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

Communications

A. Consent Agenda
   Proposed Meeting Minutes – October 24, 2017
   Kalamazoo Valley Community College – CCSTEP Amendment – Tangie Jones
   CDBG Loan Program – Regional Fund Assignment – Greg West
   Entrepreneurial Specialized Support Services – Grant Amendments – Fred Molnar

B. Business Investment
   a. Business Growth
      Brose New Boston, Inc. – MBDP Amendment – Trevor Friedeberg

   b. Access to Capital
      Washtenaw PACE, Inc. DBA Huron Valley PACE – Bond Inducement – Chris Cook

C. Community Vitality
   North Channel Outlet Redevelopment – MCRP Grant – Daniel Leonard
   Michigan Community Capital – 21st CJF Amendment – Julius Edwards
   751 Griswold Street – Brownfield Act 381 Work Plan and MCRP Amendment – Brittney Hoszkiw
   7.Liv Redevelopment – Brownfield Act 381 Work Plan and MCRP Grant – Brittney Hoszkiw

D. Informational
   City of Detroit Transformational Brownfield Plan – Brittney Hoszkiw
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 – October 24, 2017
- Kalamazoo Valley Community College – CCSTEP Amendment
- CDBG Loan Program – Regional Fund Assignment
- Entrepreneurial Specialized Support Services – Grant Amendments

Ayes:
Nays:
Recused:

Lansing, Michigan
November 28, 2017
Members Present
Paul Anderson
Roger Curtis
Stephen Hicks
Larry Koops
Andrew Lockwood (on behalf of Treasurer Khouri)
Jeff Mason
Terri Jo Umlor

Members Absent
Paul Gentilozzi
Shaun Wilson
Wayne Wood

Mr. Mason called the meeting to order at 10:05 am.

Mr. Mason recognized Lt. Governor Brian Calley and Representative Christine Greig speaking in support of the Centria Healthcare project.

Public Comment: Mr. Mason 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 a revised agenda at the table as well as a revised resolution for the Lofts on Michigan LLC project. She also advised the Board that the Quarterly Report of the Chief Compliance Officer was provided to them in the briefing packet.

A. CONSENT AGENDA
Resolution 2017-179 Approval of Consent Agenda Items
Mr. Mason asked if there were any questions from the Board regarding the items under the Consent Agenda. There being none, Larry Koops motioned for the approval of the following:

Proposed Meeting Minutes – September 26, 2017
Procurement Technical Assistance Center – FY18 Grant Allocations – 2017-180
2018 MSF Board Meeting Dates

Andrew Lockwood seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

B. BUSINESS INVESTMENT
B1. Business Growth
Resolution 2017-181 Centria Healthcare – MBDP Grant
Trevor Friedeberg, Senior Business Development Project Manager, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2017-181. Paul Anderson seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Resolution 2017-182 DEG Development Company, LLC/City of Grand Rapids Brownfield Redevelopment Authority – Act 381 Work Plan
Karl Dehn, Senior Planning & Project Manager, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2017-182. Roger Curtis seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.
B2. Entrepreneurship
Resolution 2017-183 University Technology and Commercialization Program – Request to Grant Contract
Denise Graves, University Relations Director, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2017-183. Roger Curtis seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

B3. Access to Capital
Resolution 2017-184 Luella Hannan Memorial Foundation – Bond Inducement
Chris Cook, Director Capital Access, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2017-184. Andrew Lockwood seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

C. COMMUNITY VITALITY
Resolution 2017-185 Detroit Pistons Corporate Headquarters & Practice Facility Campus/City of Detroit Brownfield Redevelopment Authority – Act 381 Work Plan
Brittney Hoszkiw, Community Assistance Team Specialist, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2017-185. Andrew Lockwood seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Resolution 2017-186 Iron Ridge Holdings, LLC/County of Oakland Brownfield Redevelopment Authority – Act 381 Work Plan
Dominic Romano, Community Assistance Team Specialist, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2017-186. Paul Anderson seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Resolution 2017-187 Lofts on Michigan, LLC – MCRP Other Economic Assistance Loan Participation Award Amendment
Julius Edwards, Manager Underwriting & Incentive Structuring, provided the Board with information regarding this action item. Following brief discussion, Andrew Lockwood motioned for the approval of Resolution 2017-187. Larry Koops seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Resolution 2017-188 Wabash and Main LLC – MCRP Grant Amendment
Julius Edwards, Manager Underwriting & Incentive Structuring, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2017-188. Andrew Lockwood seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Resolution 2017-189 Queen Lillian II LLC – MCRP Other Economic Assistance Equity Award Amendment
Julius Edwards, Manager Underwriting & Incentive Structuring, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2017-189. Roger Curtis seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Mr. Mason adjourned the meeting at 11:05 am.
January 12, 2017

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

Dear Ms. Robach,

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

Sincerely,

N.A. Khouri
State Treasurer

Cc: Andrew Lockwood
Memorandum

DATE: November 9, 2017

TO: Michigan Strategic Fund Board (MSF)
FROM: Wanda M. Stokes
       Director

SUBJECT: Community Colleges Skilled Trades Equipment Program (CCSTEP) Awards

Request
The TIA is requesting the MSF Board, at the November 28, 2017 meeting, consent to an amendment of the February 28, 2017 MSF Resolution 2017-011 Community College Skilled Trade Equipment Program Grant Amendment Exhibit A for Kalamazoo Valley Community College as outlined below.

- **Kalamazoo Valley Community College**
  At the request of Kalamazoo Valley Community College (KVCC), and approved by the MSF Board, in April 2016 the CCSTEP grant award was reduced to $3,535,400.13. At the request of KVCC, and approved by the MSF Board, in February 2017 the CCSTEP grant award was reduced again to $3,515,462.44. The February 28, 2017 Exhibit A should be amended to reflect the existing award amount of $3,535,400.13 and the revised award amount of $3,515,462.44 for KVCC.

WMS:TJ:fd
WHEREAS, Public Act 224 of 2014 (the “Act”) authorized the Michigan Strategic Fund (“MSF”) to award up to $50,000,000 for the community colleges skilled trades equipment program for equipment and related investments that ensure that Michigan community colleges can deliver educational programs in high-wage, high-skill, and high-demand occupations, as identified by regional labor market conditions and that build and retain a talented workforce in Michigan (the “Community College Skilled Trades Equipment Program” or “CCSTEP”);

WHEREAS, at its February 24, 2015 meeting, the MSF made CCSTEP awards to 18 community colleges;

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) and the Talent Investment Agency (“TIA”) administer the CCSTEP on behalf of the MSF;

WHEREAS, on February 28, 2017 the MSF Board approved an amendment to the CCSTEP grant awarded to Kalamazoo Valley Community College (“KVCC”) to reduce the grant amount, however, Resolution 2017-011 contained the incorrect revised grant amounts for the CCSTEP grant to KVCC;

WHEREAS, MEDC and TIA staff recommend that the MSF adopt a resolution to clarify the CCSTEP grant amounts for KVCC; and

WHEREAS, the MSF Board wishes to adopt a resolution reflecting that the CCSTEP grant to KVCC was reduced from $3,535,400.13 to $3,515,462.44.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board adopts a resolution to reflect that the CCSTEP grant to KVCC was reduced from $3,535,400.13 to $3,515,462.44.

Ayes:

Nays:

Recused:

Lansing, Michigan
November 28, 2017
MEMORANDUM

Date: November 28, 2017

To: Michigan Strategic Fund Board

From: Gregory West, Community Development Block Grant, Program Manager
Christine Whitz, Director, Community Development Block Grant Program

Subject: Community Development Block Grant Program
CDBG Loan Program – Regional Loan Fund Assignment

Request
MEDC Staff is requesting that the Michigan Strategic Fund (MSF) approve the assignment of existing Community Development Block Grant (CDBG) loan funds within Regions 4, 7, 8, and 9 – Cinnaire Lending Corporation to an existing CDBG Regional Loan Fund Administrator.

Background
The MSF approved the Regionalization of CDBG Revolving Loan Funds, now known as CDBG Loan Funds, into nine Regional Loan Funds Administrators on October 24, 2012. Each of the Regional Loan Fund Administrators entered into a Repaid Funds Agreement with the MSF. Cinnaire Lending Corporation would like to terminate their Repaid Funds Agreement with the MSF. The Repaid Funds Agreement states “If the suspension/termination is for convenience, the MSF and Fund Manager shall be provided sixty (60) days written notice of the termination and the specific rational for that action”. The MSF Fund Manager was notified October 26, 2017 that Cinnaire Lending Corporation was looking to transfer the remaining funds and to withdraw from the agreement in place as a CDBG Regional Loan Fund Administrator.

The existing portfolio of loan funds with the Cinnaire Lending Corporation requires assignment to a new Regional Loan Fund Administrator. The existing portfolio consists of approximately $3,999,287.

Recommendation
MEDC Staff recommends:

- That the MSF terminate their Repaid Funds Agreement with Cinnaire Lending Corporation.
- That the MSF approve the assignment of CDBG loan funds from Cinnaire Lending Corporation to another existing CDBG Regional Loan Fund Administrator.
- That the MSF authorize the MSF Fund Manager to execute documents necessary to assign the existing loan portfolio with the Cinnaire Lending Corporation to a new Regional Loan Fund Administrator.
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”);

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;

WHEREAS, The CDBG program has policies, criteria, and parameters that are enumerated in the 2015 Program Guidelines, as amended (the “Criteria”). The MSF authorized and approved the Consolidated Plan and the Criteria, by Resolution 2015-039;

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;

WHEREAS, the MSF and Cinnaire Lending Corporation have a Repaid Funds Agreement in place;

WHEREAS, the Cinnaire Lending Corporation desires to terminate the Repaid Funds Agreement with the MSF.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the termination of the Repaid Funds Agreement with Cinnaire Lending Corporation and authorizes the assignment of its existing loan portfolio to an existing CDBG Regional Loan Fund Administrator. Also, that the MSF Fund Manager be authorized to execute documents necessary to assign the existing loan portfolio with the Cinnaire Lending Corporation to a new Regional Loan Fund Administrator.

Ayes:

Nays:

Recused:

Lansing, Michigan
November 28, 2017
MEMORANDUM

Date: November 28, 2017

To: Michigan Strategic Fund Board

From: Fred Molnar, VP, Entrepreneurship and Innovation

Subject: 2014 Entrepreneurial Specialized Support Services Grants

Hacker Fellowship - Amendment Three to PO 085P4300730
Venture Upstart III - Amendment Three to PO 085P4300742

REQUEST
MEDC staff requests that the Michigan Strategic Fund (“MSF”) Board approve amendments of the following 2014 Entrepreneurial Specialized Support Services grants:

1) Invest Detroit Hacker Fellowship grant amendment to extend the term to December 31, 2018 and to allocate additional funding of $300,000.

2) Michigan Venture Capital Association (“MVCA”) Venture Upstart III grant amendment to extend the term to December 31, 2018 and to allocate additional funding of $480,168.

