MICHIGAN STRATEGIC FUND BOARD
FINAL MEETING AGENDA
DECEMBER 19, 2017
10:00 am

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

Communications

A. Consent Agenda
   Proposed Meeting Minutes – November 28, 2017
   SBDC Business Acceleration, Emerging Technology & Core Funds – Grant Amendments – Fred Molnar
   Detroit Tigers Partnership – Contract Extension – Dave Lorenz
   QDC Manufacturing DBA Wedge-Mill Tool, Inc. – T&D Recovery Renaissance Zone Transfer Amendment – Dan Parisian
   Rivian Automotive, Inc. – MBDP Amendment – Trevor Friedeberg
   Niowave, Inc. – MBDP Amendment – Trevor Friedeberg
   Grow Michigan – Amendment to Agreement – Chris Cook
   Revision to Michigan Strategic Fund Compiled Resolutions – Mark Morante

B. Administrative
   Background Review Policy – Mark Morante
   Consent Agenda Guidelines – Mark Morante
   Michigan Business Tax Credit Amendment Policy – Lori Mullins & Rob Garza

C. Business Investment
   a. Business Growth
      Indeck Niles Energy Center – Brownfield Act 381 Work Plan – Jeremy Webb
      American HAVAL Motor Technology, LLC – MBDP Grant – Mike Gietzen

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

D. Community Vitality
   Diamond Place, LLC – MCRP Amendment – Ryan Kilpatrick
   The Original & Only Thompson Block, LLC – MCRP & Act 381 Work Plan – Dominic Romano
   Michigan Community Capital – 21st CJF Amendment – Julius Edwards
   Michigan Community Capital – 21st CJF Award – Julius Edwards
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 – November 28, 2017
- SBDC Business Acceleration, Emerging Technology & Core Funds – Grant Amendments
- Detroit Tigers Partnership – Contract Extension
- QDC Manufacturing DBA Wedge-Mill Tool, Inc. – T&D Recovery Renaissance Zone Transfer Amendment
- Rivian Automotive, Inc. – MBDP Amendment
- Niowave, Inc. – MBDP Amendment
- Grow Michigan – Amendment to Agreement
- Revision to Michigan Strategic Fund Compiled Resolutions

Ayes:

Nays:

Recused:

Lansing, Michigan
December 19, 2017
Members Present
Paul Anderson
Roger Curtis
Paul Gentilozzi
Stephen Hicks
Larry Koops
Andrew Lockwood (on behalf of Treasurer Khouri)
Jeff Mason
Terri Jo Umlor
Wayne Wood

Member Absent
Shaun Wilson

Mr. Mason called the meeting to order at 10:07 am. He announced the resignation of Jody DePree Vanderwel and expressed appreciation for her service.

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, informed the Board that the Indeck Niles Energy Center project under Business Growth was pulled from the Agenda and will be considered at the December meeting. A revised Agenda was provided to the Board at the table.

A. CONSENT AGENDA

Resolution 2017-190 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 – October 24, 2017
Kalamazoo Valley Community College – CCSTEP Amendment – 2017-191
CDBG Loan Program – Regional Fund Assignment – 2017-192
Entrepreneurial Specialized Support Services – Grant Amendments – 2017-193

Roger Curtis seconded the motion. The motion carried: 8 ayes; 0 nays; 0 recused.

B. BUSINESS INVESTMENT

B1. Business Growth

Resolution 2017-194 Brose New Boston Inc. – MBDP Grant Amendment
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 2017-194. Paul Anderson seconded the motion. The motion carried: 8 ayes; 0 nays; 0 recused.

B2. Access to Capital

Resolution 2017-195 Washtenaw PACE Inc. DBA Huron Valley PACE – Bond Inducement
Chris Cook, Director Capital Access, provided the Board with information regarding this action item. Following brief discussion, Wayne Wood motioned for the approval of Resolution 2017-195. Larry Koops seconded the motion. The motion carried: 8 ayes; 0 nays; 0 recused.
C. COMMUNITY VITALITY
Resolution 2017-196 North Channel Investors, LLC and North Channel Brewing, LLC (North Channel Outlet Redevelopment Project) – MCRP Grant
Dan Leonard, Senior Community Assistance Team Specialist, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2017-196. Andrew Lockwood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Stephen Hicks joined the meeting by phone at 10:37 am.

Michigan Community Capital – 21st CJF Loan Amendment
Julius Edwards, Manager Underwriting & Incentive Structuring, provided the Board with information regarding this action item. Following brief discussion, Paul Gentilozzi motioned to table the item until the December meeting. Wayne Wood seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused.**

Resolution 2017-197 & 2017-198 751 Griswold Street Detroit LLC/City of Detroit Brownfield Redevelopment Authority (751 Griswold Street Project) – Act 381 Work Plan and MCRP Grant Amendment
Brittney Hoszkiw, Community Assistance Team Specialist, provided the Board with information regarding these action items. Following brief discussion, Wayne Wood motioned for the approval of Resolutions 2017-197 & 2017-198. Roger Curtis seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused.**

Resolution 2017-199 & 2017-200 Bagley Forest Property, LLC/City of Detroit Brownfield Redevelopment Authority (7.Liv Redevelopment Project) – Act 381 Work Plan and MCRP Grant
Brittney Hoszkiw, Community Assistance Team Specialist, provided the Board with information regarding these action items. Following brief discussion, Paul Gentilozzi motioned for the approval of Resolutions 2017-199 & 2017-200. Larry Koops seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused.**

C. INFORMATIONAL
City of Detroit Transformational Brownfield Plan
Brittney Hoszkiw, Community Assistance Team Specialist, and representatives of Bedrock Detroit, provided an overview and PowerPoint presentation of the City of Detroit’s Transformational Brownfield Plan. A memorandum, including a detailed structure of the plan, was provided to the Board in the briefing packet.

Mr. Mason adjourned the meeting at 11:31 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: December 19, 2017

To: Michigan Strategic Fund Board

From: Fred Molnar, VP, Entrepreneurship and Innovation

Subject: Michigan Small Business Development Center Grant Amendment

REQUEST

MEDC Staff recommends the Michigan Strategic Fund ("MSF") Board approve a grant amendment to the Michigan Small Business Development Center ("MI-SBDC") grant to allocate $5,715,000 to support continuation of the Business Acceleration Fund ("BAF"), the Emerging Technology Fund ("ETF"), and the Core Services program through December 31, 2019 (the "Request").

BACKGROUND TO AWARDS

Under Section 88k of the MSF Act (the “Act”), MCL 125.2088k, the MSF is authorized to award grants and loans for basic research, applied research, university technology transfer, and commercialization of products, processes and services to encourage the development of competitive edge technologies to create jobs within the State of Michigan.

On February 25, 2014, the MSF selected the MI-SBDC to receive a grant to support the BAF program for $1,733,248. The MSF allocated $1,965,000 in additional funding for the BAF program on February 24, 2015. The BAF provides a series of small grants (up to a maximum of $50,000 per company) for high tech businesses to access the required specialized services they need to grow and compete, such as IP attorneys and marketing specialists.

On February 25, 2014, the MSF selected the MI-SBDC to receive a grant to support the ETF program for $2,293,472. The MSF allocated $2,076,500 in additional funding on October 28, 2014 and $2,500,000 in additional funding on October 27, 2015. The ETF program makes Michigan more competitive in attracting federal dollars into the State in the form of Small Business Innovation Research (SBIR) and Small Business Technology Transfer Research (STTR) awards, which can be worth up to several million dollars each. The ETF provides matching funds of up to $25,000 for Phase I and $125,000 for Phase II clinical studies associated with these awards.

On February 25, 2014, the MSF selected the MI-SBDC to receive a grant to support the Technology Consulting Services ("TCS") program for $2,423,280. The MSF allocated $1,250,000 in additional funding on October 27, 2015 and $1,760,000 on September 26, 2017. The TCS program supports new entrepreneurs in starting and growing high-tech businesses by providing training in areas such as strategic planning, business operations and investment attraction.
On December 15, 2015, the MSF selected the MI-SBDC to receive a grant for the Core program for $1,350,000. The Core Services program is designed to support non high-tech business start-ups by providing services such as business counseling, market education and grant writing assistance.

On October 25, 2016, the MSF consolidated the BAF, ETF, TCS program, and Core Services program grants into one master grant agreement between the MI-SBDC and the MSF, with an expiration date of December 31, 2019.

PROGRAM RESULTS
Since October 2014, the BAF program has served 222 high tech Michigan start-up companies, supported the creation of 33 new companies and generated 250 full time positions. In addition, the program has attracted $95,977,905 in third party and follow on funding with a further $21,676,721 in new sales from 180 commercialized products based on 79 issued patents.

Since April 2014, the ETF program has served 94 high tech Michigan companies and created 351 full time positions. In addition, the program has attracted $141,022,557 in capital formation with a further $45,830,822 in new sales based on 88 issued patents.

Since January 1, 2016, the Core program has provided 57,515 counseling hours, 7,937 counseling clients and 11,681 counseling trainings for small businesses. In addition, the Core Services program reports 4,333 jobs created, 3,067 jobs retained, $292,376,646 in capital formation and 744 new business starts.

RECOMMENDATION
MEDC Staff recommends the MSF Board approve the Request.

