a “Second Amendment” thereto, dated as of September 14, 2016, by and between the Authority, MSHDA, MSF and MEDC (collectively, the “MOU”). Funds will also be used to cover salaries and other related expenses (e.g., travel, training, admin, etc.) for the FTE staff positions transferred from MSHDA’s former Community Development Division and Downtowns and Community Services Division to the MSF by Executive Order 2016-23. The staff and activities will be housed in the Community Development unit of the Michigan Economic Development Corporation.

This Grant will cover expenses through the Expiration Date.

All Housing Development Fund activities and expenditures must support low and moderate-income housing and/or neighborhood conservation/renewal efforts, including but not limited to Community Development Block Grant (CDBG) Program Activities in accordance with the State of Michigan's Housing and Community Development Consolidated Plan, the Michigan Main Street Program, the Redevelopment Ready Community Program, the Michigan Brownfield Tax Increment Financing Program, and the Michigan Community Revitalization Program.

The Grantee will not use the one-time payment for the purposes of matching federal funds or other basis for obtaining federal funds. The Grant is made up of Authority funds and does not include federal money.

For purposes of this agreement, neighborhoods include downtowns with residential units (e.g., upper-level rental), commercial districts with residential units, commercial corridors with residential units, neighborhoods adjacent to downtowns (meaning the downtown is considered by the residents to be within walking distance from the residential area), and neighborhoods that are not adjacent to downtowns but are investment priorities for the state.
The Grant budget is as follows:

<table>
<thead>
<tr>
<th>Activity</th>
<th>MSHDA</th>
<th>OTHER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing Development Fund Activities and Expenditures</td>
<td>$30,000,000</td>
<td>$0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$30,000,000</strong></td>
<td><strong>$0</strong></td>
</tr>
</tbody>
</table>

Outcomes/Deliverables: Grant funds will result in at least Thirty Million Dollars ($30,000,000) of expenses in Housing Development Fund activities and expenditures that support low and moderate-income housing and/or neighborhood conservation/renewal efforts. These outcomes shall be similar or greater than what was achieved while these programs were housed at MSHDA, due to the efficiencies resulting from the combining of the MSHDA, MSF and MEDC programs and staff. In addition, the work staff is performing will help drive private investment in downtowns, neighborhoods and other strategic focus locations.

Disbursement: The Grant funds shall be disbursed on or before June 30, 2017.

Reporting: The Grantee shall provide annual written reports to the Authority on the first business day in July or more frequently if requested by Authority. These reports shall document compliance with the above outcomes/deliverables using such reporting as reasonably determined by the Authority to be appropriate. The reports are to be submitted to Jess Sobel at the Michigan State Housing Development Authority, 735 E. Michigan Avenue, Lansing, MI 48912. Authority staff will review the progress reports and will advise in a timely manner if any problems arise that may affect the terms of this agreement.

Monitoring: If the Authority determines that the Grantee is not complying with this Agreement, the Authority may perform annual on-site monitoring to ensure Housing Development Fund activities and expenditures comply with the Act, the Rules, the Resolution and this Agreement.
MEMORANDUM

Date:       June 27, 2017

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

From:       Marcia Gebarowski, Senior Business Development Project Manager

Subject:    Autoliv ASP, Inc. (“Company” or “Applicant”)
            Michigan Business Development Program Performance-based Grant Request

Summary
This is a request on behalf of Autoliv ASP, Inc. for a $2,600,000 performance-based grant. This project involves the creation of up to 384 Qualified New Jobs over five years, and a capital investment of up to $22.6 million in the City of Southfield, Oakland County.

To meet customer demand for automotive safety technology, Autoliv must increase their team of engineers in North America. Autoliv has four facilities in Southfield and Farmington Hills that are at-capacity and cannot accommodate additional growth. Autoliv has similar engineering locations in Ohio and Utah that could facilitate the new growth with some expansion to their existing facilities.

State and local assistance is required to ensure that the Company commits to consolidating and growing their Michigan operations into a newly constructed state-of-the-art facility that will serve as the technical hub of Autoliv’s Electronics division.

Background
Autoliv is a Swedish–American company with headquarters in Stockholm, Sweden and Auburn Hills, Michigan that in 1997 sprung from the merger of the Swedish company Autoliv AB and Morton Automotive Safety Products, Inc., a division of the American firm Morton International. Autoliv develops and manufactures automotive safety systems for all major automotive manufacturers in the world including airbags, seatbelts, steering wheels, passive safety electronics and active safety systems including radar, night visions and camera vision systems. Together with its joint ventures, Autoliv has over 80 facilities in 29 countries with 60,000 employees of whom 4400 are involved in research and development. In addition, the company has 18 development and engineering centers in 9 countries around the world, including 20 test tracks, more than any other automotive safety supplier.

The Company will lease a newly constructed 180,000 sq/ft state-of-the-art facility in the city of Southfield and consolidate their operations in Southfield and Farmington Hills which are currently spread over four different facilities. The new building will allow the Company to house their entire electronics division under one roof, while providing the space needed to add new employees.

The Company has not received MSF incentives in the past.
The MEDC 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 Southfield. The city has offered a “staff, financial, or economic commitment to the project” in the form of a property tax abatement related to the project.

c) The Company has demonstrated a need for the funding. The Company does not have capacity to house employee growth at any of their current facilities in Michigan. The planned growth of their engineering talent could be spread among the different facilities across the U.S., and is not required to be under a single roof. The Company has also indicated that they can attract talent in other regions in the U.S. using fewer resources than what is required to recruit engineering talent in Michigan.

d) The Applicant plans to create up to 384 Qualified New Jobs above a project base employment level of 1,180.

e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: the project is located in a core community, there was out-of-state competition for the project, the project will result in high paying and highly skilled new jobs, and the project will have a positive ROI to Michigan.

**Recommendation**

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

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

b) Closing the MBDP Proposal, subject to available funding under the MBDP at the time of closing (“Available Funding”), satisfactory completion of due diligence (collectively, “Due Diligence”), finalization of all MBDP transaction documents; and

c) Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 60 days.
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, Autoliv ASP, Inc. ("Company") has requested a performance based MBDP grant of up to $2,600,000 ("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 Board 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
June 27, 2017
EXHIBIT A
MICHIGAN BUSINESS DEVELOPMENT PROGRAM
Performance Based Incentive - Term Sheet - Summary

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").

Date: June 8, 2017

Company Name: Autoliv ASP, Inc. and/or its affiliates and subsidiaries.

Project Location: City of Southfield

MBDP Incentive Type: Performance-based Grant

Maximum Amount of MBDP Incentive: Up to $2,600,000

Base Employment Level: At least 1,180

Qualified New Jobs: At least 384 in the City of Southfield

Municipality Supporting Project: City of Southfield has agreed to provide staff, financial or economic assistance in support of the project.

Start Date for Measurement of Creation of Qualified New Jobs: Date of Executed offer letter (May 18, 2017)

Term of the Agreement: 6 months after projected final milestone due date

Milestone Based Incentive: Disbursements will be made over a 4 year period and will be performance based on job creation as follows:

Milestone 1: $600,000 for the creation of 100 jobs.
Milestone 2: $600,000 for the creation of 100 additional jobs.
Milestone 3: $1,400,000 for the creation of 184 additional jobs

The detailed numbers, and statutorily required repayment and reporting provisions, will be reflected in the subsequent transaction documents.

Acknowledged as received by:

Autoliv ASP, Inc.

By: [Signature]

Printed Name: Michael S. Anderson

Its: Vice President

Michigan Economic Development Corporation

By: [Signature]

Printed Name: Marcia Gebarski

Its: Senior BD Project Manager

Autoliv ASP, Inc.
EXHIBIT A
MICHIGAN BUSINESS DEVELOPMENT PROGRAM
Performance Based Incentive - Term Sheet - Summary

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Acknowledged as received by:

Autoliv ASP, Inc.

By: [Signature]

Printed Name: Michael S. Anderson

Its: Vice President

Michigan Economic Development Corporation

By: [Signature]

Printed Name: Marcia Gebarowski

Its: Senior BD Project Manager

Autoliv ASP, Inc.
MEMORANDUM

Date: June 27, 2017

To: Michigan Strategic Fund (“MSF”) Board

From: Marcia Gebarowski, Senior Business Development Project Manager

Subject: City of Pontiac (the “Applicant”) – Williams International Co., LLC (the “Company”) MSF Designated Renaissance Zone, Michigan Business Development Program Performance-based Grant Request, & Michigan Motion Pictures Studio Renaissance Zone Revocation Request

SUMMARY

There are three requests outlined in this document. First, a request on behalf of the Company for a $4,000,000 MBDP performance-based grant. Second, a request on behalf of the Applicant for a MSF Designated Renaissance Zone for fifteen (15) years for the Williams International project located at the former Motown Motion Picture Studio and surrounding properties in the City of Pontiac, Oakland County. The Company anticipates the project will result in private investment of $344,500,000 and the creation of 400 Qualified New Jobs. The final request is to terminate the existing Renaissance Zone on the former Michigan Motion Pictures Studio (formerly known as Motown Motion Pictures Studio).

The Company has demonstrated a need for MSF assistance. The Company evaluated sites in Alabama as well as Utah to site their growing operations. The Company has operations in Utah where they can facilitate an expansion with less capital and other resources to grow their engineering team. The Company has also received significant incentive offers from other states including Alabama. These proposals included a combination of tax credits, grants, training resources, land, as well as tax abatements. State and local assistance was required to secure the Company’s proposed acquisition of four parcels of land in Pontiac to consolidate and grow their aerospace engineering and future manufacturing operations will require significant company resources to create a state-of-the-art campus, and will bring around 900 high paying jobs into the city.