BACKGROUND

Hacker Fellowship
On June 24, 2014, Invest Detroit received a 2014 Entrepreneurial Specialized Support Services Hacker Fellowship grant for $605,300 for a term of October 1, 2014 through September 30, 2016. The Invest Detroit grant was amended on September 28, 2016 to extend the term to September 30, 2017 and increase the grant to $905,300. The Invest Detroit grant was amended again on August 23, 2017 to extend the term to December 31, 2017. The program supports MEDC Talent programs by growing the availability and quality of entrepreneurial talent in Michigan in the competitive-edge technology sectors. This one-year fellowship program creates a soft-landing for recent computer science college graduates to work as developers for high-growth startups in Michigan. Since the beginning of the program, the Invest Detroit Hacker Fellows Team has delivered on the following metrics (as of their last Progress Report, dated October 15, 2017):

- Companies served 67
- Funds leveraged by companies $5,280,120
- Jobs created 60

Venture Upstart III
On June 24, 2014, the MVCA received a 2014 Entrepreneurial Specialized Support Services Venture Upstart III grant for $987,850 for a term of October 1, 2014 to September 30, 2017. The MVCA grant was amended on October 10, 2016 to increase the grant to $1,222,990. The MVCA grant was amended again on August 16, 2017 to extend the term to December 31, 2017. Four initiatives under this Grant - Executive Connect Program, Venture Fellows Program, Educational & Outreach Initiative, and Administrative component - provide valuable services in support of Venture Capital activities in Michigan:

- *ExeConnect Program* provides early stage startup companies with access to corporate executives with relevant market and/or industry expertise and/or strong domain knowledge in key areas (such as
accounting and finance, sales and marketing, and human resources). Startups are matched with experienced leaders who can serve as board members, mentors, and advisors as they plan and execute their sales, productivity and financial growth strategies.

- **Education & Outreach Program** enables MVCA to conduct research, educate, advocate, build networks and communicate to investors, entrepreneurs, the media, and the general public on entrepreneurial and investment opportunities, challenges, and successes in Michigan. MVCA Annual Research Report is one of the examples.

- **Venture Fellows Program** aims to increase the number of venture professionals in Michigan and accelerate fundraising and deployment of capital into early stage companies. Selected Venture Fellows are professionals who are early in their venture careers and are hired for two years by a Michigan-based venture firm, with the expectation that they will continue at the firm following the fellowship period.

- **Administrative** funding covers the administration and promotion of the programs in the Venture Upstart III contract.

Since the beginning of the program in 2014, MVCA has delivered on the following metrics (as of their last Progress Report, dated October 15, 2017):

- Number of Jobs Created: 45
- Number of Companies Expanded: 306
- Number of Companies Served: 394
- Capital Received by companies served by MVCA: $239,566,547
- People/Companies Attending Events: 3,964

**RECOMMENDATION**

MEDC Staff recommends the MSF Board approve the following:

1) Invest Detroit Hacker Fellowship grant amendment to:
   - Extend the term of the grant for one year to December 31, 2018
   - Add funding in the amount of $300,000

2) Michigan Venture Capital Association (MVCA) Venture Upstart III grant amendment to:
   - Extend the term of the grant for one year to December 31, 2018
   - Add funding in the amount of $480,168

WHEREAS, MCL 125.2088k created the Strategic Economic Investment and Commercialization Board ("SEIC Board") for the purposes of awarding 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, pursuant to Executive Order 2010-8, the Governor ordered the SEIC Board abolished and all powers, duties, and functions of the SEIC Board transferred to the Michigan Strategic Fund ("MSF"), including those powers, duties, and functions provided under MCL 125.2088k;

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;

WHEREAS, at its March 25, 2014 meeting, the MSF Board authorized the issuance of the Entrepreneurial Support Specialized Services Request for Proposals (the “ESSS RFP”), appointed a Joint Evaluation Committee ("JEC") to review applications submitted in response to the RFP, and approved the scoring and evaluation criteria to be used by the JEC in its review of the applications;

WHEREAS, on June 24, 2014, the MSF Board awarded a grant of $605,300 to Invest Detroit, with an initial term of October 1, 2014 to September 30, 2016 and the option to extend the term for up to an additional three years and allocate additional funding, at the sole discretion of the MSF (the “Invest Detroit Grant”);

WHEREAS, on June 24, 2014, the MSF Board awarded a grant of $987,850 to the Michigan Venture Capital Association, with an initial term of October 1, 2014 to September 30, 2017 and the option to extend the term for up to an additional three years and allocate additional funding, at the sole discretion of the MSF (the “MVCA Grant”)

WHEREAS, the Invest Detroit Grant was amended on September 28, 2016 to extend the term to September 30, 2017 and increase the grant to $905,300 (“Invest Detroit Grant Amendment
WHEREAS, the MVCA Grant was amended on October 10, 2016 to increase the grant to $1,222,990 (“MVCA Grant Amendment One”) and on August 16, 2017 to extend the term to December 31, 2017 (“MVCA Grant Amendment Two”);

WHEREAS, MEDC staff recommends that the MSF Board exercise its options to extend the terms of the Invest Detroit Grant and the MVCA Grant to December 31, 2018 and to allocate $300,000 to the Invest Detroit Grant and $480,168 to the MVCA Grant (“Amendment Three Request”); and

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the Amendment Three Request; and

BE IT FURTHER RESOLVED, the MSF Board authorizes the MSF Fund Manager to negotiate and execute all final documents necessary to effectuate the Amendment Three Request.

Ayes:
Nays:
Recused:

Lansing, Michigan
November 28, 2017
MEMORANDUM

Date: November 28, 2017

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

From: Trevor Friedeberg, Senior Business Development Project Manager

Subject: Brose New Boston, Inc. (“Company” or “Applicant”) Michigan Business Development Program Performance-based Grant Amendment Request

Request

This is a request from the Applicant for an increase in the grant amount by $2.7 million, up from $4.25 million, for a total award amount of $6.95 million. This project involves the creation of 300 additional Qualified New Jobs for a total commitment of 775 Qualified New Jobs created, and an additional capital investment of up to $104,995,077, for a total of $202,595,077 in the City of Auburn Hills, Oakland County, as well as Huron Charter Township, Wayne County.

The Applicant has demonstrated a need for the funding. The Company has identified that the current availability of workforce in the New Boston, Michigan area might present a constraint when recruiting for the large amount of new employees. Support to attract more potential employees to live in the area will be critical to this project. Other states competing for this project include Illinois, Ohio, South Carolina, and Mexico. Incentive assistance would help the Company attract the appropriate talent and allow them to continue to grow in Michigan.

Background

On December 16, 2014, the Michigan Strategic Fund approved a $4.25 million MBDP award for Brose New Boston, Inc. under the Michigan Business Development Program (“MBDP”) for the creation of 475 qualified new jobs.

The Applicant and its parent, Brose North America Group (Brose North America Holding, LP), are leading manufacturers of mechatronic components for vehicle bodies and interiors. Brose International GMBH, the parent to Brose North America Group, is an international supplier to automotive markets worldwide. Brose is drawing upon the Michigan workforce’s strong manufacturing expertise to build increasingly sophisticated products and operates three facilities in Michigan: Auburn Hills, Warren, and Huron Charter Township. Their customers include Ford, Chrysler, Honda, and Nissan.

Since the approval of its original MBDP award in 2014, the Company has secured new business which exceeds current production capacity among its North American operations. Therefore, additional jobs are anticipated beyond that which was forecast in 2014 as the Company begins a potential expansion of the Brose New Boston facility in order to be able to "vertically integrate" processes and bring new technology such as paint, weld and track assemblies for seat structures, which will allow it to better serve its customers.
Over the next five years, the Company will produce a newly ramped up product, and add new programs which require additional investment and additional workforce. Most of the jobs over the next 5 years will be located mainly in the New Boston and Auburn Hills facilities. Skilled operators, as well as skilled technicians to support the new production lines, will primarily be located at the New Boston location. The rest of the jobs will be in the Auburn Hills headquarters, with some professionals to support the new business, and technicians to perform testing and technical support. As a result, an additional 300 jobs will be created, for a total of 775 qualified new jobs, and an additional $104 million of investment, for a total of over $202 million in Michigan.

To date, the Company has completed and exceeded all required milestones under its current grant award creating 229 qualified new jobs, which is in excess of the 155 qualified new jobs required.

**Recommendation**

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

a) Amend the December 16, 2014 approval in accordance with the attached Term Sheet;

b) All other terms and conditions remain the same.
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, via Resolution 2014-221, the MSF Board approved a $4.25 million Michigan Business Development Program Performance based grant on December 16, 2014 to Brose New Boston, Inc. (the “Company”) in order to support its project to produce a newly ramped up product, and add new programs which is anticipated to require an additional 475 employees and investment of $97,600,000 in New Boston, Michigan (Huron Township), Warren, Michigan, and Auburn Hills, Michigan (the “Original Approval”);

WHEREAS, due to new secured business, the Company is now planning a new expansion where additional jobs beyond what was projected in 2014 will be necessary (the “New Project”);

WHEREAS, the Company requests that the MSF Board approve an amendment to the Original Approval to increase the total award to $6.95 million for the creation of 775 total Qualified New Jobs to support the New Project (the “Grant Amendment Request”); and

WHEREAS, the MEDC recommends approval of the Grant Amendment Request in accordance with the Term Sheet, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; (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 (the “BDP Amendment Recommendation”); and (iv) additional local support consistent with the MBDP Program Guidelines is secured;

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

Ayes:

Nays:
Recused:

Lansing, Michigan
November 28, 2017
MICHIGAN BUSINESS DEVELOPMENT PROGRAM
Performance Based Grant Amendment - Term Sheet

The following is a summary of the highlights of the amendment and basic terms for which the Company desires grant support from the Michigan Strategic Fund ("MSF") under the Michigan Business Development Program ("MBDP"). While the MBDP is operated and funded through the MSF, recommendation for approval of a MBDP Incentive Amendment is presented by the Michigan Economic Development Corporation ("MEDC") to the MSF.

Date: November 9, 2017

Company Name: Brose New Boston, Inc. ("Company" or "Applicant")

Company Address:
23400 Bell Road
New Boston, MI 48164

Project Address ("Project"): 23400 Bell Road
New Boston, MI 48164

25295 Guenther
Warren, MI 48091

3933 Automotive Avenue,
Auburn Hills, MI 48326

MBDP Incentive Type: Performance Based Grant

Current Status of the MBDP Incentive, as set forth in the final MBDP Incentive Award Agreement ("Agreement"):

- Maximum Amount of MBDP Incentive: Up to $4,250,000 ("MBDP Incentive Award")
- Base Employment Level: 1,104
- Total Qualified New Job Creation: 475
  *above Base Employment Level*
- Company Investment: 97,600,000 in building new construction, building renovations, machinery and equipment, computers, or any combination thereof, for the Project.
- Municipality supporting the Project: Huron Charter Township committed to provide a tax abatement related to the Project.
- Disbursement Milestones: The terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award are outlined in Exhibit B of the Agreement, and include:
  - Disbursement Milestone 1: Up to $1,250,000 Upon demonstrated creation of 95 Qualified New Jobs above the Base Employment Level and verification of final
approval of municipality support by no later than December 31, 2015.