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

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

WHEREAS, at its October 23, 2013 meeting, the MSF issued a request for proposals to award grants to Michigan nonprofit corporations to provide specialized support services to assist Michigan companies and institutions in commercializing competitive edge technologies, building successful and innovative business with the potential for high-growth and job retention (the “Entrepreneurial Support Services RFP”);

WHEREAS, on February 25, 2014, the MSF Board authorized three separate grants to the Michigan Small Business Development Center (“MI-SBDC”) through the Entrepreneurial Support Services RFP as follows: 1) a grant of up to $2,423,280 to operate the Technology Counseling Services (“TCS”) Program for an initial term of January 1, 2014 to December 31, 2016, with the option to extend the term of the grant for up to an additional three years and to add additional funding at the sole discretion of the MSF (the “TCS Program Grant”); 2) a grant of up to $1,733,248 to operate the Business Accelerator Fund (“BAF”) for an initial term of April 1, 2014 to September 30, 2017, with the option to extend the term of the grant for up to an additional three years and to add additional funding at the sole discretion of the MSF (the “BAF Grant”); and 3) a grant of up to $2,293,472 to operate the Emerging Technologies Fund (“ETF”), for an initial term of April 28, 2014 to December 31, 2016, with the option to extend the term of the grant for up to an additional three years and to add additional funding at the sole discretion of the MSF (the “ETF Grant”);

WHEREAS, on December 15, 2015, the MSF Board authorized a grant of up to $1,350,000 to MI-SBDC to provide business counseling, market education services, and grant writing assistance to non-high technology business start-ups in Michigan for an initial term of January 1, 2016 to December 31, 2020, (the “Core Services Grant”);

WHEREAS, the TCS Program Grant was amended on October 27, 2015 to increase the grant amount by $1,250,000; the BAF Grant was amended on February 24, 2015 to increase the grant amount by $1,965,000; and the ETF Grant was amended on October 28, 2014 and October 27, 2015 to increase the grant amount by $2,076,500 and $2,500,000, respectively;

WHEREAS, on October 25, 2016, the MSF amended the TCS Program Grant, the BAF Grant, the ETF Grant and the Core Services grant in accordance with the following: 1) increase the TCS Program Grant by $1,500,000; 2) increase the BAF Grant by $1,200,000; 3) increase the ETF Grant by $2,100,000; 4) increase the Core Services Grant by $1,625,000; and 5) consolidate the TCS Program Grant, the BAF
Grant, the ETF Grant and the Core Services Grant into one master grant agreement with an expiration date of December 31, 2019 (the aforementioned, collectively, the “MI-SBDC Master Grant”);

WHEREAS, on September 26, 2017, the MI-SBDC Master Grant was amended to allocate $1,760,000 in additional funding for the TCS Program activities;

WHEREAS, the MEDC recommends that the MSF Board allocate an additional $5,715,000 to the MI-SBDC Master Grant to be used by MI-SBDC for the BAF program, the ETF program, and the Core Services program (the “Amendment Request”); and

WHEREAS, the MSF wishes to approve the Amendment Request.

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

BE IT FURTHER RESOLVED, that the MSF Fund Manager is authorized to negotiate the final terms and conditions of the Amendment Request and to execute all documents necessary to finalize the Amendment Request.

Ayes:

Nays:

Recused:

Lansing, Michigan
December 19, 2017
MEMORANDUM

Date: December 19, 2017
To: MSF Board
From: David Lorenz, Vice President Travel Michigan
Subject: Detroit Tigers Partnership FY2018 Contract Extension

REQUEST
This request is for the MSF Board to approve the second one-year extension of an existing contract with the Detroit Tigers for a 2018 sponsorship in the amount of $325,000.

BACKGROUND
Pure Michigan has partnered with the Detroit Tigers since 2012, with a focus on attracting new visitors to Michigan by brand integration within Comerica Park targeting fans at the game, and out-of-state television viewers.

More than 2,300,000 fans attended a game at Comerica Park last year, with more than 31,000,000 television viewers (54% of which were out-of-state). Additionally, more than 300 visiting media come to Comerica Park each year to cover teams competing against the Tigers. In 2017, the media equivalency of the partnership was assessed at $4,499,066 by Repucom.

As part of Fiscal Year 2018 marketing efforts, Travel Michigan sought a sponsorship that would build on the successes of the previous partnership with the Detroit Tigers. It was determined there was only one entity within the state – the Detroit Tigers – that could offer the level of exposure and benefits to align with the needs of Pure Michigan’s national marketing efforts.

Requirements for this sponsorship are:
- Must be a Major League Baseball team based in Michigan.
- Must offer the opportunity for Pure Michigan branding to be seen by out-state audiences in markets that align with the Pure Michigan advertising campaign.
- Must be able to provide prominent and high-visibility branding placement within stadium/arena.
- Must offer the opportunity for a game-specific promotion within the regular season.
- Must demonstrate ongoing collaboration within Michigan’s tourism industry and continued efforts to promote leisure-travel activities in Michigan.
SPONSORSHIP BACKGROUND
The 2018 season will be year three of a three-year sponsorship agreement with the Detroit Tigers, at $325,000 per year. MEDC/Pure Michigan is entitled to the following benefits during the regular season:

- **Dugout Railings** – Every other position on the upper and lower railings in the Tigers and visiting team dugouts (existing positions).
- **Dugout Benches** – Eight (8) positions along each dugout bench (existing positions)
- **TigerVision advertising** which includes a minimum of ten (10) :30 spots (between innings), and thirty (30) :15 banner ads (during innings) at all regular season home games.
  - TigerVision is aired on over 300 TV monitors throughout Comerica Park including suites, concourses, and club spaces from the time the gates are open to the finish of the game.
- **Scoreboard Advertising** – one (1) :30 Pure Michigan spot to air on the scoreboard each pre-game, and a bonus spot to air when available during the game (i.e. pitching change, etc.)
- **Public Relations** opportunities including travel messaging and pre-game interviews.
- **Pure Michigan game**
- **Social Media** – Commitment to explore social media opportunities throughout the regular season.

The 2018 season runs from March 29 to September 30.

RECOMMENDATION
The MEDC recommends that the MSF Board allocate $325,000 FY2018 Pure Michigan appropriations monies and approve the second one-year extension of an existing contract with the Detroit Tigers.

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

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

WHEREAS, the MSF desires to attract new visitors to Michigan by brand integration within Comerica Park targeting fans attending the Detroit Tigers game and out-of-state television viewers through a sponsorship of advertising, social media promotion, and public relations activities;

WHEREAS, as an alternative competitive process, the MSF has considered whether any other vendors can meet the qualifications of a Major League Baseball ballpark with a Major League Baseball professional team located in Michigan, and has determined that the Detroit Tigers is uniquely capable of meeting those guidelines and offers one-of-a-kind value to the MSF and the State of Michigan;

WHEREAS, on December 15, 2015, the MSF authorized entering into a sponsorship agreement with the Detroit Tigers for the promotion of tourism through an integrated travel marketing and promotional campaign (the “Sponsorship Agreement”);

WHEREAS, on December 20, 2016, the MSF authorized the first, one-year extension with the under the Sponsorship Agreement and allocated $325,000 in funding; and

WHEREAS, the MEDC recommends, and the MSF desires, to authorize the second, one-year extension with the Detroit Tigers and allocate $325,000 for tourism marketing and promotion purposes.

NOW, THEREFORE, BE IT RESOLVED, that the MSF authorizes the execution of the second, one-year extension of the sponsorship agreement with the Detroit Tigers for the promotion of tourism through an integrated travel marketing and promotional campaign for the period of October 1, 2017 to September 30, 2018, and allocates $325,000 for tourism marketing and promotion purposes.

BE IT FURTHER RESOLVED, that the MSF Fund Manager is authorized to execute the sponsorship agreement consistent with the terms of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
December 19, 2017
Memorandum

Date: December 19, 2017
To: Michigan Strategic Fund Board
From: Dan Parisian, Senior Compliance Specialist
Subject: QDC Manufacturing d/b/a Wedge-Mill Tool, Inc.
Tool & Die Renaissance Recovery Zone - Transfer

Action
The Michigan Economic Development Corporation (“MEDC”) is recommending the transfer of the Tool & Die Renaissance Recovery Zone (“Zone”) from Wedge-Mill Tool, Inc. to QDC Manufacturing d/b/a Wedge-Mill Tool, Inc. (the “Company”) by the Michigan Strategic Fund (“MSF”) Board. The Company’s fifteen (15) year Recovery Zone term is currently set to expire at the conclusion of 2021.

Background
The MSF Board originally designated a Recovery Zone for Wedge-Mill Tool, Inc. located in the City of Brighton, as a member of the Michigan Coast to Coast Tool & Die (the “Collaborative”) on December 20, 2006. In September of 2017, QDC Manufacturing d/b/a Wedge-Mill Tool, Inc. acquired all assets of Wedge-Mill Tool, Inc.

QDC Manufacturing d/b/a Wedge-Mill Tool, Inc. has continued operation at the property and currently employs between 17 and 21 full-time employees and is currently in search of 2 more full-time employees. The company offers health insurance, life and accidental death and dismemberment insurance, short term disability, vision and dental insurance, 401k, and vacation and holiday pay.

Green Oak Charter Township and the Michigan Coast to Coast Tool & Die Collaborative support the requested transfer and have been notified that the MEDC would recommend the transfer of the Recovery Zone to the MSF Board.

Recommendation
MEDC Staff recommends the MSF Board transfer the Tool and Die Renaissance Recovery Zone designation for Wedge-Mill Tool, Inc. to QDC Manufacturing d/b/a Wedge-Mill Tool, Inc. effective on December 30, 2017 for property tax purposes and January 1, 2018 for all other purposes.
MICHIGAN STRATEGIC FUND

RESOLUTION
2017-

TRANSFER OF THE RECOVERY ZONE BENEFIT FOR AN EXISTING TOOL & DIE RENAISSANCE RECOVERY ZONE DESIGNATION: QDC Manufacturing d/b/a Wedge-Mill Tool, Inc.