COMPANY BACKGROUND

Founded in 1955, Williams International is the world leader in the development, manufacture and support of small gas turbine engines. Williams has expanded its development, test, production, and product support capabilities to create a large, versatile organization with the capacity to meet growth objectives in aviation, industrial and military markets. The Company is headquartered in Commerce Township, Michigan, where research and development (R&D) and repair and overhaul (R&O) also are based. The Company has a second facility, located in Ogden, Utah, which is a gas turbine design-to-production facility.

The Company has not received MSF incentives in the past.

The MEDC has completed a civil and criminal background check for the entity and individuals related to this project.
**PROJECT BACKGROUND**
The Company is contemplating relocating its Commerce Township operation in order to meet the current and anticipated business growth in both its military and commercial operations. Relocating its headquarters to an area such as Pontiac, MI would put Williams into a region with a large, highly-trained workforce, including those with high tech engineering and manufacturing and skills. With significant investment, the proposed project area in Pontiac provides Williams the framework for a new headquarters, immediate upgrade and expansion of manufacturing capabilities, and sufficient expansion area to meet their near-term needs.

The Company plans to acquire the former Motown Motion Picture Studio located on 1999 Centerpoint in the city of Pontiac. The Company plans to retrofit this facility to serve as their new headquarters building. The former studio facility will need to be reconstructed into a highly automated, high-tech manufacturing facility for the development and testing of new product lines Williams currently has under development.

In addition to the former studio, the Company will acquire two parcels totaling 120 acres of vacant land adjacent to the former studio facility. The Company anticipates it will require a facility to manufacture the product lines currently under development. This land will be the site for the 800,000-1,000,000 sq. ft. facility Williams believes they will need within six to seven years.

Finally, the Company will acquire the building located at 2001 Centerpoint to complete their proposed project area. Williams will transform this property to house related manufacturing processes. Further, this facility will also provide additional high-tech office space for continued growth of the Company.

**PROPERTY DESCRIPTION**
The Applicant has made application on behalf of Williams International Co., LLC for a MSF Designated Renaissance Zone for a 15 year designation. The request is for 150.47 acres and will include property parcels: 64-19-03-201-002, 64-19-03-202-001, 64-19-03-200-022 and 64-19-03-200-023. The MSF Designated Renaissance Zone would become effective on January 1, 2018, and end on December 31, 2032.

**BDP 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 Pontiac. The city has offered a “staff, financial, or economic commitment to the project” in the form of a property tax abatement related to the project in addition to the support of the MSF Renaissance Zone.
- c) The Company has demonstrated a need for the funding. The Company does not have the capacity to house new growth at their current Michigan campus and would need to expand. The Company has received significant offers to place operations in other states including Alabama and North Carolina. The proposed project involves a large up front capital investment to acquire the land, and renovate the buildings and adjacent property needed to accommodate the Company’s current and future operational needs.
- d) The Applicant plans to create up to 400 Qualified New Jobs above a project base employment level of 500.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: the project is located in a core community, the project involves the re-use of an existing and vacant building, there was out-of-state competition for the project, the project will result in more and better jobs, the project is shovel ready and Company has indicated that capital investment and job growth will begin in 2017, and the project will have a positive ROI to Michigan.
RENAISSANCE ZONE PROJECT EVALUATION

Job Creation
400 by December 31, 2022

Private Investment
$344,500,000 by December 31, 2022

Number of Acres
150.47 acres

Tax Information
It is estimated that an average of $2,100,000 will be abated annually in property taxes.

Period of Designation
15 year designation

Payment in Lieu of Taxes
The Company has agreed to pay the City of Pontiac an amount equal to a portion of the real property taxes, as determined by an agreed upon assessment process for the duration of the designation. The State and Oakland County will not be correspondingly reimbursed.

Development Agreement
A development agreement will be entered into between Williams International Co., LLC and the Michigan Strategic Fund.

Legislative Information
Senator: Jim Marleau - State Senate District 12
Representative: Tim Greimel - State House District 29

RECOMMENDATION
MEDC Staff recommends the following:
1) Approval of the MBDP Proposal as outlined in the attached term sheet (collectively, “MBDP Proposal”);
2) 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
3) Termination of the current Renaissance Zone located at the Michigan Motion Pictures Studio; and
4) Approval of the requested Renaissance Zone for 15 years;
5) Approval of the requested Payments in Lieu of Taxes to the City of Pontiac equal to a portion of the real property taxes for the duration of the designation;
6) Execution of a Development Agreement between Williams International Co., LLC and the MSF which incorporates the terms and conditions set forth in the resolution (collectively, the “Request”). MEDC Staff further recommends that the MSF Fund Manager be authorized to execute all documents necessary to effectuate the Request; and
7) Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 60 days.
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, Williams International Co., LLC (“Company”) has requested a performance based MBDP grant of up to $4,000,000 (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”); and

WHEREAS, the MEDC recommends that the MSF Board 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
June 27, 2017
EXHIBIT A

MICHIGAN BUSINESS DEVELOPMENT PROGRAM
Performance Based Incentive - Term Sheet - Summary

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").

**Date:** June 5, 2017

**Company Name:** Williams International Co., L.L.C. and/or its affiliates and subsidiaries.

**Project Location:** City of Pontiac

**MBDP Incentive Type:** Performance-based Grant

**Maximum Amount of MBDP Incentive:** Up to $4,000,000

**Base Employment Level:** At least 500 in the State of Michigan

**Qualified New Jobs:** At least 400 in the City of Pontiac

**Municipality Supporting Project:** The city of Pontiac has agreed to provide staff, financial or economic assistance in support of the project.

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

**Term of the Agreement:** 6 months after projected final milestone due date

**Milestone Based Incentive:** Disbursements will be made over a 5 year period and will be performance based on job creation as follows:

- Milestone 1: $500,000 for the creation of 50 jobs.
- Milestone 2: $500,000 for the creation of 50 additional jobs.
- Milestone 3: $500,000 for the creation of 50 additional jobs.
- Milestone 4: $500,000 for the creation of 50 additional jobs.
- Milestone 5: $750,000 for the creation of 75 additional jobs.
- Milestone 6: $750,000 for the creation of 75 additional jobs.
- Milestone 7: $500,000 for the creation of 50 additional jobs.

The detailed numbers, and statutorily required repayment and reporting provisions, will be reflected in the subsequent transaction documents.

Acknowledged as received by:

Williams International Co., L.L.C.

By: [Signature]

Printed Name: Gary Schopa

Its: Senior Vice President & CFO

Michigan Economic Development Corporation

By: [Signature]

Printed Name: [Signature]

Its: Senior BD Project Mgr.

Williams International Co., LLC
MICHIGAN STRATEGIC FUND

RESOLUTION

2017-

REVOCATION OF AN MSF-DESIGNATED RENAISSANCE ZONE DESIGNATION
Michigan Motion Picture Studios, LLC

WHEREAS, Section 8a(2) of the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, authorizes the Michigan Strategic Fund (“MSF”) Board to designate up to twenty-seven (27) renaissance zones in one or more city, village, or township if consented to by the local unit of government in which the proposed renaissance zone will be located;

WHEREAS, at its May 20, 2009 meeting, the Michigan Strategic Fund (“MSF”) Board approved the City of Pontiac’s application for an MSF-Designated Renaissance Zone via Resolution 2009-054, for Michigan Motion Picture Studios, LLC, formerly Motown Motion Pictures, LLC, (the “Company”) for a 15-year term (the “Renaissance Zone”);

WHEREAS, the Company is no longer operating on the property encompassing the Renaissance Zone, which is anticipated to be acquired by another company for development;

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

WHEREAS, the MEDC recommends that the MSF Board approve the revocation of the Renaissance Zone;

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the revocation of the Renaissance Zone effective on December 30, 2017 for property tax purposes and December 31, 2017 for all other purposes; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
June 27, 2017
WHEREAS, Section 8a(2) of the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, authorizes the Michigan Strategic Fund (“MSF”) Board to designate up to twenty-seven (27) renaissance zones (a “Renaissance Zone”) in one or more city, village, or township if consented to by the local unit of government in which the proposed renaissance zone will be located;

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

WHEREAS, the MEDC received an application from the City of Pontiac (the “Application”) for a renaissance zone designation for Williams International Co., LLC (the “Company”) under Section 8a(2) of the Act;

WHEREAS, the Company plans to relocate and expand their operations in the City of Pontiac;

WHEREAS, the Company has agreed to make a payment in lieu of taxes to the City of Pontiac for reimbursement of some of the taxes abated by the renaissance zone designation, to the exclusion of the State of Michigan and the County (the “PILOT”);

WHEREAS, the MEDC recommends that the MSF Board approve the Application for designation of a Renaissance Zone in the City of Pontiac for the property parcels described in the Application, as well as the PILOT, subject to the following conditions:

1. Execution of a development agreement consistent with the terms of this Resolution between the Michigan Strategic Fund, the real property owner(s), and the Company within 120 days of this Resolution, or within 180 days should the MSF Fund Manager authorize an extension not exceeding 60 additional days; and

2. Execution of a development agreement containing the PILOT arrangement between the Company and the City of Pontiac for the term of the renaissance zone; and

3. Approval of the Renaissance Zone by the Pontiac Receivership Transition Advisory Board by December 30, 2017.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board agrees to the PILOT and approves the Application designating a Renaissance Zone for the Company for a term of fifteen (15) years for property parcels 64-19-03-201-002, 64-19-03-202-001, 64-19-03-200-022, and 64-19-03-200-023 in the City of Pontiac. The Renaissance Zone designation shall begin on December 31, 2017 for property tax purposes and January 1, 2018 for all other purposes, provided that:

1. Execution of a development agreement consistent with the terms of this Resolution between the Michigan Strategic Fund, the real property owner(s), and the Company within 120 days of this Resolution, or within 180 days should the MSF Fund Manager authorize an extension not exceeding 60 additional days; and

2. Execution of a development agreement containing the PILOT arrangement between the Company and the City of Pontiac for the term of the renaissance zone; and
3. Approval of the Renaissance Zone by the Pontiac Receivership Transition Advisory Board by December 30, 2017.