- **Disbursement Milestone 2:** Up to $442,600 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 60 additional Qualified New Jobs (for a total of 155 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2016.

- **Disbursement Milestone 3:** Up to $442,600 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 60 additional Qualified New Jobs (for a total of 215 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2017.

- **Disbursement Milestone 4:** Up to $442,600 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, and Disbursement Milestone 3, and upon demonstrated creation of 60 additional Qualified New Jobs (for a total of 275 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2018.

- **Disbursement Milestone 5:** Up to $922,200 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, Disbursement Milestone 3, and Disbursement Milestone 4, and upon demonstrated creation of 125 additional Qualified New Jobs (for a total of 400 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2019.

- **Disbursement Milestone 6:** Up to $750,000 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, Disbursement Milestone 3, Disbursement Milestone 4, and Disbursement Milestone 5, and upon demonstrated creation of 75 additional Qualified New Jobs (for a total of 475 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2020.

- **Term of Agreement:** Execution of Agreement to March 31, 2022

**Proposed MBDP Incentive Amendment:**

- **Maximum Amount of MBDP Incentive:** Up to $6,950,000 ("MBDP Incentive Award")
  Increase the Maximum Amount of MBDP Incentive from $4.25 million to $6.95 million.

- **Total Qualified New Job Creation:**
  
  * (above Base Employment Level)  
  775  
  Increase the Qualified New Job Creation from 475 to 775

Brose New Boston, Inc.
• Company Investment: Increase total Company Investment from $97,600,000 by $104,995,077, for a cumulative total of $202,595,077, in building new construction, building renovations, machinery and equipment, computers, or any combination thereof, for the Project.

• Municipality supporting the Project: Huron Charter Township committed to provide a tax abatement related to the Project. The Detroit Regional Aerotropolis will also be providing a tax abatement on property related to the Project.

• Disbursement Milestones: The terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award will be amended as follows:
  o Disbursement Milestone 1: Up to $1,250,000 Upon demonstrated creation of 95 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than December 31, 2015.
  o Disbursement Milestone 2: Up to $442,600 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 60 additional Qualified New Jobs (for a total of 155 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2016.
  o Disbursement Milestone 3: Up to $442,600 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 60 additional Qualified New Jobs (for a total of 215 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2017.
  o Disbursement Milestone 4: Up to $442,600 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, and Disbursement Milestone 3, and upon demonstrated creation of 60 additional Qualified New Jobs (for a total of 275 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2018.
  o Disbursement Milestone 5: Up to $2,272,200 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, Disbursement Milestone 3, and Disbursement Milestone 4, and upon demonstrated creation of 275 additional Qualified New Jobs (for a total of 550 Qualified New Jobs) above the Base Employment Level, and verification of final approval of municipality support through the Detroit Region Aerotropolis by no later than December 31, 2019.
  o Disbursement Milestone 6: Up to $1,200,000 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, Disbursement Milestone 3, Disbursement Milestone 4, and Disbursement Milestone 5, and upon demonstrated creation of 125 additional Qualified New Jobs (for a total of 675 Qualified New Jobs) above the

Brose New Boston, Inc.
Disbursement Milestone 7: Up to $900,000 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, Disbursement Milestone 3, Disbursement Milestone 4, and Disbursement Milestone 5, and upon demonstrated creation of 100 additional Qualified New Jobs (for a total of 775 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2020.

- Term of Agreement: Execution of Agreement to June 30, 2022

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

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award Amendment for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by November 10, 2017, the MEDC may not be able to proceed with any recommendation to the MSF.

Acknowledged as received by:

Brose New Boston, Inc.

By: [Signature]

Printed Name: Michael Brosseau

Its: President

Dated: 11/14/2017

Michigan Economic Development Corporation

By: [Signature]

Printed Name: [Name]


Dated: 11/14/2017

Brose New Boston, Inc.
MEMORANDUM

Date: November 28, 2017

To: Michigan Strategic Fund Board

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

Subject: City of Niles Brownfield Redevelopment Authority
Request for Approval of an Act 381 Work Plan
Indeck Niles Energy Center Project

Request
The proposed project will be undertaken by Indeck Niles, LLC (Indeck). The project will develop and repurpose approximately 276 acres of property located at 2200 Progressive Drive in the city of Niles. The project qualifies for an Act 381 work plan because the property has been determined to be a facility.

In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the city of Niles Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of $34,800,264.

This is a capital intensive project with the majority of investment occurring in advance of revenue generation, and as a result, incentive assistance is needed to move this project forward in Niles. Similar and competing projects in Illinois, Indiana, and Ohio, have secured development agreements that provide substantial economic incentives making them able to be competitive in the same market.

Indeck anticipates that the project will result in a total capital investment of $967,172,000, along with the creation of approximately 21 permanent full-time equivalent jobs with an average hourly wage of $45.51.

Background
Indeck Niles, LLC will redevelop a contaminated site and construct an approximately 210,300 square foot electric power generating facility. This will be a technologically advanced and efficient natural gas-fired combined cycle gas turbine electric power generating facility that will have the capacity to provide electricity to both Michigan and surrounding states upon completion.

Demolition activities will be necessary for the removal of associated site improvements (paving, former utilities, etc.) and removal of buried and subsurface debris (existing and unforeseen debris). Site preparation activities include geotechnical engineering, clearing and grubbing, surveying and staking, land balancing, temporary site control, temporary construction access and/or roads, temporary erosion control, special foundations, compaction & sub-base preparation, and soft costs. Public infrastructure improvements include road improvements, upgraded water main extension, public extension of
electricity, and sanitary wastewater extension. Private infrastructure improvements include an onsite storm water management system. Both public and private infrastructure improvements are necessary to support the new development. Interest costs will be reimbursed due to the interest costs on the loans that the developer will need to obtain in order to complete the eligible activities.

Indeck Energy Services, Inc., headquartered in Illinois and the parent company of Indeck Niles, LLC, was established in 1985 as a privately held developer of power generating facilities and is one of the leading independent power developers in North America. Indeck’s capabilities include asset management, energy and gas management, construction management, and operations and maintenance services. Neither company has been awarded incentives from the MSF.

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 $34,800,264. Utilizing the requested state to local capture ratio, the amount of school tax capture for this project is estimated at $6,239,687.
APPENDIX A – Programmatic Requirements & Screening Guidelines

Property Eligibility
The project is located within the boundaries of the city of Niles, which is a Qualified Local Governmental Unit, and the site has been determined to be a facility as verified by Michigan Department of Environmental Quality (DEQ) on November 7, 2017.

The property is the subject of a Brownfield Plan, duly approved by the city of Niles on September 11, 2017.

In addition, the project is requesting from the DEQ $7,165,353 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 redevelopment of an underutilized, abandoned, vacant, and contaminated property. The project will provide a significant amount of new tax revenue, including new taxes that will not be captured by the Authority for reimbursement, but distributed to the taxing jurisdictions from real and personal property tax gains during the estimated 27-year reimbursement period. Lastly, the project is anticipated to create approximately 21 full time equivalent jobs.

b) Jobs Created (Excluding Construction and other Indirect Jobs):
This project is expected to create approximately 21 new, full-time equivalent jobs.

c) Area of High Unemployment:
The City of Niles unadjusted jobless rate was 5.1% in July 2017. This compares to the statewide seasonally adjusted average of 4.9% in July 2017.

d) Level and Extent of Contamination Alleviated:
Concentrations of metals, volatile organic compounds (VOCs), and polynuclear aromatic hydrocarbons (PNAs) were identified in soil and/or groundwater exceeding Part 201 RCC.

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:
Indeck Niles, LLC is pursuing a 13-year Personal Property Exemption (PA 328) for the new development. Furthermore, there will be a 75% pass-through to the taxing jurisdictions during the period the PA 328 is in effect, and a 45% pass-through for the remainder of the plan. The impact of the PA 328 and pass-through to the final state and local ratio is shown below.

**Tax Capture Breakdown**
There are 52.1355 non-homestead mills available for capture, with school millage equaling 24 mills (46.03%) and local millage equaling 28.1355 mills (53.97%). The PA 328 and pass through affects the final ratio, which is represented below. Tax increment capture will begin in 2019 and is estimated to continue for 22 years. 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>(17.93%)</td>
<td>$6,239,687</td>
</tr>
<tr>
<td>Local tax capture</td>
<td>(82.07%)</td>
<td>$28,560,577</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>$34,800,264</strong></td>
</tr>
</tbody>
</table>

**Cost of MSF Eligible Activities**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demolition</td>
<td>$317,500</td>
</tr>
<tr>
<td>Infrastructure Improvements</td>
<td>4,456,658</td>
</tr>
<tr>
<td>Site Preparation</td>
<td>+ 20,133,172</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>$24,907,330</td>
</tr>
<tr>
<td>Contingency (15%)</td>
<td>+ 3,736,099</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>$28,643,429</td>
</tr>
<tr>
<td>Interest (5%)</td>
<td>+ 6,126,835</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>$34,770,264</td>
</tr>
<tr>
<td>Brownfield/Work Plan Preparation</td>
<td>+ 15,000</td>
</tr>
<tr>
<td>Brownfield/Work Plan Implementation</td>
<td>+ 15,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$34,800,264</strong></td>
</tr>
</tbody>
</table>
APPENDIX B – Project Map
MICHIGAN STRATEGIC FUND

RESOLUTION 2017 -

APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN
CITY OF NILES BROWNFIELD REDEVELOPMENT AUTHORITY
INDECK NILES ENERGY CENTER PROJECT

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 Niles Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 2200 Progressive Drive within the City of Niles, known as Indeck Niles Energy Center Project (the “Project”);

WHEREAS, the City of Niles 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 17.93% to 82.07% ratio between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, lead and asbestos abatement and infrastructure improvements as presented in the Work Plan dated November 6, 2017. The existing ratio is impacted by a PA 328 abatement in addition to a pass-through for all taxing jurisdictions. 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 $28,643,429 for the principal activity costs of non-environmental activities and a contingency, a maximum of $6,126,835 in interest, a maximum of $15,000 for Brownfield/Work Plan preparation, and a maximum of $15,000 for Brownfield/Work Plan implementation, and with the capture of taxes levied for school operating purposes being limited to a maximum of $6,239,687.

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

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 $6,126,835 related to the eligible activities for the Project.

Ayes:

Nays:

Recused:

Lansing, Michigan
November 28, 2017
MEMORANDUM

Date: November 28, 2017

TO: Michigan Strategic Fund Board

From: Christopher Cook, Director of Capital Access

Subject: Private Activity Bond – Bond Inducement - $5,500,000
The Washtenaw PACE, Inc. d/b/a Huron Valley PACE– Nonprofit – New

Request:
Huron Valley PACE is requesting private activity bond financing in the amount of $5,500,000 for the expansion of the existing Huron Valley PACE facility. The expansion will include the addition of approximately 21,000 square feet to the existing facility, and include the equipping and furnishing of the facility.