WHEREAS, the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, authorizes the Michigan Strategic Fund (“MSF”) Board to designate up to thirty-five (35) tool and die renaissance recovery zones (“Recovery Zone”) anywhere in the State of Michigan;

WHEREAS, on December 20, 2006, the MSF Board approved a Recovery Zone designation for Wedge-Mill Tool, Incorporated as a member of the Michigan Coast to Coast Tool and Die (the “Collaborative”) at its site in the City of Brighton, Livingston County located at 7771 Kensington Court, Brighton, MI 48816 (the “Property”);

WHEREAS, the MEDC received a request from the Company to transfer the benefit of the Zone from Wedge-Mill Tool, Incorporated to QDC Manufacturing d/b/a Wedge-Mill Tool, Inc.

WHEREAS, by resolution, the Green Oak Charter Township consented to transfer the benefit of the Recovery Zone designation for the remaining duration of four (4) years with an expiration date of December 31, 2021 for parcel number 4716-12-301-004;

WHEREAS, the MEDC recommends the MSF transfer the benefit of the Recovery Zone designation for the Property from Wedge-Mill Tool, Incorporated to QDC Manufacturing d/b/a Wedge-Mill Tool, Inc. for parcel number 4716-12-301-004;

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the transfer of the Recovery Zone designation for QDC Manufacturing d/b/a Wedge-Mill Tool, Inc. for the Property located in the City of Brighton, Livingston County, at 7771 Kensington Court, Brighton, MI 48816, effective on December 30, 2017 for property tax purposes and January 1, 2018 for all other purposes; and

BE IT FURTHER RESOLVED, that the Company shall provide a written report to the MSF by January 31, 2018, and annually each January 31 thereafter through 2021 that includes the following information:

1. The amount of capital investment, including, but not limited to, real and personal property investment, in the Property;
2. The number of individuals employed at the Property at the beginning and the end of the reporting period;
3. New jobs, including full-time jobs, created at the Property and the average wage for these new jobs;
4. The status of the Company’s business operations;
5. The most recent State Equalized Value (SEV) and taxable value of the Property and personal property located at the Property, including personal property located at the Property that existed prior to the Effective Date;
6. Any other information reasonably requested by the MSF regarding the Property or the extension of the designation described in this Agreement; and
BE IT FURTHER RESOLVED, that the MSF Board authorizes the MSF President or Fund Manager to take all action necessary to effectuate the terms of this Resolution.

Ayes:  
Nays:  
Recused:  

Lansing, Michigan  
December 19, 2017
MEMORANDUM

Date: December 19, 2017

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

From: Trevor Friedeberg, Senior Business Development Project Manager

Subject: Rivian Automotive, LLC (“Company” or “Applicant”) Amendment to the Approved Michigan Business Development Program (MBDP) Grant Agreement

Request
The Company is requesting an amendment to its existing MBDP Grant agreement to extend Milestone Two and Three by one year. The Company is also requesting to have a location in Plymouth Township added as part of the project description. As a result, the Company has agreed to reduce the total amount available for disbursement under Milestone Three for the creation of 170 Qualified New Jobs by $50,000.

Background
On November 24, 2015, the Michigan Strategic Fund approved a $1,770,000 award for Rivian Automotive, LLC under the MBDP. The Company proposed to expand operations and establish a research and design and development center in the City of Dearborn, create 174 Qualified New Jobs and invest $29.5 million in Michigan.

The Project was previously amended on July 26, 2016 to include additional locations in Livonia as part of the project description and also amended the local support requirement to the City of Livonia.

To date, the Company has created over 109 new jobs and fully anticipates creating all of the required 170 jobs under the proposed amendment structure. Allowing the additional time will allow the Company to set up its operations in Plymouth Township and continue to create jobs and meet milestone requirements.

Recommendation
MEDC Staff recommends the following (collectively, “Recommendation”):
   a) Amend the November 24, 2016 approval, as amended, for Rivian Automotive, LLC, as amended, in accordance with the attached Term Sheet;
   b) All other aspects of the approval remain the same.
MICHIGAN STRATEGIC FUND
RESOLUTION
2017-

APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT
AMENDMENT TO RIVIAN AUTOMOTIVE, LLC

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

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

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

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

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

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

WHEREAS, via Resolution 2015-174, the MSF Board approved a $1.77 million Michigan Business Development Program Performance based incentive on November 24, 2015 to Rivian Automotive, LLC (the “Company”) in order to support its project to establish its headquarter facility in Dearborn, Michigan which would cause company growth of 174 net new employees and investment of $29,486,000 in Dearborn, Michigan, (the “Original Approval”);

WHEREAS, via Resolution 2016-110, the MSF Board approved an amendment to the Michigan Business Development Program Performance Based incentive on July 26, 2016 in order to modify the Company location from Dearborn, Michigan to Livonia, Michigan, as well as modify the requirements for Local Support (“Amendment 1”);

WHEREAS, as the Company continues to grow, it is import to find a place that is suitable for stable growth at the Company, therefore a location in Plymouth Township is being established;

WHEREAS, the Company requests that the MSF Board approve an amendment to the approval to decrease the total award by $50,000 to $1.72 million and reduce the total number of Qualified new job from 174 to 170, add in a location in the Project Description of 13250 Haggerty Road, Plymouth Michigan 48170 as well as extend Milestone 2 and Milestone 3 by 1 year (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 BDP 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 BDP Amendment Request.
Ayes:

Nays:

Recused:

Lansing, Michigan
December 19, 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: December 1, 2017

Company Name: Rivian Automotive, LLC ("Company" or "Applicant")

Company Address:
35803 Veronica Street
Livonia, Michigan 48150

Project Address ("Project"): 35803 Veronica Street
Livonia, MI 48150

35796 Veronica Street
Livonia, MI 48150

35687 Industrial Road
Livonia, MI 48150

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 $1,770,000 ("MBDP Incentive Award")
- Base Employment Level: 17
- Total Qualified New Job Creation: 174
- Company Investment: $29,486,000 in building renovations, annual lease costs, furniture and fixtures, computers, machinery and equipment, and other personal property or any combination thereof, for the Project.
- Municipality supporting the Project: The City of Livonia shall provide a plan for advertising and marketing strategy as well as other relevant services to support the Company's growth.
• **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:
  
  o **Disbursement Milestone 1:** Up to $650,000 Upon demonstrated creation of 64 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than July 30, 2016.

  o **Disbursement Milestone 2:** Up to $670,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 66 additional Qualified New Jobs (for a total of 130 Qualified New Jobs) above the Base Employment Level, by no later than July 30, 2017.

  o **Disbursement Milestone 3:** Up to $450,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 44 additional Qualified New Jobs (for a total of 174 Qualified New Jobs) above the Base Employment Level, by no later than July 30, 2018.

• **Term of Agreement:** Execution of Agreement to July 31, 2020

**Proposed MBDP Incentive Amendment:**

• **Project Address ("Project"):**
  
  35803 Veronica Street
  Livonia, MI 48150

  35796 Veronica Street
  Livonia, MI 48150

  35687 Industrial Road
  Livonia, MI 48150

  13250 Haggerty Rd.
  Plymouth, MI 48170

• **Maximum Amount of MBDP Incentive:** Up to $1,720,000 ("MBDP Incentive Award")

• **Total Qualified New Job Creation:**
  
  170 Decrease the Qualified New Job Creation from 174 to 170
  
  (above Base Employment Level)

• **Municipality supporting the Project:** The Charter Township of Plymouth has offered to provide staff, financial, or economic assistance in support of 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 $650,000 Upon demonstrated creation of 64 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than July 30, 2016. DISBURSED

Rivian Automotive, LLC
- Disbursement Milestone 2: Up to $670,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 66 additional Qualified New Jobs (for a total of 130 Qualified New Jobs) above the Base Employment Level and verification of final approval of municipality support by no later than July 30, 2018.

- Disbursement Milestone 3: Up to $400,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 40 additional Qualified New Jobs (for a total of 170 Qualified New Jobs) above the Base Employment Level, by no later than July 30, 2019.

- Term of Agreement: Execution of Agreement to January 31, 2020

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 December 3, 2017, the MEDC may not be able to proceed with any recommendation to the MSF.

Acknowledged as received by:

Rivian Automotive, LLC
By: [Signature]
Printed Name: RJ Scaringe
Its: CEO
Dated: 12/04/17

Michigan Economic Development Corporation
By: [Signature]
Printed Name: Trina Friedefarg
Its: Sec Business Dev Project Mgr
Dated: 12/4/2017

Rivian Automotive, LLC
MEMORANDUM

Date: December 19, 2017

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

From: Trevor Friedeberg, Senior Business Development Project Manager

Subject: Niowave, Inc. (“Company” or “Applicant”) Amendment to the Approved Michigan Business Development Program (MBDP) Grant Agreement

Request
The Company is requesting an amendment to its existing MBDP performance-based grant to reduce the total award amount from $3 million to $1.5 million, reduce the Qualified New Jobs requirement from 90 to 30, and reduce the Qualified Investment from $10 million to $8.5 million. Additionally, the Company’s repayment to the MSF will be reduced from $3.25 million to $1.625 million, which will be repaid to the MSF in full by November of 2024.