BE IT FURTHER RESOLVED, that the MSF Fund Manager is authorized to negotiate the final terms and conditions of and to execute the development agreement and any other related documents necessary to effectuate the terms of this Resolution on behalf of the MSF.

Ayes:

Nays:

Recused:

Lansing, Michigan
June 27, 2017
MEMORANDUM

Date: June 27, 2017

To: Michigan Strategic Fund Board

From: Jeremy Webb, Senior Business Development Project Manager
Rob Garza, Brownfield and MCRP Senior Program Specialist

Subject: County of Gratiot Brownfield Redevelopment Authority
Request for Approval of an Act 381 Work Plan
ZFS Ithaca, LLC Ithaca Development Project

Request
The proposed project will be undertaken by ZFS Ithaca, LLC (ZFS) and will develop and repurpose the property by constructing a soybean processing facility on six parcels of property located at 1266 Washington Road in the city of Ithaca, Gratiot County. The project qualifies for an Act 381 work plan because the property has been declared functionally obsolete.

In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the County of Gratiot Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of $12,200,000.

ZFS continually evaluates their soybean processing capacity as it relates to expansion and is looking to expand its production footprint in Michigan or Wisconsin, Pennsylvania, and/or Nebraska. Evaluating the feasibility of the Ithaca site is a top priority and at this point, ZFS is not able to move forward with the site for production without further assistance. The project is capital intensive and ZFS needs further assistance to help offset substantial up-front costs. 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.

ZFS anticipates that the project will result in a total capital investment of $129,000,000, along with the creation of approximately 74 permanent full-time equivalent jobs with an average hourly wage of $20.77.

Background
ZFS Ithaca, LLC’s parent, Zeeland Farm Services, Inc., is a family-owned and operated business with 65 years of service to the agricultural and transportation industries, focusing on soybean processing, corn processing, grain and feed ingredient merchandising, vegetable oil refining and trucking. A new soybean processing facility will be built on this six-acre site and will also have significant grain shipping, receiving, and storage on-site.
Demolition activities will be necessary to remove the existing on-site office, three existing storage structures, several portions of the existing railroad tracks, existing pit & tunnel foundations, abandoned inactive utilities, and portions of the on-site roads that need to be re-routed to serve the proposed project. Site preparation activities include staking, geotechnical engineering, temporary construction facility, temporary erosion control, temporary site control, on-site road relocation, relocation of active on-site utilities, mass grading and land balancing, preparation for installation of rail lines, and permanent fencing along north property line. Infrastructure improvements including the construction of new publicly-owned water and sewer (storm and sanitary) lines, a publicly-owned electric substation, publicly-owned portions of the rail improvements, and the expansion of Washington Street are necessary to support the new development. Interest costs will be reimbursed as well.

On November 22, 2016, the MSF Board approved a new 15-year Agricultural Processing Renaissance Zone designation beginning on January 1, 2017, and ending December 31, 2031, for ZFS. The parent company has an Agricultural Processing Renaissance Zone in Zeeland, Michigan, which ends after tax year 2017. The parent company is in good standing. An assumed affiliate, Zeeland Bio-Based Products LLC, had a 21st Century Jobs Fund loan for Commercialization Business Plan Completion that has since closed out.

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

**Recommendation**
MEDC staff recommends approval of local and school tax capture for the Act 381 eligible activities totaling $12,200,000. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $5,452,180.
APPENDIX A – Programmatic Requirements & Screening Guidelines

Property Eligibility
The project is located within the boundaries of the City of Ithaca, which is a Qualified Local Governmental Unit, and has been deemed functionally obsolete as verified by a Michigan Advanced Assessing Officer (MAAO) on September 27, 2016.

The property is the subject of a Brownfield Plan, duly approved by the County of Gratiot on November 1, 2016, and concurred with by the City of Ithaca on November 1, 2016 and the Township of North Star on November 2, 2016.

In addition, the project is requesting from the DEQ $6,000 in TIF to assist with environmental eligible activities.

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 public will benefit through the complete activation of the functionally obsolete site to be used as a soybean processing facility. The project will drastically increase Michigan’s soybean production and create approximately 74 full time equivalent jobs. The project will have sweeping positive impacts to the Michigan agricultural industry will retain soybean processing within the state of Michigan and increasing soybean demand for soybean farmers leading to an economic expansion of the Michigan agricultural industry.

b) Jobs Created (Excluding Construction and other Indirect Jobs):
This project is expected to create approximately 74 new, full-time equivalent jobs in the City of Ithaca.

c) Area of High Unemployment:
The County of Gratiot’s unadjusted jobless rate was 6.2% in February of 2017. This compares to the statewide seasonally adjusted average of 5.3% in February of 2017.

d) Level and Extent of Contamination Alleviated:
The project is not qualifying as a facility and the presence, or lack of, contamination has not been determined.

e) Reuse of Functionally Obsolete Buildings and/or Redevelopment of Blighted Property:
The existing building at the site is functionally obsolete and must be demolished as part of the proposed scope of work along with the foundations and storage structures on the site. The ethanol storage silos will remain in place but will not be utilized as part of this project.
f) **Whether Project will Create a New Brownfield Property in the State:**
The Project will not create brownfield property as the developer’s current plant in Zeeland, Michigan will remain operational.

g) **Whether the Project is Financially and Economically Sound:**
From the materials received, the MEDC infers that the project is financially and economically sound.

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

**Tax Capture Breakdown**
There are 53.6981 non-homestead mills available for capture, with school millage equaling 24 mills (44.69%) and local millage equaling 29.6981 mills (55.31%). Tax increment capture is identified to begin in 2021 and is estimated to continue for 30 years. Because this project will occur in a Renaissance Zone, actual capture will not begin until 2029. The requested tax capture for MSF eligible activities breaks down as follows:

<table>
<thead>
<tr>
<th></th>
<th>Percentage</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>School tax capture</td>
<td>(44.69%)</td>
<td>$5,452,180</td>
</tr>
<tr>
<td>Local tax capture</td>
<td>(55.31%)</td>
<td>$6,747,820</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>$12,200,000</strong></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>$522,800</td>
</tr>
<tr>
<td>Infrastructure Improvements</td>
<td>4,501,650</td>
</tr>
<tr>
<td>Site Preparation</td>
<td>4,107,175</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td>$9,131,625</td>
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<tr>
<td>Contingency (15%)</td>
<td>1,369,744</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td>$10,501,369</td>
</tr>
<tr>
<td>Interest (5%)</td>
<td>1,668,631</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td>$12,170,000</td>
</tr>
<tr>
<td>Brownfield/Work Plan Preparation</td>
<td>30,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$12,200,000</strong></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, asbestos, or mold 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 County of Gratiot Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 1266 Washington Road within the City of Ithaca, known as ZFS Ithaca, LLC Ithaca Development Project (the “Project”);

WHEREAS, the City of Ithaca is a “qualified local governmental unit” and is eligible to provide for a) demolition; b) lead, asbestos, or mold abatement; c) public infrastructure improvements; d) site preparation; e) brownfield and work plan preparation; f) brownfield and work plan implementation and g) 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 44.69% to 55.31% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, and infrastructure improvements as presented in the revised Work Plan dated June 13, 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 costs of MSF eligible activities with a maximum of $10,501,369 for
the principal activity costs of non-environmental activities and a contingency, a maximum of $1,668,631 in interest, a maximum of $30,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of $5,452,180.

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 County, 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.

BE IT FURTHER RESOLVED, that they MSF Board is authorizing that capture of taxes levied for school operating purposes for the payment of interest, up to a maximum of $1,668,631 related to the eligible activities for the Project.

Ayes:

Nays:

Recused:

Lansing, Michigan
June 27, 2017
MEMORANDUM

Date: June 27, 2017

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

From: Trevor Friedeberg, Senior Business Development Project Manager

Subject: Kroger Co. of Michigan (“Company” or “Applicant”) Michigan Business Development Program Performance-based Grant Request

Summary
This is a request from the Applicant for a $2,078,000 performance-based grant. This project involves the creation of 377 Qualified New Jobs and a capital investment of up to $24,911,584 in Chesterfield Township, Macomb County.

The Applicant has demonstrated a need for the funding. In addition to Michigan, Kroger considered the Toledo, Ohio metro area as a primary competing location for the Project, as well as the Fort Wayne, Indiana metro area. Due to their proximity to Michigan, these alternative locations could serve the Michigan retail network as well as stores in Indiana and Ohio. Providing incentive support secures this project and growth at the facility in Michigan.

Background
The Kroger Co. (NYSE: KR), headquartered in Cincinnati, OH, is one of the world's largest food retailers, with fiscal year 2015 sales of $109.8 billion.