Background:
The Washtenaw PACE, Inc. d/b/a Huron Valley PACE (“Huron Valley PACE”) operates a Program for All Inclusive Care for the Elderly (“PACE”) in Ypsilanti, Washtenaw County. Huron Valley PACE was founded in 2012 and is currently licensed to serve 180 participants. United Methodist Retirement Communities, Inc. owns 100% of Huron Valley PACE and is the guarantor for the Borrower. Huron Valley PACE is a separately incorporated 501(c)(3) corporation with its own Board of Directors.

Description of Project:
In correlation to the request described above, it is anticipated that with the proposed addition to the current facility 25 short term construction jobs will created. It is also anticipated that at project completion and once full participant levels are reached in year 5 of expanded operations, approximately 44 full time jobs will be created. It is also anticipated that the project expansion will allow Huron Valley PACE to serve an additional 180 participants for a total of 360 participants.
PACE is a health care program designed for frail, nursing-home-eligible seniors capable of living in their own homes with supervised care. Participants must be at least 55 years old, live in the PACE service area and be certified as eligible for nursing home care by the appropriate state agency. A PACE center must provide at least private care services, social services, restorative therapies, personal care and supportive services, nutritional counseling, recreational therapy, prescription and over the counter medications and meals. PACE programs may also include in-home and clinical services, including medical specialists, laboratory and other diagnostic services, hospital and nursing home care.

**Plans of Finance:**
Chemical Bank has indicated an interest in a direct purchase of the bonds. B. C. Ziegler and Company will serve as the placement agent.

If the project size remains at $5,500,000, the MSF issuance fee will be $13,750.00.

**Recommendation:**
After reviewing the private activity bond application for the Borrower, staff finds this project meets the requirements for an Inducement Resolution in the amount of $5,500,000.
WHEREAS, The Washtenaw PACE, Inc., d/b/a Huron Valley PACE, is a Michigan non-profit corporation (the “Borrower”), located at 2940 Ellsworth, Ypsilanti, Washtenaw County, Michigan;

WHEREAS, the Borrower desires to finance the construction of an approximately 21,000 square foot addition to the existing facility and the acquisition of equipment and furnishings for the facility;

WHEREAS, the Borrower has applied to the MSF for a loan (the "Loan") to finance the Project as defined in 1984 PA 270 (the "Act");

WHEREAS, the Borrower has advised the MSF that the cost of the Project will not exceed Seven Million Dollars ($7,000,000);

WHEREAS, the Act authorizes the MSF to loan moneys to business enterprises for the purpose of financing projects and to obtain the moneys for such loans by the issuance of bonds pursuant to the Act; and

WHEREAS, this Resolution has the purpose of providing the necessary official intent of the MSF to meet the requirements of Sections 141 and 144 of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations promulgated in connection therewith and, in particular, Section 1.150-2 of the Income Tax Regulations.

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

1. The MSF intends to provide the Loan to the Borrower subject to the conditions of this Resolution.

2. The Loan shall be designated for the Project in accordance with the Borrower's Tax-Exempt Application Form dated November 1, 2017.

3. The maximum principal amount of the bonds (the "Bonds") expected to be issued to provide the Loan to finance the Project shall not exceed Five Million Five Hundred Thousand Dollars ($5,500,000). The Borrower shall be obligated to make loan repayments in an amount sufficient to assure full repayment of the Bonds, establish appropriate reserves and pay costs and expenses relating to the issuance of the Bonds and the making of the Loan.

4. The MSF's obligation to issue the Bonds and make the Loan shall be conditioned upon a) the ability of the MSF to issue, sell and deliver the Bonds under applicable federal and state laws, b) receipt of an allocation from the State Treasurer pursuant to 1988 PA 496 as it relates to limitations on the issuance by states of private activity bonds under the Code, and c) any prioritization, fee schedules or other requirements or limitations implemented by the MSF or the State Treasurer.

5. The MSF's obligation to make the Loan and issue the Bonds contemplated by this Resolution shall expire two years after the date of this Resolution.
6. The Loan may be evidenced by a promissory note and secured by such instruments as are in form and substance satisfactory to the MSF, the Attorney General of the State of Michigan (the “Attorney General”) and bond counsel to the MSF, including a loan agreement, indenture, first mortgage, security agreement and such additional security as may be required by the MSF or purchaser of the Bonds.

7. Subject to compliance with this Resolution, the MSF will authorize a bond resolution approving the issuance of the Bonds (the “Bond Resolution”) for the purpose of making the Loan and funding the reserves and costs associated with the issuance and administration of the Bonds, and enter into a loan agreement and related documents with the Borrower and a bond purchase agreement with a bond purchaser, which documents shall be subject to the approval of the Attorney General and bond counsel to the MSF.

8. The Bonds shall not be general obligations of the MSF but shall be payable as to principal and interest solely from the proceeds of the payments to be made by the Borrower to the MSF (or to a trustee appointed by the MSF pursuant to the Bond Resolution), as provided in the Bond Resolution. The agreements relating to the Loan and the issuance of the Bonds shall contain such provisions as will be necessary to make absolutely certain that under no circumstances will the Bonds or this Resolution be a debt or obligation of the State of Michigan or a general obligation of the Michigan Strategic Fund, nor will the State of Michigan be liable on the Bonds.

9. All costs and expenses involved in the authorization, issuance, sale, and delivery of the Bonds and in the making of the Loan shall be paid from the Bond proceeds or, if they are insufficient, by the Borrower.

10. The staff of the MSF is authorized and directed to initiate the proceedings described in this Resolution and to enter into negotiations, subject to the approval of the MSF, with a bond purchaser for the sale of the Bonds. Any authorized signatory is authorized to prepare and file with the Michigan Department of Treasury a request for allocation as it relates to the State limitations on the issuance of private activity bonds.

11. Bond counsel to the MSF and the Attorney General are authorized and directed to prepare and submit to the appropriate parties all proceedings, agreements and other documents as shall be necessary or appropriate in connection with the issuance of the Bonds and to make applications on behalf of the MSF to the United States Internal Revenue Service and to other governmental agencies for such income tax and other rulings and approvals as may be necessary in relation to the issuance of the Bonds. Any authorized signatory is authorized to execute such powers of attorney and other documents as may be appropriate in connection with the foregoing. All costs and expenses pertaining to the above matter shall be paid from the Bond proceeds or by the Borrower.

12. A preliminary official statement or other offering materials may be used in connection with the sale of the Bonds; provided, however, that no preliminary official statement or other offering materials shall be circulated unless any description of the MSF, the Bonds and documents to which the MSF is a party shall have been approved by bond counsel to the MSF and the Attorney General.

13. All resolutions and parts of resolutions insofar as they conflict with this Resolution are rescinded.

ADOPTED

Ayes:
Nays:
Recused:

Lansing, Michigan
November 28, 2017
MEMORANDUM

Date:   November 28, 2017

To:   Michigan Strategic Fund Board

From:   Daniel Leonard, Senior Community Assistance Specialist
        Rob Garza, Brownfield and MCRP Senior Program Specialist

Subject:  North Channel Investors, LLC and North Channel Brewing, LLC - Request for Approval Michigan Community Revitalization Program Grant

North Channel Outlet Redevelopment Project

Request
The proposed project will be undertaken by North Channel Investors, LLC and North Channel Brewing, LLC. The project will redevelop .64 acres of property located at 86 North Washington Street in the City of Manistee. The project is located in a downtown and qualifies for a Michigan Community Revitalization Program (MCRP) award because it is both a facility and a historic resource.

North Channel Investors, LLC and North Channel Brewing, LLC (Co-applicants) are requesting approval of a MCRP incentive in the amount of $970,000 in the form of a performance-based grant.

The developer has secured senior financing and historic tax credits for this project. In addition, the city is also contributing approximately 13% of the project costs via public infrastructure improvements. Without the requested MCRP performance-based grant, this project would not be economically viable. The project cannot demonstrate it will be able to meet the MCRP incentive parameters of a minimum debt service coverage ratio (DSCR) of 1.20 to 1.00 on a proforma basis. This is due to the project including both rental units as well as condominiums that will be sold in order to pay down debt as they are sold. Furthermore, the developer equity contribution is 9.72% of project cost and does not meet the minimum MCRP incentive parameter requirement of 10% of project cost. Although the developer’s initial equity investment is less than 10%, the developer is contributing 80% of the condominium sale proceeds back to the project to pay down senior debt. As a result, staff is requesting a deviation from the MCRP incentive parameters. In discussions with both the development team as well as their primary lender, Shelby State Bank, the physical nature of the building and soft real-estate market within Manistee each reduced potential loan dollars available to renovate this site. Furthermore, the existing physical conditions deterred several previous development teams who had also looked into renovation of the space and decided against restoration due to the tremendous structural needs. The proposed MCRP incentive will allow the project to move forward and achieve many community development goals including increased downtown density, historic preservation and additional downtown housing options.

MCRP detailed structure is provided in Appendix A.
The Applicant anticipates that the project will result in total capital investment in the amount of $5,387,639, along with the creation of approximately 20 permanent full-time equivalent jobs with an average hourly wage of $18.

**Background**
This project will holistically renovate a vacant and underutilized space into a vibrant, mixed-use building. The building previously functioned as a multi-story furniture manufacturing plant and retail store beginning in the 1890s and ending in the early 2000s due to a halt in the manufacturing operation. Since then, the building has been underutilized and last hosted a commercial tenant in 2010. During this vacancy period, the building was not physically well-maintained and several structural failures occurred on the roof, north exterior wall and foundations throughout the building. With the assistance of the North Channel Investors, LLC, this building will encounter a holistic historic renovation consisting of both exterior and interior efforts to stabilize the existing structure. Additional retrofitting of the interior will alter the first floor to accommodate an 8,000 square foot new commercial micro-brewery operation and restaurant as well as the second and third stories which will support approximately fourteen new residential units occupying approximately 13,000 square feet.

The North Channel Investors, LLC, has a background in real-estate development and asset management within western Michigan. Neither North Channel Investors, LLC nor North Channel Brewing, LLC have been awarded incentives from the Michigan Strategic Fund (MSF); however, members of North Channel LLC participated in the River Parc Place II, LLC residential project in Manistee that was awarded an MCRP performance-based grant and Act 381 Work Plan by the MSF Board. The project is currently in good standing.

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

**Recommendation**
MEDC staff recommends approval of a MCRP performance-based grant in the amount of $970,000 for North Channel Investors, LLC.
APPENDIX A – CRP Summary of Terms

Summary of Terms

1. Company Name: North Channel Investors, LLC (“Companies” or “Co-Applicant”) North Channel Brewing, LLC (“Companies” or “Co-Applicant”)

2. Company Address: 300 Washington Street, Suite 100 Grand Haven, Michigan 49417

7277 Forsynthia SE
Grand Rapids, Michigan 49508

3. MCRP Incentive Type: Performance Based Grant

4. Maximum Amount of MCRP Incentive: Lesser of 25% of the Eligible Investment, as defined by the Program Guidelines, or $970,000 (“MCRP Incentive Award”)

5. Project Description (“Project”): The project will include a rehabilitation of an existing three-story building into a mixed-use building that will contain approximately 8,000 square feet of first floor commercial/retail space and up to 14 residential units totaling approximately 13,000 square feet on the second and third floor.