Background
On November 20, 2013, the Michigan Strategic Fund approved a $3,000,000 award for Niowave, Inc. under the MBDP. The Company proposed to open a new facility in the city of Lansing which would result in the creation of 90 Qualified New Jobs and up to $79 million in capital investment.

On August 23, 2016, the project was amended to extend the deadline to meet the Qualified Investment requirement to March 31, 2018 as well as amend the project to include 1012 North Walnut Street, Lansing, Michigan 48906 as well as 2450 Port Lansing Road, Lansing, Michigan 48906.

The Company has met its first 3 milestones under the MBDP agreement, creating over 30 new, very highly skilled positions. Additionally, the Company has invested $8.5 million in real property, as well as machinery and equipment. Due to circumstances outside of the Company’s control, mostly related to delays in Federal contracts being pursued, the Company does not believe they will be able to stay on track to meet the full 90 jobs created for the award amount of $3 million. The Company does believe there is a potential for job growth given the implications of the technology being developed and an excellent potential for new contracts which could greatly increase business, however there is too much uncertainty at this time.

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

---

300 North Washington Square  |  Lansing, MI 48913  |  888.522.0103  |  michiganbusiness.org  |  michigan.org
a) Amend the November 20, 2013 approval, as amended, for Niowave, Inc. as outlined in the attached Term Sheet;
b) All other aspects of the approval remain unchanged.
WHEREAS, the Michigan legislature passed legislation establishing the 21st Century Jobs Trust Fund initiative that was signed into law;

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

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

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

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

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

WHEREAS, via Resolution 2013-193, the MSF Board approved a $3 million Michigan Business Development Program Performance based incentive on November 20, 2013 to Niowave, Inc. (the "Company") in order to support its project to construct a new facility at the Port of Lansing which would result in company growth of 90 net new employees and investment of $79,000,000 in Lansing, Michigan, (the "Original Approval");

WHEREAS, via Resolution 2016-137, the MSF Board approved an amendment to the Michigan Business Development Program Performance Based incentive on August 23, 2016 in order to modify the Project Description to include 2450 Port Lansing, Michigan, 48906 as well as extend the deadline to meet the Qualified Investment requirement to March 31, 2018 ("Amendment 1");

WHEREAS, while the Company continues to make progress, two factors have limited the ability to grow staff: a tight labor market for the high level talent required and ongoing delays in funding decisions from the Federal government from both the Department of Energy and Department of Homeland Security;

WHEREAS, the Company requests that the MSF Board approve an amendment to the approval to decrease the total award to $1.5 million, reduce the total qualified new jobs to 30, reduce the Qualified Investment to $8.5 million, and reduce the Annual Payment amount to no less than $232,142.86 over a 7 year period, for a total of $1.625 million (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 BDP 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 BDP Amendment Request.

Ayes:

Nays:

Recused:

Lansing, Michigan
December 19, 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 30, 2017

Company Name: Niowave, Inc. ("Company" or "Applicant")

Company Address ("Project"): 1012 North Walnut Street
Lansing, Michigan 48906
AND
2450 Port Lansing Road
Lansing, Michigan 48906

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 $3,000,000 ("MBDP Incentive Award")
- Base Employment Level: 43
- Total Qualified New Job Creation: 90
  (above Base Employment Level)
- Company Investment: The Company plans to invest $79,000,000 in real and personal property relating to new building construction and machinery and equipment, or any combination thereof, for the Project.
- Qualified Investment: $10 million
  The total minimum amount of the required Company Investment at the Project, which at a minimum must include the following: real and personal property relating to new building construction and machinery and equipment ("Qualified Investment"). Investment made after November 20, 2013 and no later than March 31, 2018 will be considered as Qualified Investment. The final terms and conditions of the Qualified Investment shall be included in the final Agreement.
• Municipality supporting the Project: Dewitt Charter Township – City of Lansing Next Michigan Development Corporation committed to provide a property tax abatement on real and/or personal property 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:
  
  o Disbursement Milestone 1: Up to $500,000 Upon demonstrated support that the Company has maintained the Base Employment Level, the company has signed a lease of at least 10 years for the Project, and verification of final approval of municipality support by no later than March 31, 2014.
  
  o Disbursement Milestone 2: Up to $500,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 10 additional Qualified New Jobs above the Base Employment Level, by no later than March 31, 2015.
  
  o Disbursement Milestone 3: Up to $500,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 20 additional Qualified New Jobs (for a total of 30 Qualified New Jobs) above the Base Employment Level, by no later than May 31, 2016.
  
  o Disbursement Milestone 4: Up to $1.5 million Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, and Disbursement Milestone 3, and upon demonstrated creation of 25 additional Qualified New Jobs (for a total of 55 Qualified New Jobs) above the Base Employment Level, by no later than May 31, 2017.
  
  o Disbursement Milestone 5: Up to $0 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, Disbursement Milestone 3, and Disbursement Milestone 4, and upon demonstrated creation of 35 additional Qualified New Jobs (for a total of 90 Qualified New Jobs) above the Base Employment Level, by no later than May 31, 2018.

• Term of Agreement:
  Execution of Agreement to March 31, 2020. Provided, however, certain terms of the Agreement may be effective through a different end date including the revenue participation terms and conditions (discussed below) which shall be effective through the date the MSF has received repayment of all of the disbursements made to the Company by the MSF (plus any applicable interest, fees and costs if such payments are not made in a timely manner).

• Repayment Provisions:
  Repayment provisions are required by law. The Repayment terms and conditions will be effective through the Term of the Agreement and shall be defined in the final Agreement and shall include terms.
and conditions to repay the MSF. Such terms will include repayment to the MSF under at least one of the following parameters:

a. Annual Payment: The final agreement will include annual payment terms and conditions which will require the Company to make annual payments to the MSF beginning March 31, 2018 and continue each March 31 through March 31, 2024. The annual payment terms will require seven payments equal to one seventh of $3,250,000. The amount of payment to the MSF shall be no less than $464,285.71 in any year during the annual payment period.

b. In addition to annual payment terms, the final repayment provisions will also require repayment of some, or up to all, of the disbursements made by the MSF (plus any applicable interest, plus fees and costs if such payments are not timely made), including if the Company moves 25 percent, or more, of its employees out of Michigan, if, through March 31, 2020 the Company fails to maintain the Base Employment Level in Michigan, and if the Company fails to create and maintain the Qualified New Jobs incented by this Award.

Proposed MBDP Incentive Amendment:

- **Maximum Amount of MBDP Incentive:** Up to $1,500,000 ("MBDP Incentive Award")
- **Total Qualified New Job Creation:** 30  
  **(above Base Employment Level)**
- **Qualified Investment:** $8.5 million  
  The total minimum amount of the required Company Investment at the Project, which at a minimum must include the following: real and personal property relating to new building construction and machinery and equipment ("Qualified Investment").  
  **Investment made after November 20, 2013 and no later than March 31, 2018 will be considered as Qualified Investment.** The final terms and conditions of the Qualified Investment shall be included in the final Agreement.

- **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 $500,000  
    Upon demonstrated support that the Company has maintained the Base Employment Level, the company has signed a lease of at least 10 years for the Project, and verification of final approval of municipality support by no later than March 31, 2014. DISBURSED

  o **Disbursement Milestone 2:** Up to $500,000  
    Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 10 additional Qualified New Jobs

Niowave, Inc.
o Disbursement Milestone 3: Up to $500,000

Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 20 additional Qualified New Jobs (for a total of 30 Qualified New Jobs) above the Base Employment Level, by no later than May 31, 2016. DISBURSED

• Term of Agreement:

Execution of Agreement to May 31, 2018. Provided, however, certain terms of the Agreement may be effective through a different end date including the revenue participation terms and conditions (discussed below) which shall be effective through the date the MSF has received repayment of all of the disbursements made to the Company by the MSF (plus any applicable interest, fees and costs if such payments are not made in a timely manner).

• Repayment Provisions:

Repayment provisions are required by law. The Repayment terms and conditions will be effective through the Term of the Agreement and shall be defined in the final agreement and shall include terms and conditions to repay the MSF. Such terms will include repayment to the MSF under at least one of the following parameters:

c. Annual Payment: The final agreement will include annual payment terms and conditions which will require the Company to make annual payments to the MSF beginning November 30, 2018 and continue each November 30 through November 30, 2024. The annual payment terms will require seven payments equal to one seventh of $1,625,000. The amount of payment to the MSF shall be no less than $232,142.86 in any year during the annual payment period.

d. In addition to annual payment terms, the final repayment provisions will also require repayment of some, or up to all, of the disbursements made by the MSF (plus any applicable interest, plus fees and costs if such payments are not timely made), including if the Company moves 25 percent, or more, of its employees out of Michigan, if, through May 31, 2018 the Company fails to maintain the Base Employment Level in Michigan, and if the Company fails to create and maintain the Qualified New Jobs incented by this Award.

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 December 1, 2017, the MEDC may not be able to proceed with any recommendation to the MSF.

Niwowave, Inc.

By: [Signature]

Printed Name: Terry L. Grimm

Its: President

Dated: 12/1/2017

Acknowledged as received by:

Michigan Economic Development Corporation

By: [Signature]

Printed Name: Trevor Friedeburg


Dated: 12/1/2017
MEMORANDUM

DATE: December 19, 2017

TO: Michigan Strategic Fund Board

FROM: Chris Cook, Director – Capital Access

RE: MSDF – Capital Conduit Program
Grow Michigan, LLC - Amendment to Operating Agreement

Request
Staff requests that the MSF Board provide authority to the MSF Fund Manager to approve changes to certain terms and conditions contained within the Operating Agreement (“OA”) for Grow Michigan, LLC (“Fund”). Management of the Fund is requesting certain changes be made to the existing OA and is requesting that the members of the Fund, including the MSF, consent to the requested changes.