Kroger spans many states with store formats that include grocery and multi-department stores, convenience stores and jewelry stores. The Company operates under two dozen banners, all of which share the same belief in building strong local ties and brand loyalty with its customers. The Company’s wide variety of store formats is among its key strengths that set it apart from competitors. The Company has approximately 431,000 associates who shop or serve in 2,778 retail food stores under a variety of local banner names in 35 states and the District of Columbia.

The Applicant has not received any incentives from the MSF in the past.

The Applicant plans to open a new dry-goods distribution center in Chesterfield Township, make investments and create jobs related to general warehousing and storage.

The MEDC 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 Chesterfield Township. Chesterfield Township has offered a “staff, financial, or economic commitment to the project” in the form of the use of township offices for a job fair to support growth. A tax abatement is not being utilized as there would be very little value to the Company at this time. Setting up a job fair to support the Company’s growth has been well received and will help meet the current needs of finding the proper employees for the project.

c) The Applicant has demonstrated a need for the funding. Kroger considered Toledo, Ohio as well as Fort Wayne, Indiana for this distribution facility. Locating in either of these locations would allow the Company to service Michigan as well as those states.

d) The Applicant plans to create 377 Qualified New Jobs above a statewide base employment level of 517.

e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: project is not a retail project; project is not a retention project; involves out-of-state competition; has a net positive return to Michigan; has a significant level of investment; involves the reuse of an existing facility; has a prospect of near-term job creation.

Recommendation

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

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

b) Closing the MBDP Proposal, subject to available funding under the MBDP at the time of closing (“Available Funding”), satisfactory completion of due diligence (collectively, “Due Diligence”), finalization of all MBDP transaction documents; and

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

RESOLUTION 2017-

APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
THE KROGER CO. OF MICHIGAN

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, The Kroger Co. of Michigan (“Company”) has requested a performance based MBDP grant of up to $2,078,000 (“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
June 27, 2017
EXHIBIT A
MICHIGAN BUSINESS DEVELOPMENT PROGRAM
Performance Based Incentive - Term Sheet - Summary

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").

Date: June 12, 2017

Company Name: Kroger Company of Michigan and/or its affiliates and subsidiaries.

Project Location: 26090 23 Mile Road
New Baltimore, MI 48051

MBDP Incentive Type: Performance Base Grant

Maximum Amount of MBDP Incentive: Up to $2,078,000

Base Employment Level: At least 517

Qualified New Jobs: At least 377 at the Project Location

Municipality Supporting Project: Chesterfield Township has agreed to provide staff, financial or economic assistance in support of the project.

Start Date for Measurement of Creation of Qualified New Jobs: March 22, 2016 (Date of Accepted Offer Letter)

Term of the Agreement: June 30, 2020

Milestone Based Incentive: Disbursements will be made over a 3 year period and will be performance based on job creation as follows:
Milestone 1: $1,650,000 for the creation of 300 jobs.
Milestone 2: $275,000 for the creation of 50 jobs.
Milestone 3: $153,000 for the creation of 27 jobs.

The detailed numbers, and statutorily required repayment and reporting provisions, will be reflected in the subsequent transaction documents.

Acknowledged as received by:

Kroger Company of Michigan
By: [Signature]
Printed Name: Joseph W. Bradley
Its: Vice President and Assistant Treasurer

Michigan Economic Development Corporation
By: [Signature]
Printed Name: Trevor Friedenberg
Its: Sr. Business Development Project Manager

6/12/2017 – Kroger Company of Michigan
MEMORANDUM

Date: June 27, 2017

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

From: Trevor Friedeberg, Senior Business Development Project Manager

Subject: Amazon.com.dedc, LLC (“Company” or “Applicant”)
Michigan Business Development Program Performance-based Grant Request

Summary
This is a request from the Applicant for a $5 million performance-based grant. This project involves the creation of 1,600 Qualified New Jobs and a capital investment of up to $140 million in the City of Romulus, Wayne County.

The Applicant has demonstrated a need for the funding. The Company was considering other Midwestern states, as well as Canada, for this regional fulfillment center. In order to make the operation move at the level of efficiency necessary, there are substantial road and other infrastructure improvements needed. Providing this performance based incentive will help the Company offset some of the costs related to infrastructure improvements. In addition, Wayne County Aerotropolis is evaluating establishing an LDFA to capture state and local taxes to assist with infrastructure improvements.

Background
Founded in 1994, Amazon.com is the largest internet-based retailer in the world by total sales and market capitalization. The Company started as an online bookstore, later diversifying to sell DVDs, Blu-rays, CDs, video downloads/streaming, MP3 downloads/streaming, audiobook downloads/streaming, software, video games, electronics, apparel, furniture, food, toys and jewelry. The Company employs over 200,000 professionals worldwide.

The Applicant has received incentives from the MSF in the past. In December of 2016, the Company was awarded a $7.5 million Michigan Business Development Program performance based grant for the creation of 1,000 jobs in the City of Livonia, Wayne County. Though the Company has not requested any disbursements nor created any jobs, construction of the facility is well under way.

The Applicant plans to construct a new state-of-the-art fulfillment center in the City of Romulus, make investments and create jobs related to general warehousing and storage.

The MEDC 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 Romulus. The City of Romulus has offered a “staff, financial, or economic commitment to the project” in the form of bonds for infrastructure to support the project.

c) The Applicant has demonstrated a need for the funding. The Company has examined other sites outside of Michigan for this project, specifically Canada and other Midwestern states as well. The site identified by the Company has significant infrastructure improvements necessary to meet the Company’s needs. Providing incentive assistance will help offset these costs and shows Michigan’s continued support of this Company and this project.

d) The Applicant plans to create 1,600 Qualified New Jobs above a statewide base employment level of 277.

e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: project is not a retail project; project is not a retention project; involves out-of-state competition; has a net positive return to Michigan; has a strong level of investment; employer benefits are available to all associates.

Recommendation

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

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

b) Closing the MBDP Proposal, subject to available funding under the MBDP at the time of closing (“Available Funding”), satisfactory completion of due diligence (collectively, “Due Diligence”), finalization of all MBDP transaction documents; and

c) Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 60 days.
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, Amazon.com.dedc, LLC (“Company”) has requested a performance based MBDP grant of up to $5,000,000 (“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
June 27, 2017
EXHIBIT A
MICHIGAN BUSINESS DEVELOPMENT PROGRAM
Performance Based Incentive - Term Sheet - Summary

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").

Date: May 31, 2017

Company Name: Amazon.com.dedc, LLC and/or its affiliates and subsidiaries.

Project Location: The City of Romulus

MBDP Incentive Type: Performance Base Grant

Maximum Amount of MBDP Incentive: Up to $5,000,000

Base Employment Level: At least 277

Qualified New Jobs: At least 1,600

Municipality Supporting Project: The City of Romulus has agreed to provide staff, financial or economic assistance in support of the project.

Start Date for Measurement of Creation of Qualified New Jobs: Date of MSF Board Approval

Term of the Agreement: October 31, 2021

Milestone Based Incentive: Disbursements will be made over a 3 year period and will be performance based on job creation as follows:
Milestone 1: $2,600,000 for the creation of 850 jobs.
Milestone 2: $1,100,000 for the creation of 360 jobs.
Milestone 3: $1,300,000 for the creation of 390 jobs.

The detailed numbers, and statutorily required repayment and reporting provisions, will be reflected in the subsequent transaction documents.

Acknowledged as received by:

Amazon.com.dedc, LLC

By: [Signature]
Printed Name: Braden Cox
Its: Vice President
June 7, 2017

Michigan Economic Development Corporation

By: [Signature]
Printed Name: Trevor Friedberg
Its: Sr. Business Development Project Manager

May 31, 2017 – Amazon.com.dedc, LLC
MEMORANDUM

Date: June 27, 2017

To: Michigan Strategic Fund Board

From: Fred Molnar, VP, Entrepreneurship and Innovation

Subject: Invent@NMU Business Incubator Award Request

ACTION

MEDC Staff recommends the Michigan Strategic Fund (“MSF”) Board approve a grant of $1,150,000 to support the Invent@NMU Business Incubator in the City of Marquette.

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. The proposed Invent@NMU program will capitalize on its proven success by further leveraging the resources of Northern Michigan University (NMU) and the Innovate Marquette SmartZone to yield a greater return to the entrepreneurial community served.

The Invent@NMU program has been operational at Northern Michigan University for the last two and a half years. At its core, the program focuses on fostering growth in Michigan’s technology-based economy by assisting innovators, inventors, entrepreneurs, start-ups, and early stage companies to further develop, commercialize and bring manufactured products to market. They currently utilize a fee-for-services accelerator model where clients are supported and managed by a select group of NMU student employees, supervised by a small professional staff. All clients are provided with a free initial assessment of their idea, invention or innovation and as appropriate can decide to continue through a proven 5-step Invent@process where they receive continued fee-based assistance in validation, ideation, commercialization, production and operations/scaling. To date, in a community of 21,000 residents, Invent@NMU has helped over 230 community based inventors, entrepreneurs and start-ups, the equivalent of 1 new idea every 4 days producing 12 products that have been commercially launched with more in the current pipeline. In addition, the “real world” experiential learning that the NMU student employees
receive working at Invent@NMU supporting clients through the process is unique, impactful and career changing.

One of the many successes to note is the creation of the Tespo portable “to-go cup” accessory for the Tespo vitamin and supplement dispensing system, currently housed in the MEDC run Michigan Life Sciences Innovation Center (MLSIC), proving the Program’s impact is not confined to just their northern Michigan location. The Invent@NMU program’s success and impact supporting inventors and innovators of all kinds has received national attention resulting in a push to continue the program and extend its reach regionally and beyond.