6. Anticipated Minimum Eligible Investment: $3,200,308 The minimum is based on 80% of the total Eligible Investment amount requested on the MCRP incentive application. The Eligible Investment on the Project is anticipated to include:
   - • Building Alteration/Rehabilitation/Improvement
   - • Site Improvements
   - • Addition of Machinery, Equipment or Fixtures to the Project
   - • Professional Fees

7. Start Date for Measurement of Eligible Investment: March 1, 2015

8. Project Qualifying As: Facility
Historic Resource
9. **Progress and Milestones & Disbursement:** The final terms and conditions of each of the Progress Milestones shall be included in the final Agreement, including that before any disbursement is made to the Applicant, the Applicant must demonstrate timely completion of all Progress Milestones, as required, and otherwise be in full compliance with all terms and conditions of the final Agreement. The MSF Fund Manager, in coordination with Michigan Economic Development Corporation (MEDC) Staff, is authorized to negotiate the final terms and conditions of the final Agreement to be used to memorialize MCRP awards on the MSF’s behalf in accordance with the Guidelines and are anticipated to include:
   a. Pre-improvement Progress Milestone: Written certification from the Shelby State Bank, or a copy of the executed loan agreement, note and mortgage, evidencing that the applicant has closed on financing in the amount of $2,014,150, plus or minus five percent.
   b. Completion of the Project Progress Milestone: Issuance of a certificate of occupancy on terms and conditions satisfactory to the MSF Fund Manager and if applicable, demonstration that the Project complies with the federal secretary of interior’s standards for rehabilitation and guidelines for rehabilitating historic buildings, 36 CRF 67.

10. **Municipality supporting the Project (“Municipal Support”):** The municipality has committed to provide: An Obsolete Property Rehabilitation Act (OPRA) tax abatement for 7 years with an estimated value of $140,000 over the 7 year period. The final terms and conditions evidencing this support shall be included in the final Agreement.

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

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

13. **Final Terms and Conditions:** The MSF Fund Manager, in coordination with MEDC Staff, is authorized to negotiate the final terms and conditions of the final Agreement to be used to memorialize MCRP awards on the MSF’s behalf in accordance with the Guidelines and is anticipated to include the terms described above.
APPENDIX B – Programmatic Requirements & Screening Guidelines

MCRP Program and its Guidelines
On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program (MCRP) and on September 22, 2015, the MSF Board approved its restated program guidelines. The primary intended objective of the MCRP is to provide incentives to persons that make eligible investments on eligible property in Michigan. The total eligible investment for this project is estimated to be $4,000,385.

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:
   With the completion of this redevelopment, the community will be setting a positive example for the northern areas of town, which have had difficulty attracting new investment. In addition, there are several underutilized properties nearby that are being considered for redevelopment due to the planned improvements on the North Channel property.

B. If the project will act as a catalyst for additional revitalization of the community in which it is located:
   With the completion of the North Channel Outlet project, the Washington Street corridor will increase both density and walkability with the addition of the new micro-brewery and residential units, which the city has targeted as a major priority for their downtown.

C. The amount of local community and financial support for the project:
   To date the City of Manistee has contributed roughly $710,000 in financial support through infrastructure improvements surrounding the site which include new streetscaping, sidewalks, landscaping, and water and sewer connections to support the increased usage of the site.

D. The applicant's financial need for a community revitalization incentive:
   The developer has maximized all sources of funding for the project. Without MCRP support, the project is not economically viable.
E. The extent of reuse of vacant buildings, reuse of historical buildings, and redevelopment of blighted property:
The building is a contributing member of a local historic district and has been vacant for several years. The project will reactivate a long underutilized space into a vibrant, mixed-use building. The property is not qualifying as blighted.

F. Creation of jobs:
The project is anticipated to create 20 new, full-time equivalent jobs with an average hourly wage of $18/hour.

G. The level of private sector and other contributions, including, but not limited to, federal funds and federal tax credits:
The majority of the financial capital stack supporting this renovation effort is being leveraged through traditional loans through Shelby State Bank. This project will also receive federal historic tax credits for eligible activities to assist with the restoration of this asset.

H. Whether the project is financially and economically sound:
Upon reaching stabilization, it is anticipated the project will have sufficient cash flow to meet its debt service requirements and provide the owner with an acceptable rate of return.

I. Whether the project increases the density of the area:
This project is increasing area density by adding approximately 14 residential units and a micro-brewery to the downtown.

J. Whether the project promotes mixed-use development and walkable communities:
This is a prime example of a mixed-use development project and will positively contribute to a more walkable environment and encourage foot traffic from River Street across the Washington Street Bridge.

K. Whether the project converts abandoned public buildings to private use:
The project was privately owned, but will reactivate the entirety of the structure.

L. Whether the project promotes sustainable development:
Sustainable elements of this project include rooftop solar panels which will be used to supplement the power needs of the development.

M. Whether the project involves the rehabilitation of a historic resource:
This project will involve the rehabilitation of a contributing building within a local historic district.

N. Whether the project addresses area-wide redevelopment:
The project contributes to meeting the city’s priorities and is anticipated to spur additional development on nearby properties.
O. **Whether the project addresses underserved markets of commerce:**
The market-rate residential rental market within Manistee is very soft at this time, so this project will addresses community priorities.

P. **The level and extent of environmental contamination:**
The site is considered a facility by the MDEQ, however, the development team is responsibly addressing the site’s environmental challenges and will completely abate the lead / asbestos found throughout the structure’s envelope.

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 majority of the building will meet the Secretary of the Interior’s standards for rehabilitation of the historic asset.

R. **Whether the project will compete with or affect existing Michigan businesses within the same industry:**
With the inclusion of a micro-brewery within Manistee, this specific style of restaurant / brewery does not exist currently within the community and should not affect or compete with existing restaurants in a negative manner. Adding this resource to the community should continue to add value to the community’s marketability and vibrancy downtown.

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:**
None at this time.
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, North Channel Investors, LLC and North Channel Brewing, LLC ("Companies") have requested a performance based grant of up to $970,000 ("Award Request"), along with other general terms and conditions; 

WHEREAS, it is anticipated that the project will not be able to meet the MCRP Incentive Parameters of a debt service coverage ratio of 1.20 to 1.00 in the initial years of operation or a minimum equity investment of 10% of project costs, and staff is recommending a deviation from these requirements; 

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

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

Ayes: 

Nays: 

Recused: 

Lansing, Michigan
November 28, 2017
MEMORANDUM

Date: November 28, 2017

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

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

Subject: Amendment of the MSF Investment Fund Award to Michigan Community Capital f/k/a Michigan Magnet Fund

Request
The request is to increase the MSF’s $10,000,000 Loan Award from the Investment Fund by $3,500,000 for Michigan Community Capital (MCC). The loan is to facilitate investment in “Attainable Housing” projects across the state.

Background
The MSF approved a $10,000,000 Investment Fund Award to MCC at its February 28, 2017 Board meeting to facilitate investment in “Attainable Housing” projects across the state.

Attainable Housing is defined as housing targeted at individuals and families with incomes between 60% and 120% Area Median Income (AMI). Attainable Housing has been identified by staff and partners as an unmet need in many communities across the State as rental rates have continued to increase in many markets in the State, primarily Central Business Districts and other commercial cores. An unanticipated consequence has led to displacement of many residents away from employment centers in those communities.

The MSF approved the following amendments at its August 22, 2017 Board meeting: 1) an increase in the allowable outside financing from 20% of the outstanding MSF Award balance to 20% of MSF Award; and 2) allow for a stand-alone disbursement under the MSF Loan Award that can be utilized to make a loan to a project in Flint, MI known as the Flint Marketplace project.

The MCC is in compliance with all requirements of the Loan Award. To date, $2,800,000 has been advanced under the Loan Award covering two projects, one in Grand Rapids and the other in Detroit. The MCC currently has a healthy pipeline line of projects; it is anticipated the entire Loan Award will be advanced within the next 12-18 months.

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

a) Approval of a $3,500,000 increase in the Investment Fund Loan Award.
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, by resolution 2017-027 on February 28, 2017 the MSF Board approved a $10,000,000 Investment Fund Award to Michigan Community Capital ("Company") for investment into the development of Attainable Housing projects;

WHEREAS, by resolution 2017-119 on August 22, 2017 the MSF Board approved amendments to the Investment Fund Award Agreement and other ancillary agreements ("Agreement") to allow for the following: 1) an increase in the allowable outside financing from 20% of the outstanding MSF Award balance to 20% of MSF Award; and 2) allow for a stand-
alone disbursement under the MSF Award that can be utilized to make a loan to a project in Flint, MI known as the Flint Marketplace project;

WHEREAS, Michigan Community Capital (f/k/a Michigan Magnet Fund) has requested up to a $3,500,000 increase to the Investment Fund Award to invest into certain residential rental and mixed use development projects toward among other things, revitalizing Michigan communities (“MCC Investment”);

WHEREAS, the MEDC recommends that the MSF approve funding of up to $3,500,000 from the Investment Fund to fund the MCC Investment (“Funding”);

WHEREAS, the MEDC recommends that the MSF approve the MCC Investment 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 or MSF Financial Officer, the Time Period may be extended for up to an additional 60 days (the foregoing, collectively, the “Amendment Recommendation for the MCC Investment”).

WHEREAS, the MEDC recommends that the MSF Board approve the requested amendment to the Agreement as presented with all other requirements remaining in place;

WHEREAS, the MEDC recommends that the MSF Board delegate to the MSF Fund Manager or MSF Financial Officer the authority to negotiate the final terms and conditions of, and sign, all documents necessary to effectuate the amendment;

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

BE IT FURTHER RESOLVED, the MSF approves the Amendment Recommendation for the MCC Investment.

Ayes:

Nays:

Recused:

Lansing, Michigan
November 28, 2017
MEMORANUM

Date:    November 28, 2017

To:      Michigan Strategic Fund Board

From:    Britney Hoszkiw, Community Assistance Team Specialist
         Mary Kramer, Senior MCRP and Brownfield Program Specialist

Subject: City of Detroit Brownfield Redevelopment Authority
          Request for Approval of an Act 381 Work Plan
          751 Griswold Street Project
          Request for Approval Michigan Community Revitalization Program Amendment

Request

The 751 Griswold Street project includes the historic rehabilitation of the First State Bank building in downtown Detroit. The project previously received approval for an MCRP grant award in the amount of $682,279 in September 2014. This request is to approve the addition of an Act 381 Work Plan incentive for the project along with an amendment to the MCRP grant for an extension of the project completion due date. The project is located in a downtown and qualifies for 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 Detroit Brownfield Redevelopment Authority is seeking approval of school tax capture for MSF eligible activities in the amount of $836,869.