Background
On December 21, 2011 the Michigan Strategic Fund Board approved the creation of Capital Conduit Program (“CCP”) and further approved the creation of an operating company initiative (“OCI”) to operate under CCP along with guidelines for operation of the OCI. The Michigan Strategic Fund Board subsequently approved awards totaling $10 million to be provided as loans to Grow Michigan, LLC. $9.5 million of this award was used by the MSF to make an equity investment into the Fund as a class B member, with the remaining $500,000 provided by the MSF in the form of a loan with the proceeds to be used to pay expenses related to creation of the Fund.

The OCI was created in order to address funding gaps present in the market, specifically the lack of growth capital, succession and acquisition financing, and balance sheet reconfiguration capital for operating companies with annual revenue below $50 million. The OCI sought to address these gaps by creating a mezzanine style lending with investment provided by senior lenders operating in Michigan along with the MSF. As of June 30, 2017, the Fund reports closings of $51.2 million. Total private investment related to projects supported by the Fund, as reported by the Fund, total $281.1 million. The fund reports redeemed principal investments totaling $22.75 million. Based on the pipeline report, the Fund believes continued demand exists for a fund of this type.

The current version of the OAA includes a provision which would halt the commitment period at the earlier of fifth anniversary of the initial closing of the fund, which is December 27, 2017, or the date at which all commitments have been invested.

The proposed changes to the OA is as follows:
• Extend the commitment period to the earlier of seventh anniversary of the initial closing date or full commitment of the Fund.

In addition, the Fund is seeking to exercise the option to extend the term of the Fund by two years with consent of the Fund board as is contemplated in the OA.

**Recommendation**
MEDC Staff recommends the MSF Board provide authority to the MSF Manager to consent to the change to the OA as detailed in Exhibit A
WHEREAS, the Michigan legislature passed legislation establishing the 21st Century Jobs Trust Fund initiative that was signed into law by Governor Jennifer M. Granholm;

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

WHEREAS, as part of the 21st Century Jobs Trust fund initiative, and pursuant to MCL 125.2088h(1), the Jobs for Michigan investment fund was created as a permanent fund authorized by the state constitution (“Investment Fund”);

WHEREAS, pursuant to MCL 125.2088h(3) and MCL 125.2088h(7), the MSF Board shall direct the investment and reinvestment of the Investment Fund as provided under Chapter 8A of the MSF Act (“Chapter 8A”);

WHEREAS, pursuant to MCL 125.2088h(5)(b) and (c), the Investment Fund consists of, among other things, return on investments, return on principal, payments made, or other money received by or payable to the MSF under agreements related to loans or investments by the MSF under Chapter 8A;

WHEREAS, pursuant to MCL 125.2088d(1) under Chapter 8A, the MSF shall create and operate a loan enhancement program;

WHEREAS, on May 20, 2009, the MSF Board approved the creation and operation of the Michigan Supplier Diversification Fund (“MSDF”) as a loan enhancement program under Chapter 8A;

WHEREAS, on December 21, 2011, the MSF Board approved the creation and operation of the Capital Conduit Program (“CCP”);

WHEREAS, as a subprogram of the CCP, the MSF also approved the Operating Company Initiative (“OCI”) and the program guidelines for the OCI (“OCI Guidelines”);

WHEREAS, on January 25, 2012, the MSF Board approved an award of $2,500,000 to Grow Michigan, LLC (“GMI”);

WHEREAS, on February 27, 2012, the MSF Board approved an award of an additional $7,500,000 to GMI;

WHEREAS, management of GMI requests that certain changes be made to the Operating Agreement (“OA”) as detailed in Exhibit A;
WHEREAS, the MSF Board desires to provide authority to the MSF Fund Manager to provide consent to requested changes to the OA as outlined in Exhibit A;

NOW, THEREFORE, BE IT RESOLVED, the MSF provides authority to the MSF Fund Manager to provide consent to the requested changes to the OA.

Ayes:
Nays:
Recused:

Lansing, Michigan

December 19, 2017
Consent Resolutions of the Member of GROW MICHIGAN, LLC

The undersigned, pursuant to that certain Eighth Amended and Restated Operating Agreement of Grow Michigan, LLC (the “Company”) dated on or about November 16, 2015 (as amended, the “Operating Agreement”), hereby consent to and authorize the following actions and adopt the following Consent Resolutions:

WHEREAS, capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Operating Agreement; and

WHEREAS, Section 12.01 of the Operating Agreement provides that no amendment will be valid as to any Member which materially adversely affects the rights, powers, privileges or preferences of, or restrictions provided for the benefit of such Member, without the written consent of such Member;

WHEREAS, Section 12.01 of the Operating Agreement also provides that all consents required by Section 12.01 will be deemed effective only upon delivery by each consenting Member of an executed form of consent to the Board that is also executed by the Board;

WHEREAS, the Board has determined that the following amendment to the Operating Agreement would materially adversely affect the rights, powers, privileges or preferences of, or restrictions provided for the benefit of such Member;

WHEREAS, the Board has also determined that the following amendment to the Operating Agreement is in the best interests of the Company and the Members;

NOW, THEREFORE, BE IT RESOLVED, that the following amendment to the Operating Agreement is hereby adopted and approved with respect to the undersigned; and the CEO be, and hereby is, authorized and directed, for and on behalf of the undersigned, to execute and deliver a formal amendment to the Operating Agreement to the same effect with respect to the undersigned;

Section 2.01(d) of the Operating Agreement is amended to read as follows:

(d) Notwithstanding the provisions of Section 2.01(b), each Member’s commitment to provide funds will expire at the earlier of (i) the date when all Commitments have been invested; or (ii) the seventh (7th) anniversary of the Initial Closing Date (the “Commitment Period”); provided that the Members shall remain obligated to make Capital Contributions throughout the duration of the Company pursuant to their respective Commitments to the extent necessary (A) to cover expenses, liabilities and obligations of the Company, including Company Expenses; (B) to complete investments by the Company in transactions that are in process at the end of the Commitment
Period for which there is a written obligation; and (C) fund follow-on investments in existing Portfolio Companies, provided that any such follow-on investment(s) in an existing Portfolio Company, taken together with such previous and outstanding investment(s) in such exiting Portfolio Company, shall not in the aggregate exceed more than ten percent (10%) of the Commitments.

BE IT FURTHER RESOLVED, that the CEO be, and hereby is, authorized and empowered to take all such further action and to execute, deliver and file all such further agreements, certificates, instruments and documents, in the name and on behalf of the undersigned; to pay or cause to be paid all expenses; to take such other actions as he shall deem necessary, desirable, advisable or appropriate to consummate, effectuate, carry out or further the amendment to the Operating Agreement set forth above;

RESOLVED, that the omission from these resolutions of any agreement or other arrangement contemplated by any of the agreements or instruments described in the foregoing resolutions or any action to be taken in accordance with any requirements of any of the agreements or instruments described in the foregoing resolutions shall in no manner derogate from the authority of the CEO to take all actions necessary, desirable, advisable or appropriate to consummate, effectuate, carry out or further the transactions contemplated by and the intent and purposes of the foregoing resolutions;

RESOLVED, that any actions taken or performed by the CEO in connection with the foregoing resolutions and other related transaction documents prior to the adoption of the foregoing resolutions are hereby ratified, confirmed and approved in all respects; and

RESOLVED, that this consent may be executed in separate written counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same document.

[remainder of page intentionally left blank; signature pages to follow]
IN WITNESS WHEREOF, the undersigned Member has executed these Consent Resolutions as of the ______ day of ______________, 2017.

MEMBER:

(Print Name of Member)

By: __________________________
Print Name: ____________________
Title: __________________________

Accepted and agreed to by the undersigned on behalf of the Board of Grow Michigan, LLC:

By: __________________________
Print Name: ____________________
MEMORANDUM

Date: December 19, 2017

To: Michigan Strategic Fund (“MSF”) Board

From: Mark Morante, Fund Manager

Subject: Michigan Strategic Fund Compiled Resolutions - Revisions

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Summary

Michigan Economic Development Corporation (“MEDC”) Staff is requesting modification to its current MSF delegation of authority as follows: 1) allow the MSF Fund Manager or the MSF President to amend a work plan, brownfield plan, or reimbursement agreement for a previously approved transformational brownfield plan for changes in use of up to 15% of the gross square footage so long as the amended brownfield plan would still result in an overall positive fiscal impact to the State of Michigan; 2) rescind the delegation of authority for the Michigan Energy Office; and 3) rescind the delegation of authority for the Workforce Development Agency (the “Request”).

Background

The delegation of authority for transformational brownfield plans is necessary in order for the MSF to be responsive to changes in the market or circumstances that would result in a change in use of up to 15% of the gross square footage. Any change that would result in a change in use over 15% would require approval of the MSF.

The delegation of authority for the Michigan Energy Office and the Workforce Development Agency are no longer necessary or appropriate as both agencies have been transferred to other departments through executive order.