Under this program plan, Northern Michigan University would leverage this strategic partner relationship by utilizing the Marquette SmartZone to provide direct management, operational support and administrative services. The entire entrepreneurial community in the U.P. (a population of over 300,000) would also greatly benefit from the expertise, services and programs that would be made available to them under the Invent@NMU program plan through their online portal.

**BACKGROUND TO FUNDING REQUEST**
The funding request will allocate the full $1,150,000 over the course of a three-year period and is expected to fund the grant award through July 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.

**RECOMMENDATION**
The MEDC Staff recommends the MSF Board 1) approve a grant of up to $1,150,000 to the Invent@NMU Program 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) authorize the MSF Fund Manager, in coordination with MEDC Staff, 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 invent@NMU Business Incubator (“invent@NMU”) in the City of Marquette intends to provide services and programs to promote growth in Michigan’s technology-based economy by assisting innovators, inventors, entrepreneurs, start-up companies, and early-stage companies to commercialize technology and bring manufactured products to market and accelerating the creation and growth of tech-based companies in Michigan (the “Project”);

WHEREAS, in connection with the Project, invent@NMU has requested a grant of up to $1,150,000 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 approve 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
June 27, 2017
MEMORANDUM

Date: June 27, 2017

To: Michigan Strategic Fund

From: Fred Molnar, Vice President, Entrepreneurial Services

Subject: FY 2017 Business Incubator Program Award Recommendations

Action

The MEDC requests that the MSF Board approves awards in the amount of $321,425 to the following 2 nonprofit/university organizations to provide business incubator services to early stage technology companies and institutions for commercializing competitive-edge technologies:

- Oakland University Incubator (OUInc) - Rochester, MI
- Economic Development Alliance of St. Clair County (EDA) - Port Huron, MI

Background

Since 2009 the Michigan Strategic Fund (“MSF”) has provided funding to business incubators to stimulate the creation and continued growth of technology-based businesses and jobs by capitalizing on the State of Michigan's growing base of high technology industry, its skilled labor force, its nationally recognized university system, its SmartZones, and its business incubators. The Michigan Economic Development Corporation (“MEDC”) provides administrative services for the business incubator grants.

On April 27, 2017 the MSF Board approved:
1) Allocation of $566,787 for the program;
2) Approval of the RFP
3) Appointment of the JEC and
4) Approval of the scoring and evaluation criteria

Results

The MEDC received 3 proposals totaling $402,925 in response to the RFP. The JEC reviewed the proposals and decided to fund all proposals that received a consensus score of 70 or higher.

Of the 3 proposals, 2 were recommended for funding totaling $321,425.

- **Oakland University Incubator ($199,625 over 2 years):** The funding will be used to fund the salary of the Gatekeeper. He will be responsible for client recruitment including vetting of companies, providing strategic business guidance, helping companies with fundraising efforts and connecting companies with the various entrepreneurial resources available to companies in Michigan. The match is being provided by Oakland University as a combination of cash and in-kind. The funding is contingent on the MEDC approving refined milestones and metrics.

- **Economic Development Alliance of St. Clair County ($121,800 over 2 years):** The funding will be used to fund the salary of a new incubator manager. The incubator manager will act as the gatekeeper as well. Responsibilities include managing the day to day operations at the incubator, recruiting companies, assisting companies with business coaching and services. They will also
assist companies with BAF and Preseed applications and connect them to the various services available for high tech startups in Michigan. The match is being provided by the EDA as cash and in-kind. The funding for this grant is contingent on the MEDC approving a new gatekeeper as well as refining the milestones and metrics.

**Recommendation**
MEDC staff, based on the recommendation of the Joint Evaluation Committee, requests that the MSF Board approve the following awards:

<table>
<thead>
<tr>
<th>Amount</th>
<th>Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>$199,625</td>
<td>Oakland University Incubator</td>
</tr>
<tr>
<td>$121,800</td>
<td>Economic Development Alliance of St. Clair County</td>
</tr>
<tr>
<td><strong>$321,425</strong></td>
<td></td>
</tr>
</tbody>
</table>

MEDC staff also recommends that the awards be made with the option to extend the grant for up to an additional three years and allocate additional funding, at the discretion of the MSF; and that the MSF Board delegate authority to the MSF Fund Manager, with the assistance of MEDC staff, to negotiate and execute the final terms and conditions and all necessary agreements with awardees.
### Exhibit A- Scores of Proposals (Sorted in Descending Order of Consensus Score)

<table>
<thead>
<tr>
<th>Organization</th>
<th>Score</th>
<th>Requested Amount</th>
<th>Recommended Award</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Development Alliance of St. Clair County</td>
<td>82.5</td>
<td>$121,800</td>
<td>$121,800</td>
</tr>
<tr>
<td>Oakland University Incubator</td>
<td>81.25</td>
<td>$199,625</td>
<td>$199,625</td>
</tr>
<tr>
<td>InVenture Innovation Training Center</td>
<td>39.75</td>
<td>$81,500</td>
<td>0</td>
</tr>
</tbody>
</table>

WHEREAS, MCL 125.2088k authorizes the Michigan Strategic Fund ("MSF") Board to award grants and loans for basic research, applied research, university technology transfer, and commercialization of products, processes and services to encourage the development of competitive edge technologies to create jobs within the State of Michigan;

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

WHEREAS, MCL 125.2088k requires that the MSF Board establish a competitive process to award grants and make loans for competitive edge technologies and provides that proposals may be reviewed by a joint evaluation committee ("JEC");

WHEREAS, on April 25, 2017, the MSF Board issued a request for proposals ("RFP") to award grants to business incubators to stimulate the creation and continued growth of technology-based businesses and jobs (the "Business Incubators RFP"); appointed a joint evaluation committee ("JEC") to evaluate the proposals received in response to the Business Incubators RFP; and adopted scoring and evaluation criteria to be used by the JEC;

WHEREAS, three proposals were received in response to the Business Incubators RFP and evaluated by the JEC in accordance with the requirements of the scoring and evaluation criteria adopted by the MSF Board;

WHEREAS, the JEC determined that two proposals earned sufficient scores to warrant funding under the Business Incubator RFP;

WHEREAS, the JEC recommends that the MSF Board authorize the following grants for an initial term of two years, with the option to extend the grants for up to an additional three years and allocate additional funds, at the sole discretion of the MSF Board and subject to available funding: $199,625 to the Oakland University Incubator and $121,800 to the Economic Development Alliance of St. Clair County (the “Business Incubator Awards”); and

WHEREAS, the MSF Board wishes to approve the Business Incubator Awards.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the Business Incubator Awards; and

BE IT FURTHER RESOLVED, that the MSF Board authorizes the MSF Fund Manager to negotiate the final terms and conditions and execute all final documents necessary to effectuate the Business Incubator Awards.
Ayes:

Nays:

Recused:

Lansing, Michigan
June 27, 2017
MEMORANDUM

Date:       June 27, 2017

To:         Michigan Strategic Fund Board

From:       Charles Donaldson, Community Assistance Team Specialist
            Julius Edwards, Manager, Underwriter and Incentive Structuring
            Lori LaPerriere Brownfield and MCRP Program Specialist

Subject:    City of Bay City Brownfield Redevelopment Authority
            Request for Approval of an Act 381 Work Plan
            213 Development, LLC or a Related Entity - Request for Approval Michigan
            Community Revitalization Program Grant and Loan

Request
213 Development is a rehabilitation of the historic Crapo building located on a 0.24 acre lot in downtown Bay City. This adaptive reuse project will transform a prominent 49,476 square foot, 5-story building from a vacant, blighted, commercial property into a mixed-use iconic downtown asset. The proposed project will be undertaken by 213 Development, LLC. The project is located in a downtown and qualifies for a Michigan Community Revitalization Program (MCRP) award and an Act 381 work plan because it is functionally obsolete and a historic resource.

In order to alleviate brownfield conditions and prepare the proposed project site for redevelopment, the City of Bay City Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of $1,561,866.

213 Development, LLC (Applicant) is requesting approval of MCRP awards in the total amount of $2,400,000 in the form of a $1,400,000 Performance-Based Direct Loan and a $1,000,000 Performance-Based Grant.

The total cost to complete the proposed renovation is estimated at $11.7 million which is more than double the current appraised value for the building following completion (estimated at $5.5 million). The low appraised value can be directly linked to the relatively low rental rates available in the area and the non-value added work required at the site, which limits the level of traditional debt the project can secure. The development team is in the process of securing permanent term debt of approximately $4.7 million. To bridge the significant gap between the appraised value and the cost to develop the project, the development team is contributing private equity of over 32% of the total development cost. As part of this equity investment, the development team is planning to utilize the benefit associated with the Federal Historic Tax Credits (HTCs) themselves. MEDC staff has determined that the capital being contributed to the project
related to the HTCs is above what could have been raised in the traditional private market. To bridge the remaining gap the development team is deferring 100% of its “Developer Fees” and requesting consideration for $2,400,000 in MCRP award. The MCRP award will allow the development team to achieve an anticipated return of less than 6 percent.

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. The MCRP detailed structure is provided in Appendix A.

The Applicant anticipates that the project will result in total capital investment in the amount of $11,723,004, along with the creation of approximately 44 permanent full-time equivalent jobs with an average hourly wage of $16.64.

**Background**

The existing building is currently vacant and has been deemed functionally obsolete and is listed on the Federal National Registry as a Historic Resource. The proposed historic renovation project will transform the building from vacant and blighted into a mixed-use development. The lower two levels will consist of three commercial spaces, one earmarked for restaurant use. The upper stories will be converted into 26 residential market rate rental units. The property has 30 surface parking spaces located at 807 Washington Avenue. This historic structure built in 1890 has a Romanesque Revival facade that has been covered with a midcentury modern paneled exterior. The panels will be removed, the masonry will be repaired, and the lower levels will be redesigned to complement the historic facade.