The applicants are planning to invest $345,000 or approximately five percent of the overall project costs as equity. They will also be contributing equity from the sale of Historic Tax Credits for another $592,000 and are deferring all of their developer fees of $250,000. The applicant has also contributed the value of the building into the project at $713,958. The State Bank has committed $4 million or 58 percent of project costs and Michigan Investment Group is supporting with another $300,000 loan. The project has previously been awarded a Michigan Community Revitalization Program grant in the amount of $682,279 in 2014. Due to cost overruns associated with unforeseen brownfield conditions that exist on the site and project infrastructure requests from the City of Detroit, the development team is requesting a Brownfield Act 381 reimbursement of up to $836,869 in eligible activities. The development is maximizing the available senior debt on the project and projected rents are not anticipated to provide returns that would justify additional equity contributions.

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.

751 Griswold Detroit, LLC ( Applicant ) anticipates that the project will result in total capital investment in the amount of $6,883,375, along with the creation of approximately 29.5 permanent full-time equivalent jobs with an average hourly wage of $31.69.

**Background**
The Applicant plans to redevelop the former First State Bank Building into a historically renovated mixed-use building in Detroit’s Financial District. The building was originally constructed in 1924 and has sat vacant for fifteen years. The project will redevelop approximately .11 acres of property located at 751 Griswold Street in the city of Detroit. When completed, the building will include approximately 5,685 square feet of retail/commercial space on the basement level; approximately 6,490 square feet of retail on the first floor and mezzanine level; and approximately 14,290 square feet of commercial/office space on floors two through four.

Asbestos abatement will be necessary prior to demolition activities in order to protect human health. Demolition activities will be necessary to renovate the current building to modern and efficient reuse and reconfigure utilities within the building. Site preparation activities include relocation of water and storm utilities. Infrastructure improvements include sidewalk repair and replacement necessary to support the new development.

The extension of the MCRP milestone due dates is being requested due to multiple setbacks during the project and a change in end use. The MCRP grant agreement was previously amended to revise the proposed end use of the building from restaurant and office uses to office furniture retail showroom and office uses. Milestone One has been completed and the company is current with reporting requirements.

751 Griswold Detroit, LLC is an affiliate of Basco of Michigan. Basco was established in 2001 by George and Roger Basmajian. Basco has redeveloped approximately 100,000 square feet of retail, mixed use and office space in downtown Royal Oak and Ferndale. The Applicant was awarded Michigan Community Revitalization Program funds in the past for this project.

**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) Local and school tax capture for the Act 381 eligible activities totaling $836,869. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $836,869; and

B) An amendment to the MCRP Grant Agreement to extend Milestone Two, Completion of the Project to April 30, 2018 and extend the Pre-Grant Disbursement Due Diligence Conditions Milestone to July 31, 2018.
APPENDIX A – Programmatic Requirements & Screening Guidelines

Property Eligibility
The project is located within the boundaries of the City of Detroit, which is a Qualified Local Governmental Unit, and has been deemed functionally obsolete as verified by a Michigan Master Assessing Officer (MMAO) assessor on September 5, 2014 and determined to be a historic resource within the Historic Detroit Financial District.

The property is the subject of a Brownfield Plan, duly approved by the City of Detroit on October 17, 2017.

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 completion of this redevelopment project will increase the taxable value of the property and preserve a historic downtown Detroit building for use by a Michigan-based business, Marx Moda. The project will restore commercial density, increase foot traffic and catalyze further investment in downtown Detroit.

b) Jobs Created (Excluding Construction and other Indirect Jobs):
This project is expected to create approximately 29.5 new, full-time equivalent jobs in downtown Detroit.

c) Area of High Unemployment:
The City of Detroit unadjusted jobless rate was 9.6% in July 2017. This compares to the statewide seasonally adjusted average of 3.7% in July 2017.

d) Level and Extent of Contamination Alleviated:
Asbestos containing materials found throughout the building will be abated which will alleviate a threat for future tenants and construction contractors working on renovations.

e) Reuse of Functionally Obsolete Buildings and/or Redevelopment of Blighted Property:
The project involves the rehabilitation of a vacant functionally obsolete building.

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 63.3244 non-homestead mills available for capture, with school millage equaling 24 mills (37.90%) and local millage equaling 39.3244 mills (62.10%). Tax increment capture will begin in 2018 and is estimated to continue for 29 years. The project has been approved for an Obsolete Property Rehabilitation Act (OPRA) tax abatement for 10 years. In addition, the project is located in the Downtown Development Authority (DDA) so the DDA captures the majority of the local taxes once the abatement expires. Local mills totaling 5.638 that are not eligible for capture by the DDA go to the City of Detroit Brownfield Redevelopment Authority for program administration resulting in a 100 percent state capture for the project. The requested tax capture for MSF eligible activities breaks down as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Percentage</th>
<th>Amount</th>
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<tbody>
<tr>
<td>School tax capture</td>
<td>(100.00%)</td>
<td>$836,869</td>
</tr>
<tr>
<td>Local tax capture</td>
<td>(0.00%)</td>
<td>$0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>$836,869</td>
</tr>
</tbody>
</table>

Cost of MSF Eligible Activities

<table>
<thead>
<tr>
<th>Activity</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demolition</td>
<td>$285,842</td>
</tr>
<tr>
<td>Asbestos Abatement</td>
<td>$213,814</td>
</tr>
<tr>
<td>Infrastructure Improvements</td>
<td>$139,497</td>
</tr>
<tr>
<td>Site Preparation</td>
<td>$185,716</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td>$824,869</td>
</tr>
<tr>
<td>Brownfield/Work Plan Preparation</td>
<td>$12,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$836,869</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 demolition and site preparation that are not response activities under the Natural Resources and Environmental Protection Act, 1994 PA 451;

WHEREAS, the City of Detroit Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 751 Griswold Street within the City of Detroit, known as 751 Griswold Street Project (the “Project”);

WHEREAS, the City of Detroit 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 100% to 0% ratio currently existing between school and local taxes for non-homestead properties in the Downtown Development Authority, to reimburse the cost of site preparation, demolition, asbestos abatement and infrastructure improvements as presented in the Work Plan dated November 8, 2017. 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 $824,869 for the principal activity costs of non-environmental activities, and a maximum of $12,000 for Brownfield/Work
Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of $836,869.

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

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
November 28, 2017
MICHIGAN STRATEGIC FUND

RESOLUTION 2017 -

APPROVAL OF AN AMENDMENT TO A MICHIGAN COMMUNITY REVITALIZATION PROGRAM GRANT AWARD FOR 751 GRISWOLD STREET DETROIT, LLC

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

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

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

WHEREAS, pursuant to SFCR 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 September 19, 2014, the MSF Delegates awarded a MCRP Grant Award to 751 Griswold Detroit, LLC, in furtherance of the Project of up to $682,279 (“Award”);

WHEREAS, on March 29, 2016, the MSF Delegates approved a MCRP amendment to revise the original proposed end use of the building and correct an error in the original approval with regard to the estimated square footages of development for each level of the building;

WHEREAS, the MEDC is recommending that the MSF approve the amendment recommendation to extend the Milestone Two due date to April 20, 2018, and the Pre-Grant Disbursement Due Diligence Conditions Milestone to July 31, 2018, 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
November 28, 2017
MEMORANDUM

Date: November 28, 2017

To: Michigan Strategic Fund Board

From: Britney Hoszkiw, Community Assistance Team Specialist
       Emanuel Odom, Underwriting and Incentive Structuring Specialist
       Lori LaPerriere, Brownfield and Community Revitalization Program Specialist

Subject: City of Detroit Brownfield Redevelopment Authority
         Request for Approval of an Act 381 Work Plan, 7.Liv Redevelopment Project
         Bagley Forest Property LLC - Request for Approval Michigan Community
         Revitalization Program Grant

Request

The proposed project, commonly known as 7.Liv Redevelopment project and Liv7 project, will rehabilitate the former B. Siegel building in Detroit’s Livernois and Seven Mile Avenue of Fashion District into a two-story mixed-use development. The project will include 10 residential apartments above approximately 20,500 square feet of retail space on the ground floor and approximately 15,471 square feet of underground parking accommodating 29 spaces. The proposed project will be undertaken by Bagley Forest Property LLC. The project is located in a traditional commercial center and qualifies for a Michigan Community Revitalization Program (MCRP) award and 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 Detroit Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of $989,765.

Bagley Forest Property LLC is requesting a MCRP incentive in the amount of $1,300,000 in the form of a Performance-Based Grant award.

The subject property is very challenging to redevelop due the low rental rates and vacancy problems in the area and the proposed project would not be possible without the cooperation of many parties. This area of the City is targeted for redevelopment and this project will be the first in the area seeking MCRP assistance. The challenging nature of the project is leading MEDC staff to request two deviations from the MCRP Incentive Parameters to allow this project to move forward: 1) waiver of the debt service coverage requirement of 1.20 to 1.00; and 2) allowance to advance above 20% of “Eligible Investment” on a non-historic property. Staff is comfortable with these deviations due to the challenges of the site and
the evidence of commitment by all parties involved, including financing being provided by double bottom line lenders committed to seeing this project through to a successful conclusion.

The developer has maximized available financing for the project by securing senior debt and subordinated debt financing equal to approximately $6 million or 74% of the total development cost. The developer is contributing equity of 10%, of which $350,000 comes from an equity loan from Invest Detroit to the owner. The MCRP grant will fill the financing gap of $1.3 million allowing the project to achieve financial viability and allow developer to receive an acceptable rate of return anticipated to be approximately 9%. 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 $8,079,317 million, along with the creation of approximately 30 permanent full-time equivalent jobs with an average hourly wage of $15.00.

**Background**

The majority of the existing 26,000 square foot former B. Siegel building has been vacant since the early 2000s. The developer intends to rehabilitate that building and demolish two other structures existing on the site and replace them with a new mixed-use structure that will complement the rehabilitated department store building. They will also add underground parking for residential and commercial tenants. The project will include 10 residential units ranging from studio to two bedroom with 20,500 square feet for retail and restaurant uses.

Infrastructure improvements including the construction of an underground parking structure are necessary to support the new development. Interest costs will be reimbursed due to the interest costs on the loans that the developer will need to obtain in order to complete the eligible activities.

Bagley Forest Property, LLC, under the ownership of Matt Hessler, is the project developer. Hessler has development experience with a $1.1 million renovation of a 1924 structure in Detroit’s Chinatown neighborhood in 2014. Bagley Forest Property, LLC, has not receive previous incentives from the Michigan Strategic Fund (MSF).