Recommendation

MEDC Staff recommends the MSF Board approve the Request
WHEREAS, under Section 125.2005(7) of the Michigan Strategic Fund Act, the Michigan Strategic Fund (“MSF”) Board may delegate to its president, vice-president, staff or others those functions and authority the MSF Board deems necessary or appropriate;

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

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

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

WHEREAS, the MEDC recommends that the MSF Board amend the Strategic Fund Compiled Resolutions for the Brownfield Programs to promote efficiency and effectiveness in administration of the Transformational Brownfield Program;

WHEREAS, the MEDC also recommends that the MSF Board amend the Strategic Fund Compiled Resolutions to rescind Section 10.3-1 for the Michigan Energy Office and Section 10.7-1 for the Workforce Development Agency as those agencies are no longer housed within the MSF; and

WHEREAS, the MSF Board wishes to approve revisions to the Strategic Fund Compiled Resolutions in accordance with the terms and conditions of this Resolution.

NOW, THEREFORE, BE IT HEREBY RESOLVED, that the MSF Board delegates the following authority effective December 19, 2017:

10.0-1 Brownfield Redevelopment Programs

(1) The MSF President or the MSF Fund Manager may approve the following Brownfield Tax Credit and Act 381 Work Plan Amendments:

(f) amend a work plan, brownfield plan, or reimbursement agreement for a previously approved transformational brownfield plan for changes in use of up to 15% of
the gross square footage so long as the amended brownfield plan would still result in an overall positive fiscal impact to the State of Michigan.

**10.3-1 RESCINDED IN ITS ENTIRETY**

**10.7-1 RESCINDED IN ITS ENTIRETY**

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

Ayes:

Nays:

Recused:

Lansing, Michigan
December 19, 2017
MEMORANDUM

Date: December 19, 2017

To: Michigan Strategic Fund ("MSF") Board

From: Mark Morante, Fund Manager

Subject: Background Review Policy

Request
Michigan Economic Development Corporation ("MEDC") Staff is requesting that the Michigan Strategic Fund ("MSF") Board approve a revised Background Review Policy (the "Request").

Background
Section 88c(4) of the MSF Act, MCL 125.2088c(4), requires the MSF to establish requirements to ensure that money expended under sections 88d, 88e, 88f, 88g, 88k, 88q, and 88r and Chapter 8C is not used for any of the following:

- Provision of money to a person who has been convicted of a criminal offense incident to the application for or performance of a state contract or subcontract.

- Provision of money to a person who has been convicted of a criminal offense, or held liable in a civil proceeding, that negatively reflects on the person's business integrity, based on a finding of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, violation of state or federal antitrust statutes, or for any additional findings as determined by the fund board.

On March 25, 2014, the MSF Board adopted a Background Review Policy, a copy of which is attached as Exhibit A to this memo. The revised Background Review Policy, attached as Exhibit B to this memo, includes the following key changes:

- It would require a civil and criminal background check only on those applicants seeking an MSF incentive in an amount of $50,000 or more. These incentives would still require the company to represent and warrant that, to the best of its knowledge, the company, including its affiliates, subsidiaries, officers, directors, managerial employees, and any person who, directly or indirectly, holds a pecuniary interest in the Applicant of 20% or more, do not have criminal convictions or civil liabilities as described in Sections 88c(4)(a) and 88c(4)(b).

- If the applicant is a partnership, limited partnership, limited liability partnership or limited liability company, a civil and criminal background check would be performed on those individuals and entities with an ownership interest in the applicant of 20% or more.

- Under the new policy, key individuals of any non-profit corporation, municipality, and institution of higher education would be subject to a civil and criminal background check. Under the current
policy, these individuals may be exempted from review upon the approval of the MSF Fund Manager and MSF President.

MEDC staff believes the proposed revisions to the Background Review Policy covers individuals and entities that are not reviewed under the current policy and that such changes are necessary to conduct proper due diligence on the various types of entities seeking incentives from the MSF. In addition, the revised policy is easier for both staff and applicants to understand.

**Recommendation**
MEDC Staff recommends the MSF Board approve the Request
Exhibit A

BACKGROUND REVIEW POLICY

The following guidelines shall be utilized as part of the due diligence process for programs created and operated by the MSF prior to finalizing a written agreement providing for any incentive:

1. **Certification Form.** All applicants shall provide staff with the completed certification form, including all requested information to correctly identify the applicant, and the following: the Chief Executive Officer, or the similarly situated position in charge of the applicant’s executive operations; the Chief Financial Officer, or the similarly situated person in charge of the applicant’s financial affairs; the Chief Operating Officer, or the similarly situated person in charge of the applicant’s daily operations; and the person that is responsible for managing the incentive for the applicant (collectively, “Key Individuals”).

2. **Background Check.** A background check, covering the previous five (5) calendar year period, via Westlaw, LexisNexis, Google, or any other internet search engine shall be conducted on all applicants and all Key Individuals.

3. **Joint Ventures/Business Combinations.** If an applicant is comprised of one or more business entities, such as a joint venture, or other business combination, each of the involved business entities comprising the business combination shall be considered an applicant for purposes of the Background Review process, and each, and their respective Key Individuals, are subject to the above guidelines.

4. **Publicly Traded Applicants (or their parent companies).** If an applicant (or its parent company) is publicly traded, and has filed all of its required SEC filings, a certification form shall not be required and a background check, covering the previous five (5) calendar year period, shall be conducted by reviewing the applicant’s (or, as applicable, its parent company’s) public filings with the SEC (e.g. annual reports and current event reports); provided, however, that if the Applicant (or, as applicable, its parent company) has not filed all of its required SEC filings, then a certification form shall be required and processed as set forth in Paragraphs 1-3 above.

5. **Findings of a criminal conviction described under Section 88c(4)(a) and 88k(6)(a)** (dealing with state contract or subcontract). If a background check results in a finding of any offense listed in Section 88c(4)(a) or 88k(6)(a), the potential award may not continue to proceed through the process toward a final written agreement.

6. **Findings of a criminal conviction or civil liability described under Section 88c(4)(b) and 88k(6)(b)** (dealing with criminal or civil liabilities, that negatively reflect on business integrity, based on certain described events):

   a. If a background check results in a finding of any offense listed in Section 88c(4)(b) or 88k(6)(b):

      i. the applicant may submit, in writing, to the MSF Chairperson and the MSF Fund Manager, mitigating circumstances that it believes support that the particular finding does not negatively reflect on the business integrity of the applicant or the Key Individuals, as applicable.
ii. The MSF Chairperson and the MSF Fund Manager may, but are not obligated to, consider the mitigating circumstances; and

iii. For the potential award to continue to proceed through the process toward a final written agreement, the results of the background check must be satisfactory to either: (i) both the MSF Chairperson and the MSF Fund Manager in consultation with the MEDC General Counsel, or (ii) the MSF Board.

7. **Representation and Warranty by the Applicant in the Final Agreement.** All written agreements memorializing a final award shall, in addition to other normal and customary representations and warranties required by the MSF, include representation and warranty language from the applicant, to the effect that to the best of its knowledge, the applicant and its Key Owners and Personnel, do not have criminal convictions or civil liabilities and will not use the funds for the prohibited purposes described in Section 88c(4), Section 88k(6), and Section 88r(5) of the MSF Act.

Key Owners and Personnel means: if the applicant is a business entity, its affiliates, subsidiaries, officers, directors, managerial employees, and anyone holding 20 percent or more of a pecuniary interest, directly or indirectly, in that business entity (which includes a parent company).

For purposes of defining an Applicant, incentives that flow through a financial institution from the MSF for the benefit of a borrower, the background check will be performed on the borrower and the Key Individuals of the borrower.

Provided, however, that municipalities, non-profit entities and institutions of higher education, and their boards of directors and Key Owners and Personnel, may be exempted from the background check process, in part or in whole except for Paragraph 7, at the discretion and approval of the MSF Chairperson and the MSF Fund Manager.

The MSF Chairperson and the MSF Fund Manager, with only one required to act, may request additional reviews on potential awardees at their discretion.
Background

Section 88c(4) of the Michigan Strategic Fund ("MSF") Act, MCL 125.2088c(4), requires the MSF Board to establish requirements to ensure that money expended under Sections 88d, 88e, 88f, 88g, 88k, 88q and 88r and Chapter 8C of the MSF Act shall not be used for any of the following:

- Provision of money to a person who has been convicted of a criminal offense incident to the application for or performance of a state contract or subcontract. 125.2088c(4)(a)

- Provision of money to a person who has been convicted of a criminal offense, or held liable in a civil proceeding, that negatively reflects on the person's business integrity, based on a finding of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, violation of state or federal antitrust statutes, or for any additional findings as determined by the fund board. 125.2088c(4)(b)

The guidelines and procedure outlined in this Background Review Policy (the “Policy”) shall be used to satisfy the requirements of Section 88c(4) of the MSF Act and as part of the due diligence process for programs and activities created and operated by the MSF. The Michigan Economic Development Corporation ("MEDC") will perform the civil and criminal background reviews for the MSF in accordance with this Policy.

Definitions

"Applicant" means a sole proprietorship, partnership, limited partnership, limited liability partnership, limited liability company, joint venture, profit or nonprofit corporation including an institution of higher education, public utility, municipality, local industrial development corporation, economic development corporation, other association of persons organized for agricultural, commercial, or industrial purposes, or any other entity seeking the benefit of an incentive from the MSF.

"Certification Form" means the form(s) completed by the Applicant that contains the information necessary for the MEDC to perform a civil and criminal background check, as may be revised by the MEDC from time to time.

"Key Individuals" means the Applicant’s Chief Executive Officer, or the similarly situated person in charge of the Applicant’s executive operations; the Chief Financial Officer, or the similarly situated person in charge of the Applicant’s financial affairs; the Chief Operation Officer, or the similarly situated person in charge of the Applicant’s daily operations; and the individual who is responsible for managing the MSF incentive for the Applicant.