All floors of the building were determined to have asbestos and lead and abatement will be necessary prior to demolition activities in order to protect human health. Demolition activities include the demolition of the interior, exterior façade demolition, removal of basement slab, and removal of site improvements as necessary to prepare the building for renovation. Site preparation activities include foundation work to address site soil conditions. Other activities include walks, drives, landscaping, fencing, and lighting. Infrastructure improvements including repair and installation of main public utilities up to the building including water, sanitary, gas and electric are necessary to support the new development. In addition, there will be public infrastructure improvements to be installed and financed by the city. These include improving and paving the alley, street restoration, and infrastructure replacement.

213 Development, LLC, is a single purpose entity created for this project with two members including Jenifer Acosta and Rod Hildebrant. Jenifer Acosta founded The Neighborhood Development Co. in August of 2015, and recently completed the redevelopment of the Bay City Times Building, a $6.5 million Federal Historic Tax Credit project, into 31 modern industrial-style residential rental units known as the Times Lofts. As a LEED accredited professional in Neighborhood Development Jenifer volunteers on the downtown management board, strategic planning initiatives, county roadmap to the future, and is a regional ambassador through the Great Lakes Bay Regional Alliance.

**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 $1,561,866. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $812,568;
- **b)** a MCRP Performance-Based Direct Loan Award in the amount of $1,400,000 for 213 Development, LLC;
- **c)** a MCRP Performance-Based Grant Award in the amount of $1,000,000 for 213 Development, LLC or a Related Entity;
- **d)** waiver of the MCRP Developer Fee limit, which limits Developer Fees to 4% of the total development cost. The estimated Developer Fee is just over 7% of the total development cost. Staff is requesting waiver because the higher Developer Fee allows the project to maximize the value of the HTCs, and 100% of the fee is being deferred; and
- **e)** waiver of the MCRP debt service coverage ratio requirement of 1.20 to 1.00. The cash flow for the project displays a debt service coverage ratio (DSCR) of 1.19 to 1.00. Additionally, following expiration of the property’s tax abatement it is anticipated that the project’s DSCR will fall below 1.20 to 1.00. Staff is comfortable because of the financial strength and support of the ownership team. See Appendix B for additional information.
**FINANCING OPPORTUNITY – MCRP DIRECT LOAN**

The development team is seeking MCRP awards totaling $2,400,000. The proposed awards would consist of a $1,400,000 Performance-Based Direct Loan and a $1,000,000 Performance-Based Grant. Both awards would be disbursed following construction completion and achievement of other performance criteria. The development team is planning to financing construction of the project through the combination of a Line of Credit from Morgan Stanley Bank and private equity. Following construction completion it is anticipated the Line of Credit financing will be taken with a permanent loan from Morgan Stanley and the MSF MCRP awards. Below is a summary of the anticipated development sources following construction completion.

**SUMMARY OF DEVELOPMENT SOURCES:**

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morgan Stanley</td>
<td>$4,717,211</td>
<td>40.3%</td>
</tr>
<tr>
<td>MCRP Direct Loan</td>
<td>$1,400,000</td>
<td>12.0%</td>
</tr>
<tr>
<td>MCRP Grant</td>
<td>$1,000,000</td>
<td>8.5%</td>
</tr>
<tr>
<td>Historic Tax Credit Equity</td>
<td>$2,358,756</td>
<td>20.2%</td>
</tr>
<tr>
<td>Developer Equity</td>
<td>$1,389,037</td>
<td>11.9%</td>
</tr>
<tr>
<td>Deferred Developer Fees</td>
<td>$830,000</td>
<td>7.1%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$11,723,004</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

**LOAN FACILITY**

**MSF Facility:** MCRP Performance-Based Loan

**Borrower:** 213 Development, LLC

**Loan Amount:** Up to $1,400,000

**Term:** Up to 60 months

**Amortization:** Up to 300 months

**Interest Rate:** 2% per annum

**Repayment Terms:** Interest only for 12 months, followed by up to 48 equal monthly payments of principal and interest with the remaining principal balance due at maturity.

**Collateral:** A security interest in the property and the corresponding TIF reimbursements, subordinated only to the senior financing, with all final and/or alternative collateral approved by the MSF Fund Manager.
Guarantee(s): The guarantees of the project owners, with the final and/or alternative guarantee(s) approved by the MSF Fund Manager.

MSF Fees: One-time fee equal to one percent of the MSF Loan award.

Funding: The MSF will fund up to $1,400,000 to be disbursed following completion of construction and achievement of 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

PERFORMANCE-BASED GRANT
Applicant: 213 Development, LLC or a Related Entity

Grant Amount: Not to exceed the lesser of $1,000,000 or 9% of the total development cost.

MSF Fees: One-time fee equal to one percent of the MSF Grant award.

Funding: The MSF will fund up to $1,000,000 to be disbursed following completion of construction and achievement of 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
- Total of MCRP Loan and Grant awards not to exceed the lesser of 25% of “Eligible Investment” or $2,400,000
APPENDIX B – Programmatic Requirements & Screening Guidelines

Property Eligibility
The project is located within the boundaries of the City of Bay City, which is a Qualified Local Governmental Unit, and has been deemed functionally obsolete as verified by a Michigan Certified Assessing Officer (MCAO) on June 20, 2016.

The property is the subject of a Brownfield Plan, duly approved by the City of Bay City on March 17, 2017, and concurred with by the City of Bay City on March 20, 2017.

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 $1,597,216.

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 Bay City Master Plan notes that important attributes to the downtown are its historic character, its pedestrian friendly, and it mixed-use make up. All of these features are enhanced with this project. Providing retail and office on the first two floors enhances walkability. In addition the use of the upper floors encourages more pedestrian use of the downtown during off peak hours after 5:00 pm and on weekends. The renovation is located at the traditional four corners of downtown. It is a critical building at this location of the downtown because of its unique architecture and large visual scale/mass. The building is visible for several blocks. Once the facade is removed and brickwork restored, the building will make a dramatic improvement to the sense of place at the central four corners of downtown. This area as whole will become more of an attraction for various downtown consumer and leisure activities.
B. **If the project will act as a catalyst for additional revitalization of the community in which it is located:**

The project will add new commercial and residential tenants to the downtown. These additions are expected to act as a catalyst for new development and growth. The addition of new people in the downtown is also expected to increase the economy of local businesses.

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

The City of Bay City Brownfield Redevelopment Authority and the City Council approved a brownfield plan for the reimbursement of eligible activities in the amount of $1,563,866, and the City’s portion of that is estimated to be $748,298. The City has also approved an Obsolete Property Rehabilitation Act tax abatement for the property that will freeze local taxes for 12 years and has an estimated value of $1,761,375.

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

The total cost to complete the proposed renovation of the historic Crapo building is estimated at $11.7 million, which is more than double the current appraised value for the building following completion (estimated at $5.5 million). The low appraised value can be directly linked to the relatively low rental rates available in the area and the non-value added work required at the site, which limits the level of traditional debt the project can secure. The development team is in the process of securing permanent term debt of approximately $4.7 million. To bridge the significant gap between the appraised value and the cost to develop the project the development team is contributing private equity of over 32% of the total development cost. As part of this equity investment the development team is planning to utilize the benefit associated with the Federal Historic Tax Credits (HTCs) themselves. MEDC staff has determined that the capital being contributed to the project related to the HTCs is above what could have been raised in the traditional private market. To bridge the remaining gap the development team is deferring 100% of its “Developer Fees” and requesting consideration for $2,400,000 in MCRP awards. The MCRP awards will allow the development team to achieve an anticipated return of less than 6 percent.

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

The Legacy project will reuse and rehabilitate the historic Crapo building. The historic renovation will be consistent with the Secretary of the Interiors Standards for Historic Preservation. The building was built in 1890 and has an ornate Romanesque Revival facade that has been covered with a midcentury modern paneled exterior. The project will transform a five-story, building from a vacant blighted property into a newly rehabilitated mixed use development.

F. **Creation of jobs:**

The project is expected to create an estimated 44 permanent jobs from retail and office tenants with an average hourly wage of $16.64. These new jobs will provide new customers to multiple downtown businesses.
G. The level of private sector and other contributions, including, but not limited to, federal funds and federal tax credits:
Morgan Stanley Bank is providing permanent term debt of approximately $4.7 million. The development team is contributing private equity of over 32% of the total development cost, and deferring their developer fee. As part of this equity investment the development team is planning to utilize the benefit associated with the Federal Historic Tax Credits (HTCs) themselves.

H. Whether the project is financially and economically sound:
Upon reaching a stabilized occupancy it is anticipated that the project will generate adequate cash flow to cover its projected debt service requirements, with an average debt service coverage ratio (DSCR) of above 1.20 to 1.00 through the length of its tax abatement. Following expiration of the tax abatement there will be an anticipated dip in the projected DSCR below 1.20 to 1.00. At that time, ownership anticipates paying the project debt down to a level the project can adequately support. Staff is comfortable with this plan due to the financial strength of the owners and the guarantees supporting the proposed debt from the senior lender and the MSF.

A review of the proposed rental structure was performed by MEDC staff. Staff is comfortable with the proposed rents which are supported by an appraisal performed by Weiss Appraisal Service Inc. and dated March 1, 2017.