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

**Recommendation**

MEDC staff recommends approval of the following (the “Recommendation”):

a) Local and school tax capture for the Act 381 eligible activities totaling $989,765. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $373,801.

b) A MCRP performance-based grant in the amount of $1,300,000 for Bagley Forest Properties, LLC, but no more than 25% of the eligible basis.
c) Waiver of the MCRP Incentive Parameter requirement of a project achieving a 1.20 to 1.00.
d) Waiver of the MCRP Incentive Parameter requirement limiting the MCRP Incentive to 20% of “Eligible Investment” on non-historic properties, staff is requesting to go up to 25%. 
APPENDIX A – Summary of Terms

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<tr>
<td>1. <strong>Company Name:</strong></td>
<td>Bagley Forest Property, LLC or related entity (“Company” or “Applicant”)</td>
</tr>
</tbody>
</table>
| 2. **Company Address:** | 19465 Warrington  
Detroit, Michigan 48221 |
| 3. **MCRP Incentive Type:** | Performance Based Grant |
| 4. **Maximum Amount of MCRP Incentive:** | Lesser of 25% of the Eligible Investment, as defined by the Program Guidelines, or $1,300,000 (“MCRP Incentive Award”) |
| 5. **Project Description (“Project”):** | The Liv7 project entails the redevelopment and transformation of the former B. Siegel Company Department Store building into a mixed-use retail and residential building. The site currently includes three different structures: the main building and two additional buildings. Upon demolition of two buildings, a new building will be constructed to replace the demolished structures. An underground parking structure will also be added to the property. |
| 6. **Anticipated Minimum Eligible Investment:** | $4,230,000  
The minimum is based on 80% of the total Eligible Investment amount requested on the MCRP incentive application. The Eligible Investment on the Project is anticipated to include:  
- Demolition  
- New Building Construction  
- Building Alteration/Rehabilitation/Improvement  
- Site Improvements  
- Addition of Machinery, Equipment or Fixtures to the Project  
- Professional Fees |
| 7. **Start Date for Measurement of Eligible Investment:** | January 1, 2017 |
8. **Project Qualifying As:**
   - Facility

9. **Conditions to Close:** Prior to closing on the MCRP grant, the applicant must submit a guaranteed maximum price construction contract and resolution designating the person and their title who are authorized to execute the MCRP agreement on behalf of the applicants.

10. **Progress and Milestones & Disbursement:** The final terms and conditions of each of the Progress Milestones shall be included in the final Agreement, including that before any disbursement is made to the Applicant, the Applicant must demonstrate timely completion of all Progress Milestones, as required, and otherwise be in full compliance with all terms and conditions of the final Agreement, and further shall include:

   a. Pre-improvement Progress Milestone 1: Demonstration by the Company to the satisfaction of the MSF of completion of all pre-improvement requirements as applicable and required by the MSF, including: 1) written certification from the lenders, or a copies of the executed loan agreements, notes and mortgages, evidencing that the applicant has closed on financing in the minimum amount of $7,270,000 or evidence of other financing to complete the project (includes loan to bridge MCRP grant); and 2) any applicable tax credit approvals, zoning and site plan approvals, signed construction contract and final approval of the municipality support, each by no later than June 30, 2018.

   b. Completion of the Project Progress Milestone 2: Completion of Progress Milestone 1 and demonstration of the completion of all project investment for the Project as required by the MSF, including the issuance of a certificate of occupancy on terms and conditions satisfactory to the MSF Fund Manager, and if applicable, demonstration that the Project complies with the federal secretary of interior’s standards for rehabilitation and guidelines for rehabilitating historic buildings, 36 CRF 67, each by no later than June 30, 2020. In addition, the MSF may require that prior to any disbursement of any portion of the MCRP Incentive Award:
      1. the results of any required updated background review of the Applicant and any required key personnel must be satisfactory to the MSF;
      2. the results of any required title search and examination of any liens or other encumbrances upon the real property upon which the Project is located must be satisfactory to the MEDC, including:
         a. reflecting that legal title or possession is or will be vested in the Applicant as required by the MSF,
         b. reflecting that real estate taxes have been or will be paid as required by the MSF, and
         c. reflecting the lack of liens or other encumbrances which may affect the business integrity of the Applicant as determined by the MSF, or arrangements for the payment or removal of liens or other encumbrances have been made to the satisfaction of the MSF;
3. that the Applicant shall provide sworn statements, copies of lien waivers, and other affidavits and records from the Applicant, contractors, subcontractors, and suppliers, all as may be required and in form and substance satisfactory to the MSF; and
4. that the Applicant shall pay in full the out of pocket expenses incurred by the MEDC or the MSF with respect to the approval of the disbursement of the MCRP Incentive Award.
5. The final terms and conditions of all of the Progress Milestones and requirements for any applicable updated background review and title search and examination shall be included in the final Agreement.

11. Municipality supporting the Project (“Municipal Support”): The City of Detroit approved a Brownfield Plan for reimbursement of $1,175,801, which includes both MSF and DEQ capture. The local portion constitutes approximately 62.23% of the total Brownfield approval, projected to be $731,700 in local reimbursement.

12. Site Plan Approval: A condition for execution of the final Agreement is that the local unit of government, or its designated planning body, has approved the final Site Plan for the Project, and that the form and substance of the Site Plan are acceptable to the MSF.

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

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

15. Final Terms and Conditions: The MSF Fund Manager, in coordination with MEDC Staff, is authorized to negotiate the final terms and conditions of the final Agreement to be used to memorialize MCRP awards on the MSF’s behalf in accordance with the Guidelines and is anticipated to include the terms described above.
APPENDIX B – Programmatic Requirements & Screening Guidelines

**Property Eligibility**
The project is located within the boundaries of the City of Detroit, which is a Qualified Local Governmental Unit, and has been determined to be a facility as verified by Michigan Department of Environmental Quality (DEQ) on October 17, 2017.

The property is the subject of a Brownfield Plan, duly approved by the City of Detroit BRA on August 2, 2017.

In addition, the project is requesting from the DEQ $186,036 in TIF.

**MCRP Program and its Guidelines**
On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program (MCRP) and on September 22, 2015, the MSF Board approved its restated program guidelines. The primary intended objective of the MCRP is to provide incentives to persons that make eligible investments on eligible property in Michigan. The total eligible investment for this project is estimated to be $5,286,471.

**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 project will help bring life back to the corner of Livernois and Seven Mile which is the heart of the Avenue of Fashion District by putting the property back into productive use after nearly two decades of vacancy and neglect.

B. **If the project will act as a catalyst for additional revitalization of the community in which it is located:**
The project will act as an anchor and further catalyze economic development along the corridor. The influx of employees and residents in the area will support surrounding businesses with spin off consumer spending. The residential units will provide necessary housing for nearby University of Detroit Mercy and Marygrove College staff and students.
C. The amount of local community and financial support for the project:
The City of Detroit approved a Brownfield Plan for reimbursement of $1,175,801 (includes reimbursements from the DEQ). The local portion constitutes approximately 62% of the total Brownfield approval.

D. The applicant's financial need for a community revitalization incentive:
The total cost to complete this project is estimated at $8.2 million which is substantially higher than the appraised value of the project following completion with consideration given to stabilization and inclusion of the net present value TIF reimbursement. The appraised value of the project is negatively impacted by local commercial and residential rental rates along with high commercial vacancy in an area in need of revitalization. The projected rent revenue limits the amount of debt financing available. However, the borrower has secured permanent debt in the amount of $6 million, 74% TDC, in which $4.6 million will be provided by Capital Impact Partners (unsubordinated). The financial feasibility of this project is made possible by an equity contribution by the developer in the amount of $808,000, 10%, of TDC. The remaining gap of $1.3 million would be filled by the proposed MCRP award.

E. The extent of reuse of vacant buildings, reuse of historical buildings, and redevelopment of blighted property:
While the property is not considered a historic resource by definition, the developer intends to preserve the historic character of the property, embracing the Avenue of Fashion District’s pedestrian culture after nearly two decades of sitting vacant and in disrepair.

F. Creation of jobs:
It is anticipated that the project will lead to the creation of approximately 30 full-time equivalent (FTE) jobs by the prospective commercial tenants. The average hourly wage is estimated to be $15.00.

G. The level of private sector and other contributions, including, but not limited to, federal funds and federal tax credits:
An estimated $6.8 million in total investment in the development will be funded by the private sector.

H. Whether the project is financially and economically sound:
It is anticipated that upon reaching stabilized occupancy the project will achieve a debt service coverage ratio of just over 1.00 to 1.00. Staff is comfortable with this debt service coverage ratio because it is based on relatively conservative projections for residential and commercial vacancy rates. Additionally, the project is being supported by double bottom line lenders that are committed to seeing the project through to successful stabilization.

The proposed residential rental rates of the project are comparable to the rates of older units throughout the city and the stabilized residential vacancy rate of 7% is fairly conservative. The area’s current residential vacancy rates are 5% and trending downward while rental rates are increasing. The appraisal of the project also indicated that commercial rental rates are reasonable...
in an area where income and spending are trending in a positive direction. The projected cash flow will support a Debt Coverage Ratio of approximately 1.0 increasing to 1.2 by year 10.

I. **Whether the project increases the density of the area:**
The project will bring the former anchor of Detroit’s Avenue of Fashion District, a key corner of the corridor, back to productive use with the addition of over 20,000 square feet of retail space and approximately 5,500 square feet of residential space which will increase density in an area that has experienced nearly two decades of vacancy and neglect.

J. **Whether the project promotes mixed-use development and walkable communities:**
The development will include a mix of retail and residential space, with potential retail tenants anticipated to include boutique retail, restaurants, a coffee shop and yoga studio.

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

L. **Whether the project promotes sustainable development:**
The project will include upgrading with new energy efficient HVAC system as well as improved insulation and roofing that will lower the property’s energy consumption.

M. **Whether the project involves the rehabilitation of a historic resource:**
While the property is not considered a historic resource by definition, the Developer intends to preserve the historic character of the property, embracing the Avenue of Fashion District’s pedestrian culture.

N. **Whether the project addresses area-wide redevelopment:**
The commercial use of the project will serve as an active, living environment servicing the needs in the area and infusing desirable destination within walking distance to Sherwood Forest residential neighborhoods and the University District. The residential use of the project will be attractive to the student and faculty populations of the nearby University of Detroit and Marygrove College.

O. **Whether the project addresses underserved markets of commerce:**
This project has the opportunity to anchor the Avenue of Fashion District, which once was one of Detroit’s premier retail shopping destinations during the twentieth century. The district’s retail and restaurant space is currently underserved, with high vacancy rates. It will work to stabilize the area’s positive momentum while increasing the local tax base and spurring further development in the area. Local businesses will benefit from the influx of employees and residents in the area.

P. **The level and extent of environmental contamination:**
Based on environmental site assessments conducted on the property, contamination has been identified that exceeds various MDEQ cleanup criteria as a result of historic uses on the property and the existence of two orphan fuel oil USTs. The proposed redevelopment and eligible
activities included within the Brownfield and Work Plan will ensure the developer meets due care obligations and does not exacerbate or expose occupants to existing contamination. Due care activities required include the removal of the orphan USTs, to address contaminated soil and groundwater, manage soil and groundwater contamination during construction activities, and evaluate and/or mitigate vapor. Two orphan USTs will be removed and the area backfilled (if needed) as part of the redevelopment. Removal of residential soil/groundwater impact following the orphan USTs removal activities will be conducted to mitigate human exposure risks. It is estimated that 400 tons of contaminated soil/groundwater will be excavated, transported and disposed of at a Type II Landfill to address the contaminated soil and LNAPL identified. An additional estimated 400 tons of contaminated soil transport and disposal to a Type II Landfill is included associated with the development activities. An assessment will be conducted during the tank closure to evaluate potential vapor intrusion pathways to either confirm that no concerns are identified and the mitigation was addressed via soil/groundwater removal activities or establish if a vapor depressurization system is required.