"Key Owners" means, if the Applicant is a business entity, any individual or business entity that, directly or indirectly, holds a pecuniary interest of 20% or more in the Applicant.

"SEC" means the United States Securities and Exchange Commission.

Guidelines

- Any Applicant seeking an MSF incentive in the amount of $\15,000\,50,000 or more is subject to a civil and criminal background check in accordance with this Policy.

- Key Individuals and Key Owners are subject to a civil and criminal background check in the following circumstances:
Exhibit B

- If the Applicant is a corporation, the Applicant’s Key Individuals are subject to a civil and criminal background check. If the Applicant is publicly traded and has filed all of its required SEC filings, then a review of the Applicant’s public filings may be conducted in lieu of the civil and criminal background checks on the Applicant’s Key Individuals only upon written approval of the MSF President and the MSF Fund Manager.

- If the Applicant is a partnership, limited partnership, limited liability partnership or limited liability company, the Applicant’s Key Individuals and Key Owners are subject to a civil and criminal background check.

- If the Applicant is a non-profit corporation, municipality or an institution of higher education, the Applicant’s Key Individuals are subject to a civil and criminal background check. The boards of directors and Key Owners of non-profit corporations, municipalities and institutions of higher education may be exempted from the civil and criminal background check only upon written approval of the MSF President and the MSF Fund Manager. If a member of the board of directors or a Key Owner is also a Key Individual, then a civil and criminal background check will be performed on that Key Individual.

- In the case of incentives that flow through a financial institution from the MSF for the benefit of an Applicant, the Applicant’s Key Individuals are subject to a civil and criminal background check.

- If the Applicant is comprised of one or more business entities, such as a joint venture or other business combination, each of the component business entities and their respective Key Individuals are subject to a civil and criminal background check.

- All final written agreements memorializing an incentive from the MSF shall include language requiring the Applicant to represent and warrant that, to the best of its knowledge, the Applicant, including its affiliates, subsidiaries, officers, directors, managerial employees, and any person who, directly or indirectly, holds a pecuniary interest in the Applicant of 20% or more, do not have criminal convictions or civil liabilities as described in Sections 88c(4)(a) and 88c(4)(b) and will not use the funds for the prohibited purposes described in Sections 88c(4)(c)-(e).

- The MSF President and the MSF Fund Manager, with only one required to act, may request additional reviews on any Applicant at his or her discretion.

Procedure

1. Applicants provide MEDC Staff with completed Certification Form.

2. Upon receipt of a complete Certification Form from the Applicant, MEDC Staff will conduct a civil and criminal background check using Westlaw, LexisNexis, or another similar program that performs civil and criminal background checks.

3. If a background check results in a finding of a criminal conviction described under Section 88c(4)(a), the potential incentive may not continue to the process toward approval.

4. If a background check results in a finding of a criminal conviction or civil liability described under Section 88c(4)(b) within the previous five (5) calendar year period, the potential incentive may continue to the process toward approval only upon the occurrence of all of the following:
Exhibit B

a. The Applicant submits in writing an explanation of the findings and mitigating circumstances that it believes support that the findings do not negatively reflect on the business integrity of the Applicant, its Key Individuals, and its Key Owners.

b. The MSF President and the MSF Fund Manager determine that, based on a consideration of the mitigating circumstances, the findings do not negatively reflect on the business integrity of the Applicant, its Key Individuals, and its Key Owners.

c. Any findings of a criminal conviction or civil liability described under Section 88c(4) will be disclosed in writing to the MSF Board or its authorized delegates, as applicable, prior to or coincident with any recommendation for approval of an incentive.
WHEREAS, Public Act 270 of 1984, MCL 125.2001 et seq. (the “MSF Act”), established the Michigan Strategic Fund (the “MSF”); 


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

WHEREAS, pursuant to Section 88c(4), MCL 125.2088c(4), of the MSF Act, the MSF is required to establish requirements toward prohibiting providing incentive awards under sections 88d, 88e, 88f, 88g, 88k, 88q, and 88r and Chapter 8C to awardees with certain criminal convictions or civil liabilities; 

WHEREAS, on March 25, 2014, the MSF adopted background review guidelines as required under Section 88c(4) of the MSF Act for all programs operated by the MSF Board (the “Background Review Policy”); 

WHEREAS, the MEDC recommends that the MSF adopt the revised Background Review Policy attached to this Resolution; and 

WHEREAS, the MSF wishes adopt the revised Background Review Policy attached to this Resolution. 

NOW, THEREFORE, BE IT RESOLVED, the MSF adopt the Background Review Policy attached to this Resolution.

Ayes: 

Nays: 

Recused: 

Lansing, Michigan 
December 19, 2017
Background

Section 88c(4) of the Michigan Strategic Fund ("MSF") Act, MCL 125.2088c(4), requires the MSF Board to establish requirements to ensure that money expended under Sections 88d, 88e, 88f, 88g, 88k, 88q and 88r and Chapter 8C of the MSF Act shall not be used for any of the following:

- Provision of money to a person who has been convicted of a criminal offense incident to the application for or performance of a state contract or subcontract. 125.2088c(4)(a)

- Provision of money to a person who has been convicted of a criminal offense, or held liable in a civil proceeding, that negatively reflects on the person's business integrity, based on a finding of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, violation of state or federal antitrust statutes, or for any additional findings as determined by the fund board. 125.2088c(4)(b)

The guidelines and procedure outlined in this Background Review Policy (the “Policy”) shall be used to satisfy the requirements of Section 88c(4) of the MSF Act and as part of the due diligence process for programs and activities created and operated by the MSF. The Michigan Economic Development Corporation (“MEDC”) will perform the civil and criminal background reviews for the MSF in accordance with this Policy.

Definitions

“Applicant” means a sole proprietorship, partnership, limited partnership, limited liability partnership, limited liability company, joint venture, profit or nonprofit corporation including an institution of higher education, public utility, municipality, local industrial development corporation, economic development corporation, other association of persons organized for agricultural, commercial, or industrial purposes, or any other entity seeking the benefit of an incentive from the MSF.

“Certification Form” means the form(s) completed by the Applicant that contains the information necessary for the MEDC to perform a civil and criminal background check, as may be revised by the MEDC from time to time.

“Key Individuals” means the Applicant’s Chief Executive Officer, or the similarly situated person in charge of the Applicant’s executive operations; the Chief Financial Officer, or the similarly situated person in charge of the Applicant’s financial affairs; the Chief Operation Officer, or the similarly situated person in charge of the Applicant’s daily operations; and the individual who is responsible for managing the MSF incentive for the Applicant.

“Key Owners” means, if the Applicant is a business entity, any individual or business entity that, directly or indirectly, holds a pecuniary interest of 20% or more in the Applicant.

“SEC” means the United States Securities and Exchange Commission.

Guidelines

- Any Applicant seeking an MSF incentive in the amount of $15,000 50,000 or more is subject to a civil and criminal background check in accordance with this Policy.

- Key Individuals and Key Owners are subject to a civil and criminal background check in the following circumstances:
o If the Applicant is a corporation, the Applicant’s Key Individuals are subject to a civil and criminal background check. If the Applicant is publicly traded and has filed all of its required SEC filings, then a review of the Applicant’s public filings may be conducted in lieu of the civil and criminal background checks on the Applicant’s Key Individuals only upon written approval of the MSF President and the MSF Fund Manager.

o If the Applicant is a partnership, limited partnership, limited liability partnership or limited liability company, the Applicant’s Key Individuals and Key Owners are subject to a civil and criminal background check.

o If the Applicant is a non-profit corporation, municipality or an institution of higher education, the Applicant’s Key Individuals are subject to a civil and criminal background check. The boards of directors and Key Owners of non-profit corporations, municipalities and institutions of higher education may be exempted from the civil and criminal background check only upon written approval of the MSF President and the MSF Fund Manager. If a member of the board of directors or a Key Owner is also a Key Individual, then a civil and criminal background check will be performed on that Key Individual.

o In the case of incentives that flow through a financial institution from the MSF for the benefit of an Applicant, the Applicant’s Key Individuals are subject to a civil and criminal background check.

o If the Applicant is comprised of one or more business entities, such as a joint venture or other business combination, each of the component business entities and their respective Key Individuals are subject to a civil and criminal background check.

- All final written agreements memorializing an incentive from the MSF shall include language requiring the Applicant to represent and warrant that, to the best of its knowledge, the Applicant, including its affiliates, subsidiaries, officers, directors, managerial employees, and any person who, directly or indirectly, holds a pecuniary interest in the Applicant of 20% or more, do not have criminal convictions or civil liabilities as described in Sections 88c(4)(a) and 88c(4)(b) and will not use the funds for the prohibited purposes described in Sections 88c(4)(c)-(e).

- The MSF President and the MSF Fund Manager, with only one required to act, may request additional reviews on any Applicant at his or her discretion.

Procedure

1. Applicants provide MEDC Staff with completed Certification Form.

2. Upon receipt of a complete Certification Form from the Applicant, MEDC Staff will conduct a civil and criminal background check using Westlaw, LexisNexis, or another similar program that performs civil and criminal background checks.

3. If a background check results in a finding of a criminal conviction described under Section 88c(4)(a), the potential incentive may not continue to the process toward approval.