I. Whether the project increases the density of the area:
This is a historic rehabilitation project of an existing building. There will be no physical change in density. However, the reuse of the existing building and the addition of new commercial and residential tenants will increase the number of people working and living in the downtown.

J. Whether the project promotes mixed-use development and walkable communities:
The project is adding new commercial and residential space to the downtown. It promotes walkable communities by filling in long-vacant space, which will drive additional foot-traffic to the area. The building is zero-lot line developed, offers large retail windows on the first floor and is fronted by large, walkable sidewalks.

K. Whether the project converts abandoned public buildings to private use:
This project is not an abandoned public property.

L. Whether the project promotes sustainable development:
The proposed construction activities propose to reuse several elements to reduce landfill waste (use of existing exterior envelope, existing interior walls, and stairwells). The project is located within the urban center, reducing the infrastructure needs. By removing the exterior grates that are currently covering the windows, it will allow natural sunlight in reducing energy costs. Additionally all exterior windows will be rebuilt improving energy efficiency. The mechanicals will also be upgraded, further increasing energy efficiency.
M. Whether the project involves the rehabilitation of a historic resource:
The Legacy project includes the rehabilitation of the historic Crapo building. The building will be historically renovated according to the Secretary of Interior's Standards for Historic Preservation. The project is also utilizing historic tax credits.

N. Whether the project addresses area-wide redevelopment:
The Legacy project addresses the community’s area-wide redevelopment goals by providing additional commercial and residential development in the downtown. The project meets the goals of the Master Plan by creating development that is mixed use, has historic character, and is pedestrian friendly. The new residences will encourage more pedestrian use of the downtown during the evenings and weekends.

O. Whether the project addresses underserved markets of commerce:
This project will bring new retail services where there is still a lack of economic activity and new investment as compared to the Uptown area where most of the recent development has occurred.

P. The level and extent of environmental contamination:
Lead and asbestos abatement will be necessary prior to demolition activities in order to protect human health. All floors of the building were determined to have asbestos containing materials. It was identified in vinyl flooring, drop ceiling tiles, drywall mud, caulk, and mastic. The lead based paint will be removed from 22 cast iron columns.

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 historic building will be renovated according to the Secretary of Interior's Standards for Historic Preservation. The Legacy is a rehabilitation of the historic Crapo building located in one of the four corners of Downtown Bay City. This historic structure built in 1890 has an ornate Romanesque Revival facade that has been covered with a mid-century modern paneled exterior. The exterior metal facade will be removed, the masonry will be repaired, and the lower levels will be redesigned to complement the historic facade.

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

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

Brownfield Act 381 Program Additional Project Information:

A. Reuse of functionally obsolete buildings and/or redevelopment of blighted property:
The Legacy project includes the reuse of a functionally obsolete building, the Crapo building. The property has been deemed functionally obsolete as verified by a Michigan Certified Assessing Officer (MCAO) on June 20, 2016.

B. 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 68.4673 non-homestead mills available for capture, with school millage equaling 24 mills (35.05%) and local millage equaling 44.4673 mills (64.95%). Tax increment capture will begin in 2018 and is estimated to continue for 25 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 25 years is 51.41% state to 48.59% local. The requested tax capture for MSF eligible activities breaks down as follows:

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<thead>
<tr>
<th>Type</th>
<th>%</th>
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<td>Local tax capture</td>
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<td>$758,953</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>$1,561,866</td>
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**Cost of MSF Eligible Activities**

<table>
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<th>Cost</th>
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</thead>
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<td>Lead and Asbestos Abatement</td>
<td>$304,780</td>
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<td>Infrastructure Improvements</td>
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<td>Site Preparation</td>
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<td><strong>Sub-Total</strong></td>
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<td>Contingency (7%)</td>
<td>+ $97,405</td>
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<tr>
<td><strong>Sub-Total</strong></td>
<td>$1,552,066</td>
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<tr>
<td>Brownfield/Work Plan Preparation</td>
<td>+ $9,800</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$1,561,866</td>
</tr>
</tbody>
</table>
APPENDIX C – Project Map and Renderings

213 Center Avenue

Bay City, MI

Figure 2: Eligible Property Map
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, asbestos, or mold abatement, and for demolition and site preparation that are not response activities under the Natural Resources and Environmental Protection Act, 1994 PA 451;

WHEREAS, the City of Bay City Brownfield Redevelopment Authority (the "Authority") has submitted a work plan for property located at 213 Center Avenue within the City of Bay City, known as Former Chemical Bank Building (the "Project");

WHEREAS, the City of Bay City is a "qualified local governmental unit" and is eligible to provide for a) demolition; b) lead, asbestos, or mold abatement; c) public infrastructure improvements; d) site preparation; e) brownfield and work plan preparation; f) brownfield and work plan implementation and g) 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 51.41% to 48.59% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, lead, asbestos, or mold abatement and infrastructure improvements as presented in the revised Work Plan dated June 13, 2017. Any change in millage that increases the capture percentage of school taxes in the ratio above 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 costs of MSF
eligible activities with a maximum of $1,552,066 for the principal activity costs of non-environmental activities and a contingency, and a maximum of $9,800 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of $802,913.

**BE IT FURTHER RESOLVED**, that the MSF Board authorizes the MSF Fund Manager, to provide written notification to the Authority, in the form of a letter which incorporates the terms set forth in this Resolution and consistent with the limitations of the Act, and that this approval is further conditioned upon the Authority, or the City of Bay 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.

**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
June 27, 2017
MICHIGAN STRATEGIC FUND
RESOLUTION 2017-

APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM
PERFORMANCE-BASED DIRECT LOAN AND GRANT AWARDS TO
213 DEVELOPMENT, LLC OR A RELATED ENTITY

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

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

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

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

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

WHEREAS, 213 Development, LLC or a Related Entity (“Applicant” or “Borrower”) have requested Performance-Based Direct Loan and Grant awards from the MSF under the MCRP for the project in an amount not to exceed $2,400,000 (“Award Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC has recommended that the MSF approve the Award Request in accordance with the Term Sheet and Guidelines, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents for the Award Request within 180 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 90 days (the foregoing, collectively, the “MCRP Award Recommendation”).

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

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan
June 27, 2017
Exhibit A

“Term Sheet”

**LOAN FACILITY**

**MSF Facility:** MCRP Performance-Based Loan

**Borrower:** 213 Development, LLC or a Related Entity

**Loan Amount:** Up to $1,400,000

**Term:** Up to 60 months

**Amortization:** Up to 300 months

**Interest Rate:** 2% per annum

**Repayment Terms:** Interest only for 12 months, followed by up to 48 equal monthly payments of principal and interest with the remaining principal balance due at maturity.

**Collateral:** A security interest in the property and the corresponding TIF reimbursements, subordinated only to the senior financing, with all final and/or alternative collateral approved by the MSF Fund Manager.

**Guarantee(s):** The guarantees of the project owners, with the final and/or alternative guarantee(s) approved by the MSF Fund Manager.

**MSF Fees:** One-time fee equal to one percent of the MSF Loan award.

**Funding:** The MSF will fund up to $1,400,000 to be disbursed following completion of construction and achievement of 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
**PERFORMANCE-BASED GRANT**

**Applicant:** 213 Development, LLC or a Related Entity

**Grant Amount:** Not to exceed the lesser of $1,000,000 or 9% of the total development cost.

**MSF Fees:** One-time fee equal to one percent of the MSF Grant award.

**Funding:** The MSF will fund up to $1,000,000 to be disbursed following completion of construction and achievement of 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
- Total of MCRP Loan and Grant awards not to exceed the lesser of 25% of “Eligible Investment” or $2,400,000
MEMORANDUM

Date:       June 27, 2017

To:         Michigan Strategic Fund Board
            Steven Arwood, Chairperson
            Michigan Strategic Fund

From:       Nicol Brown, Community Assistance Team Specialist
            Lisa Edmonds, MCRP and Brownfield Program Specialist

Subject:    City of Ferndale Brownfield Redevelopment Authority
            409 on Nine Development Project
            Request for Approval of an Act 381 Work Plan

Request

The proposed project will be undertaken by Wolf River Development, LLC and will redevelop seven contiguous parcels located at 409 East Nine Mile Road in the city of Ferndale. The project is located in a downtown 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 Ferndale Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of $2,423,410.

Redevelopment of the property is costly due to existing and significant brownfield conditions that include asbestos assessment and abatement, demolition of existing buildings, grading and land balancing, and the design and construction of new infrastructure improvements, including a new integrated parking structure and an urban storm water management system. 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.

The applicant anticipates that the project will result in total capital investment in the amount of $16,100,620, along with the creation of approximately 16 permanent full-time equivalent jobs with an average hourly wage of $16.

Background

The project consists of a new four story, 114,219 square feet mixed-use development with integrated parking. There will be 130 parking spaces and 50 bike parking spaces. The 127 market rate apartments will be located on floors two through four. The structure will consist of 5,583 square feet of commercial space on the first floor and 1,830 square feet common area space. The project is located on East Nine
mile road which is a traditional corridor that is a block long between Leland and Paxton streets (7 contiguous parcels). The development will include a roof top patio and green space for a dog exercise area. The development has a community development urban design with zero lot line and it will increase density that ties into the city's walkable and bikeable downtown. This project aligns with the city's master plan of increasing housing in the downtown area.