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 project is not a historic resource but will work to retain the historic integrity of the property.

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

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

**Brownfield Act 381 Program Additional Project Information:**

A. Reuse of functionally obsolete buildings and/or redevelopment of blighted property:
The project is not qualifying as Functionally Obsolete or Blighted but this is the reuse of an underutilized property.

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 65.3244 non-homestead mills available for capture in years 1-3, with school millage equaling 24 mills (36.74%) and local millage equaling 41.3244 mills (63.26%). There are 63.3244 non-homestead mills available for capture in years 4-24, with school millage equaling 24 mills (37.90%) and local
millage equaling 39.3244 mills (62.10%). A blended ratio of school millage equaling (37.77%) and local millage equaling (62.23%), increment capture will begin in 2019 and is estimated to continue for 24 years. The requested tax capture for MSF eligible activities breaks down as follows:

<table>
<thead>
<tr>
<th>Type</th>
<th>Percentage</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>School tax capture</td>
<td>37.77%</td>
<td>$373,801</td>
</tr>
<tr>
<td>Local tax capture</td>
<td>62.23%</td>
<td>$615,964</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>$989,765</strong></td>
</tr>
</tbody>
</table>

**Cost of MSF Eligible Activities**

<table>
<thead>
<tr>
<th>Type</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure Improvements</td>
<td>$907,190</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td>$907,190</td>
</tr>
<tr>
<td>Contingency (8%)</td>
<td>+ 72,575</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td>$979,765</td>
</tr>
<tr>
<td>Brownfield/Work Plan</td>
<td>+ 10,000</td>
</tr>
<tr>
<td>Preparation/Implementation</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$989,765</strong></td>
</tr>
</tbody>
</table>
APPENDIX C – 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 demolition and site preparation that are not response activities under the Natural Resources and Environmental Protection Act, 1994 PA 451;

WHEREAS, the City of Detroit Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 19031 Livernois Avenue within the City of Detroit known as 7.LIV (the “Project”);

WHEREAS, the City of Detroit 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 37.77% to 62.23% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of infrastructure improvements as presented in the Work Plan dated September 27, 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 $979,765 for the principal activity costs of non-
environmental activities and a contingency, and a maximum of $10,000 for Brownfield/Work Plan implementation, and with the capture of taxes levied for school operating purposes being limited to a maximum of $373,801.

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

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
November 28, 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, Bagley Forest Property, LLC ("Company") has requested a performance based grant of up to $1,300,000 ("Award Request"), along with other general terms and conditions;

WHEREAS, it is anticipated that the project will not be able to meet the MCRP Incentive Parameter of debt service coverage ratio of 1.20 to 1.00 in the first several years, and that the project will also require a grant amount that exceeds 20% of “Eligible Investment” on a non-historic property. Staff is recommending a deviation from these two Incentive Parameters and maximizing the grant amount at up to 25% of the Eligible Investment;

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

Ayes:

Nays:

Recused:

Lansing, Michigan
November 28, 2017
MEMORANDUM

Date: November 28, 2017

To: Michigan Strategic Fund Board

From: Brittney Hoszkiw, Community Assistance Team Specialist
       Rob Garza, Senior MCRP and Brownfield Program Specialist

Subject: City of Detroit Brownfield Redevelopment Authority and
         Bedrock Real Estate Services – Introduction of a Transformational
         Brownfield Plan
         The Hudson’s Block, Monroe Blocks, One Campus Martius Expansion, and
         Book Building and Book Tower Redevelopment

Request

The proposed multi-site project that is being introduced will be the first transformational brownfield plan (TBP) brought before the Michigan Strategic Fund board. The purpose of this introduction is to familiarize the board with the project components and timeline in advance of construction commencing this December. The TBP has been duly approved by the City of Detroit on November 21, 2017 and a draft application has been submitted to the MSF. The process for reviewing the application includes the legislatively required third-party economic and fiscal impact analyses which is anticipated to take approximately twelve weeks. We are currently anticipating that the project will come before the board for action in March.

Project Description

The applicant, Bedrock Real Estate Services, anticipates that the project will result in total capital investment in the amount of $2.1 billion, and delivery of 3.1 million gross square feet of new office, retail, residential and hotel space in Downtown Detroit along with the creation of approximately 7,261 permanent full-time equivalent jobs with an average hourly wage of $40. The application is requesting the approval of a TBP incentive package in the aggregate amount of approximately $618 million. This amount would be made up of construction sales/use tax exemption of $60.6 million, construction period tax capture revenues of $18.1 million, withholding tax capture revenues of $256.2 million, state income tax capture revenues of $51.6 million, and city income tax capture revenue of $1.6 million. Staff anticipates bringing a request to the MSF board no earlier than March 2018, after the completion of the third-party analyses and after consulting with the Michigan Department of Treasury.

The project consists of four development sites within downtown Detroit; Hudsons Block, Monroe Block, One Campus Martius Expansion, and Book Building and Tower. Three of the four projects are contiguous and the fourth, a historic rehabilitation, is just one block away. The proposed project will be
undertaken by Bedrock Real Estate Services. The four sites total approximately 6 acres of property. The parcels within the project qualify for an Act 381 Work Plan and a Transformational Brownfield Plan (“TBP”) because each project parcel is one or more of the following: a facility, functionally obsolete, historic resource, adjacent and contiguous or is an undeveloped property that was eligible property in a previously approved Brownfield Plan abolished under Section 14(8) of Act 381.

The financial need for transformational brownfield redevelopment incentives results from the difference between development costs of complex, large-scale, high rise construction and what market rents can support. The series of projects will reintroduce this type of development to the Detroit market for the first time in 25 years. It will also redevelop the largest unrehabilitated historic structure in downtown Detroit, the Book Building and Tower.

The necessary information to begin the third-party analyses has been submitted and MEDC staff is taking the lead to get the legislatively required evaluation process started. The applicant has presented information in support of the expected transformational impact on local economic development and community revitalization. The project will result in the construction of approximately 900 new residential units to grow the City’s population and tax base and will result in an estimated 2,122 new Downtown Detroit residents. The project will create or support 15,800 direct, indirect, and induced construction jobs. The project will be creating or supporting 7,261 new direct permanent, full-time jobs in the City to expand economic opportunity and grow the City’s tax base. The project will also be supporting an additional 7,000 indirect and induced jobs from the ongoing permanent economic activity. The project is anticipated to have significant growth in commercial activity with $3 billion in total economic output from construction and support $2.5 billion in annual economic output once the project is completed, consisting of $1.3 billion in new direct annual output in the City and $1.2 billion in additional indirect and induced annual output throughout Wayne County.

Additional detail on each project site is included below:

**Hudson’s Site-** This site will be the landmark development of the plan which will be an infill mixed-use project with extensive public and civic space including a public market, Skydeck and flex space for exhibitions and events. The site is anticipated to include the tallest tower in the City estimated to be 800 feet. The total development is $909 million and is anticipated to begin construction December 2017. The site will be approximately 1 million gross square feet with 102,805 of retail, food, and beverage space including a street level market; 167,968 square feet of event and conference space; 262,662 square feet of office space; approximately 330 residential units occupying 439,217 square feet; and 93,464 square feet of programmed civic and public space. The development also includes below-grade parking with at least 700 parking spaces.

**Monroe Block-** The development will be an infill mixed-use project in two phases totaling 1.4 million gross square feet. Phase I is anticipated to be a 35 story office tower fronting Campus Martius which would be the first high-rise office development since 1993. Phase I will include 117,200 square feet of retail and 136 residential units. Phase II is anticipated to consist of 346 residential units and 27-story residential tower at the intersection of Monroe and Randolph Streets, along with an estimated 51,700 square feet of retail space. The total anticipated budget for the construction of this project is $830 million. The Monroe Block will also have extensive public plaza space and three levels of below grade
parking across the entire site yielding estimated 1,200 parking spaces for residents and visitors. Phase I will begin Spring 2018 and phase II will begin the following year.

**One Campus Martius Expansion**- Planned expansion of the existing building is expected to result in the construction of approximately 310,000 square feet of office space over 13 stories, including meeting space. The total anticipated budget for the construction of the project is $94.8 million. This expansion will allow for the growth of existing tenants and provide large continuous floorplates not currently available in the Detroit Central Business District, but necessary to attract large-scale tenants and jobs to Detroit. Construction is expected to commence December 2017.

**Book Building and Book Tower**- The 38-story Book Tower and adjoining 13-story Book Building will undergo a comprehensive renovation including mechanical, electrical, plumbing, elevators, life safety systems, windows, lead and asbestos abatement, hazardous materials removal, and complete restoration of the historic façade and interior buildout. The rehabilitation will result in a mixed-use development with 95 residential units, 106,000 square feet of office, 49,780 square feet of conference and event space, 28,890 square feet of retail space, and 106,000 square feet of hotel development with an estimated 200 rooms. The redevelopment is anticipated to include a parking structure with an estimated 400 spaces. The total anticipated budget for this project is $311 million and will commence the first quarter of 2019.

Bedrock Real Estate Services is a full service, Detroit-based real estate firm with over 300 team members specializing in leasing, financing, developing and managing commercial and residential space. Since its founding in 2011, Bedrock and its affiliates have invested more than $2.2 billion in acquiring, renovating and developing 90 properties in downtown Detroit, totaling more than 14 million square feet. Bedrock’s investment in the Capitol Park neighborhood in particular serves as a tangible example of Bedrock’s experience tackling challenging, mixed-use redevelopment projects with a focus on multi-family residential. Bedrock has invested in several key properties in the district. Bedrock and its affiliates have utilized Low Income Housing Tax Credits, Brownfield Tax Credits, Brownfield Tax Increment Financing, and Michigan Community Revitalization Program for various projects in the past including the 28 Grand micro-unit development, 1215 Griswold, the Madison, and City Modern and Brush Park development projects.

**Appendix A** includes a project map and renderings.

The timeline of the proposed developments will be staggered, with the One Campus Martius Expansion and Hudson’s Site development beginning in December 2017 and the Book Tower and Monroe Block beginning shortly after. One Campus Martius Expansion will be completed first in 2020 with Book Building and Tower completed in 2021, and Monroe Blocks and Hudson’s Site expected to be complete in 2023.

**Next Steps**
The applicant has submitted all necessary materials to begin third-party economic impact analysis, and financial/underwriting analysis and Michigan Department of Treasury review. It is our intention to work with the Department of Treasury on any questions or concerns that are a result of the third-party review. Once all required supporting documentation has been reviewed and determined to be complete by MEDC
Brownfield Program staff, we will bring the Transformational Brownfield Plan to the MSF board for consideration.

APPENDIX A – Project Map and Renderings
Hudson’s Site

Monroe Block
Book Building and Tower

One Campus Martius Expansion