Currently there are three blighted structures on the parcels that will be demolished which is necessary. Demolition activities will be necessary to make the site suitable for a modern mixed-use property. The site demolition includes removal of asphalt, concrete, concrete debris, and utilities. Site preparation activities include geotechnical surveying, engineering, land balancing, grading and fill, soil removal will be required during preparation of the site. Construction activities such as utility work, foundation work, underground detention facility, and rain garden. Infrastructure improvements such as entrance improvements to curbs, gutters and approaches, as well as new lighting, and sidewalks will support the project and the public. The project also includes the widening of east Nine Mile Road immediately adjacent to the property and the construction of 16 parallel parking spaces within the public right-of-way.

Wolf River Development, LLC has over 30 years of real estate development and property management experience. The developer’s most recent development was newly constructed student housing for Michigan State University in East Lansing. No additional state or local incentives are anticipated to benefit this project. No previous incentives have been received from the Michigan Strategic Fund (MSF).

**Recommendation**

MEDC staff recommends approval of the following:

Local and school tax capture for the Act 381 eligible activities totaling $2,423,410. Using the current state to local capture ratio, the amount of school tax capture for this project is estimated at $1,013,470.
APPENDIX A – Programmatic Requirements & Screening Guidelines

Property Eligibility
The project is located within the boundaries of the city of Ferndale, 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 April 12, 2017.

The property is the subject of a Brownfield Plan, duly approved by the City of Ferndale BRA on January 12, 2017, and concurred with by the city of Ferndale on February 13, 2017.

In addition, the project is requesting from the DEQ $220,510 in TIF to assist with environmental eligible activities.

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

a) Overall Benefit to the Public:
This project will increase urban density in the downtown and it will provide additional housing to the downtown area which is a priority for the city and region. A substantial improvement to the appearance and aesthetics of the property in its current state. Under-utilized buildings and vacant land will be redeveloped into a new mixed-use building with commercial and market rate housing. Ground floor commercial space will enhance the downtown with increased local foot traffic in the downtown. The city has targeted public investment for bike lanes, improved sidewalks, and rain garden on east Nine mile road. The project will significantly increase the local tax base and eliminate the mitigating exposure risks to human health, safety and the environment.

b) Jobs Created (Excluding Construction and other Indirect Jobs):
This project is expected to create approximately 16 new, full-time retail and office jobs in the city of Ferndale.

c) Area of High Unemployment:
The city of Ferndale unadjusted jobless rate was 4.2% in March 2017.

d) Level and Extent of Contamination Alleviated:
The project is qualifying as a facility and the presence of contamination has been determined. The properties are impacted with volatile organic compounds (VOCs), polycyclic aromatic hydrocarbons (PAHs), metals, and cyanide in soil, groundwater and/or soil gas.

e) Reuse of Functionally Obsolete Buildings and/or Redevelopment of Blighted Property:
The project is not qualifying as functionally obsolete or blighted.
f) **Whether Project will Create a New Brownfield Property in the State:**
   No new Brownfields will be created by this project.

g) **Whether the Project is Financially and Economically Sound:**
   From the materials received, the MEDC infers that the project is financially and economically sound.

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

**Tax Capture Breakdown**
There are 57.3855 non-homestead mills available for capture, with school millage equaling 24 mills (41.82%) and local millage equaling 33.3855 mills (58.18%). Tax increment capture will begin in 2018 and is estimated to continue for 21 years. The requested tax capture for MSF eligible activities breaks down as follows:

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<tr>
<th>Type</th>
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<td>School tax capture</td>
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<td>Local tax capture</td>
<td>(58.18%)</td>
<td>$1,409,940</td>
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<td><strong>TOTAL</strong></td>
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<td><strong>$2,423,410</strong></td>
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**Cost of MSF Eligible Activities**

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<td>Demolition</td>
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<td>Lead, Asbestos, or Mold Abatement</td>
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<td>Infrastructure Improvements</td>
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<td><strong>TOTAL</strong></td>
<td><strong>$2,423,410</strong></td>
</tr>
</tbody>
</table>
EXISTING CONDITIONS:
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, asbestos, or mold abatement, and for demolition and site preparation that are not response activities under the Natural Resources and Environmental Protection Act, 1994 PA 451;

WHEREAS, the City of Ferndale Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 409 East Nine Mile Road within the City of Ferndale, known as 409 on Nine Development Project (the “Project”);

WHEREAS, the City of Ferndale is a “qualified local governmental unit” and is eligible to provide for a) demolition; b) lead, asbestos, or mold abatement; c) public infrastructure improvements; d) site preparation; e) brownfield and work plan preparation; f) brownfield and work plan implementation and g) 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 41.82% to 58.18% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, lead, asbestos, or mold abatement and infrastructure improvements as presented in the revised Work Plan dated January 24, 2017. Any change in millage that increases the capture percentage of school taxes in the ratio above 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 costs of MSF
eligible activities with a maximum of $2,415,660 for the principal activity costs of non-environmental activities and a contingency, a maximum of $7,750 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of $1,013,470.

**BE IT FURTHER RESOLVED**, that the MSF Board authorizes the MSF Fund Manager, to provide written notification to the Authority, in the form of a letter which incorporates the terms set forth in this Resolution and consistent with the limitations of the Act, and that this approval is further conditioned upon the Authority, or the City of Ferndale, 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.

**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
June 27, 2017
MEMORANDUM

Date: June 27, 2017

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

From: Nicol Brown, Community Assistance Team Specialist

Subject: City of Trenton – Request for Approval of a Michigan Strategic Fund (MSF) Loan

Request
The City of Trenton is requesting a loan from the Investment Fund in the amount of up to $3,200,000. The loan will be used for the City’s costs, fees and expenses arising out of the acquisition of, and environmental due diligence activities for the former McLouth Steel site.

Background
McLouth Steel operated a steel mill from 1954 to 1996 located at 1491 West Jefferson Street. The 180-acre industrial property is located on the City of Trenton’s riverfront. The site has been an eyesore to the community for 24 years and it contains a one million square-foot blighted building. The Wayne County Treasurer foreclosed on the McLouth Steel property on March 31, 2017 for unpaid property taxes of $3,700,000. The City of Trenton would like to exercise its right of first refusal and purchase the property from the County.

There has been developer interest in the property, however the unknown environmental clean-up costs have deterred developers from moving forward with pre-development planning. The City has had preliminary discussions with the Michigan Department Environmental Quality (DEQ) and the Environmental Protection Agency (EPA) and will likely also apply for other state and federal assistance. The City of Trenton is also currently engaged in the MEDC’s Redevelopment Ready Communities® (RRC) program. RRC is a voluntary, technical assistance program that measures and then certifies communities that meet a set of best practices that pertain to planning, zoning, the development review process, economic development and Redevelopment Ready Sites®. It is anticipated that the McLouth site will be packaged as one of Trenton’s Redevelopment Ready Sites, which means all necessary redevelopment information will be compiled and it is anticipated that the site will be actively marketed by the City and the MEDC.

The City is requesting a $3,200,000 loan to use toward costs, fees, and expenses arising from the purchase of the site from Wayne County’s treasurer and to fund certain environmental investigation expenses. It is anticipated that the County will sell the City the property for approximately $2,500,000, which is the outstanding taxes less the City's portion. The City expects to use the remaining $700,000 to fund the necessary environmental investigations.
**Recommendation**

MEDC Staff recommends approval of the following:

a) Approval of funding in the amount of $3,200,000 from the Investment Fund; and  
b) Approval of a loan to the City of Trenton for up to $3,200,000 on terms and condition outlined in Exhibit A found in the resolution.
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 loans;

WHEREAS, the City of Trenton has requested a loan of up to $3.2 million arising out of the acquisition and ultimate redevelopment and revitalization plans for the real property located on or about the Trenton Channel and formerly occupied by McLouth Steel (“Real Estate”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”) (the, foregoing, collectively, “Loan”);

WHEREAS, the MEDC recommends that the MSF approve funding of up to $3.2 million from the Investment Fund to fund the Loan (“Funding”);
WHEREAS, the MEDC recommends that the MSF approve the Loan 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 180 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 60 days (the foregoing, collectively, the “Recommendation for the Loan”).

WHEREAS, the MEDC recommends that the MSF Board delegate to the MSF Fund Manager the authority to negotiate the final terms and conditions of, and sign, all documents necessary to effectuate the Loan (“Delegation to Finalize the Loan”).

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

BE IT FURTHER RESOLVED, the MSF approves the Recommendation for the Loan;

BE IT FURTHER RESOLVED, the MSF approves the Delegation to Finalize the Loan.

Ayes:

Nays:

Recused:

Lansing, Michigan
June 27, 2017
EXHIBIT A

TERM SHEET

**LOAN FACILITY**

MSF Incentive: Non-Revolving Loan

Borrower(s): City of Trenton

Loan Amount: Not to exceed $3.2 million

Interest Rate: 2% per annum, beginning upon disbursement of the Loan

Maturity of Loan: Upon the earlier of: (i) sale or transfer of the Real Estate by the City of Trenton, or (ii) 7 years from closing the Loan (iii) or in event of default.

Repayment Terms: Principal and interest due on Maturity. No prepayment penalties.

Other Requirements: Anticipated to include the following, with all final and/or different terms approved by the MSF Fund Manager:

- Disbursement of the entire Loan by the MSF will be upon satisfactory evidence that the City of Trenton has secured title to the Real Estate, or a right to purchase the Real Estate; and

- The City of Trenton will be required to provide evidence that any subsequent sale, or transfer of the City’s rights to the Real Estate by it must include a Development Agreement, the terms and conditions of which are subject to the satisfaction of the MSF Fund Manager.

- Proceeds of Loan must be used for the City of Trenton’s costs, fees and expenses arising out acquisition activities, and environmental due diligence activities, for the Real Estate.