4. If a background check results in a finding of a criminal conviction or civil liability described under Section 88c(4)(b) within the previous five (5) calendar year period, the potential incentive may continue to the process toward approval only upon the occurrence of all of the following:
a. The Applicant submits in writing an explanation of the findings and mitigating circumstances that it believes support that the findings do not negatively reflect on the business integrity of the Applicant, its Key Individuals, and its Key Owners.

b. The MSF President and the MSF Fund Manager determine that, based on a consideration of the mitigating circumstances, the findings do not negatively reflect on the business integrity of the Applicant, its Key Individuals, and its Key Owners.

c. Any findings of a criminal conviction or civil liability described under Section 88c(4) will be disclosed in writing to the MSF Board or its authorized delegates, as applicable, prior to or coincident with any recommendation for approval of an incentive.
MEMORANDUM

Date: December 19, 2017

To: Michigan Strategic Fund ("MSF") Board

From: Mark Morante, Fund Manager

Subject: Consent Agenda Guidelines

Request
Michigan Economic Development Corporation ("MEDC") Staff is requesting that the Michigan Strategic Fund ("MSF") Board approve revised Consent Agenda Guidelines for use in development of the consent agenda by MEDC staff (the "Request").

Background
On November 20, 2013, the MSF Board approved use of a consent agenda in order to increase the efficiency of the monthly MSF Board meetings. On February 25, 2014, the MSF Board adopted the Consent Agenda Guidelines attached as Exhibit A to this memo. MEDC Staff recommends that the MSF Board adopt revised Consent Agenda Guidelines, attached as Exhibit B to this memo. The current Consent Agenda Guidelines do not include many of the types of actions the MSF Board has typically seen on the consent agenda. The revised Guidelines would expand the list to cover those actions. MEDC Staff believes these changes are necessary to reflect the current types of transactions that are frequently before the MSF and to promote clarity for MEDC staff, the MSF Board, the Office of the Attorney General, and the Chief Compliance Officer in development of the monthly agenda.

Recommendation
MEDC staff recommends the MSF Board approve the Request.
Guidelines for Preparation and Approval of Consent Agendas for the MSF

The Michigan Strategic Fund approved the use of a Consent Agenda on November 20, 2013 (Resolution 2013-203).

The MSF Fund Manager may place items on the Consent Agenda when that item, in the normal and usual course of business of the MSF Board, is routine, is not anticipated to be controversial, and is not anticipated to prompt deliberations or discussions by the MSF Board. Items appropriate for placement on the Consent Agenda include, but are not limited to:

1. Approval of meeting minutes;
2. Amendments to projects that do not impact the scope and are otherwise permitted:
   a. Extension of a timeline or milestone,
   b. Addition of a qualified taxpayer,
   c. Location changes that do not impact a local commitment related to an approved project,
   d. Other routine adjustments.
3. Administrative items such as:
   a. Routine requests for the continuation of funds
   b. Revocation of benefits such as tax credits.
4. Reissuance of Memorandums of Understanding and other documents with minimal changes.
5. Projects less than $1,000,000 in cumulative benefit from the MSF, and where cumulative delegation to staff has not previously been approved.

Developing the Consent Agenda for Approval

1. The MSF Fund Manager will coordinate the Consent Agenda in conjunction with MSF and MEDC Staff.
2. If MEDC Staff and the MSF Fund Manager are not in agreement on whether the item will be placed on the consent agenda, the item will be moved to the general agenda for individual consideration. Staff may also remove items based on changes to the project or the discovery of new information.

Consideration of the Consent Agenda

1. The Consent Agenda will have a separate tab under the general agenda.
2. The Consent Agenda will usually be placed after the Call to Order and Public Comment, and will be approved pursuant to a single Consent Agenda Resolution in a form similar to the attached Exhibit A. Supporting documentation for each Consent Agenda item should be included with the Consent Agenda Resolution.
3. When the Consent Agenda is taken up during the meeting, the Chair (or acting Chair) should inquire whether any MSF member would like an item removed from the Consent Agenda and placed on the regular agenda.
   a. If a member makes this request, no vote is required; the item is removed from the Consent Agenda and placed at the appropriate place on the agenda.
   b. If no request is made, or once any items objected to are removed, the Consent Agenda Resolution, in its then-current form (objectionable items removed), must be approved.
   c. Items under the Consent Agenda are approved with one vote.
   d. Approval of the Consent Agenda Resolution must be unanimous, subject to any recusals. If there is doubt, then a roll call vote should be taken.
   e. A single no vote indicates that the Consent Agenda items are not collectively approved, and that all items will be placed on the general agenda individually.

Documentation of Items Approved or Removed from the Consent Agenda

1. When the Consent Agenda Resolution is approved, the official minutes will reflect all items included in the final Consent Agenda as approved.
2. When items are removed from the Consent Agenda and placed on the regular agenda, this will be reflected in the minutes, including discussion of those items and the recording of votes, where applicable.
Background

On November 20, 2013, the Michigan Strategic Fund (“MSF”) Board adopted the use of a Consent Agenda in order to streamline its monthly meetings. The MSF Board wishes to implement these guidelines to assist staff of the Michigan Economic Development Corporation (“MEDC”) in development of the MSF agenda each month.

Guidelines

- The MSF President or MSF Fund Manager may place items on the Consent Agenda when that item is routine, uncontroversial, and not expected to prompt deliberations or discussions by the MSF Board. Items appropriate for placement on the Consent Agenda include, but are not limited to, the following:
  - Approval of meeting minutes
  - Amendments to incentives for the following purposes:
    - Extension of milestone due dates
    - Restructure of milestone requirements
    - Extension of loan grace periods
    - Exercise of options to extend and allocate additional funding to unexpired, multi-year contracts
    - Addition of Qualified Taxpayers
    - Project location changes within the same municipality as originally approved
    - Modification of local support if within the same municipality as originally approved
    - Loan to equity conversions where the conversion right is triggered under the terms of the loan agreement
    - Loan payoffs
    - Reduction of incentive amount
    - Transfer and/or assignment of incentive
  - Forbearance agreements for incentives in a default status
  - Termination of incentives
  - Revocation of benefits such as tax credits or Renaissance Zone designations
  - Issuance of new or amended Memorandums of Understanding and/or Interagency Agreements to which the MSF is a party
  - New projects of less than $1,000,000 in cumulative benefit from the MSF where no Delegation of Authority has been approved
  - New projects of less than $1,000,000 where Delegation of Authority has been approved but where one or more provision of the applicable program guidelines are being waived.
  - Revisions to the MSF Compiled Resolutions

- The Consent Agenda will be a separate and distinct item on the MSF agenda. The Consent Agenda will be placed after the Call to Order and Public Comment.
Exhibit B

- The Consent Agenda will be approved pursuant to a single Consent Agenda Resolution. Supporting documentation for each item on the Consent Agenda will be included in the Consent Agenda Resolution.

- Any member of the MSF Board may request that an item on the Consent Agenda be moved to the regular agenda prior to or during a meeting of the MSF Board.

- The official meeting minutes will reflect all items included in the Consent Agenda as approved by the MSF Board.
WHEREAS, Public Act 270 of 1984, MCL 125.2001 et seq. (the “MSF Act”), established the Michigan Strategic Fund (the “MSF”);

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

WHEREAS, on November 20, 2013, the MSF Board approved the use of a consent agenda for its monthly board meetings;

WHEREAS, on February 25, 2014, the MSF adopted guidelines to assist MEDC staff in the development of the monthly board agenda (the “Consent Guidelines”);

WHEREAS, the MEDC recommends that the MSF adopt the revised Consent Agenda Guidelines attached to this Resolution; and

WHEREAS, the MSF wishes adopt the revised Consent Agenda Guidelines attached to this Resolution.

NOW, THEREFORE, BE IT RESOLVED, the MSF adopts the Consent Agenda Guidelines attached to this Resolution.

Ayes:
Nays:
Recused:

Lansing, Michigan
December 19, 2017
Background

On November 20, 2013, the Michigan Strategic Fund (“MSF”) Board adopted the use of a Consent Agenda in order to streamline its monthly meetings. The MSF Board wishes to implement these guidelines to assist staff of the Michigan Economic Development Corporation (“MEDC”) in development of the MSF agenda each month.

Guidelines

- The MSF President or MSF Fund Manager may place items on the Consent Agenda when that item is routine, uncontroversial, and not expected to prompt deliberations or discussions by the MSF Board. Items appropriate for placement on the Consent Agenda include, but are not limited to, the following:
  - Approval of meeting minutes
  - Amendments to incentives for the following purposes:
    - Extension of milestone due dates
    - Restructure of milestone requirements
    - Extension of loan grace periods
    - Exercise of options to extend and allocate additional funding to unexpired, multi-year contracts
    - Addition of Qualified Taxpayers
    - Project location changes within the same municipality as originally approved
    - Modification of local support if within the same municipality as originally approved
    - Loan to equity conversions where the conversion right is triggered under the terms of the loan agreement
    - Loan payoffs
    - Reduction of incentive amount
    - Transfer and/or assignment of incentive
  - Forbearance agreements for incentives in a default status
  - Termination of incentives
  - Revocation of benefits such as tax credits or Renaissance Zone designations
  - Issuance of new or amended Memorandums of Understanding and/or Interagency Agreements to which the MSF is a party
  - New projects of less than $1,000,000 in cumulative benefit from the MSF where no Delegation of Authority has been approved
  - New projects of less than $1,000,000 where Delegation of Authority has been approved but where one or more provision of the applicable program guidelines are being waived.
  - Revisions to the MSF Compiled Resolutions

- The Consent Agenda will be a separate and distinct item on the MSF agenda. The Consent Agenda will be placed after the Call to Order and Public Comment.
- The Consent Agenda will be approved pursuant to a single Consent Agenda Resolution. Supporting documentation for each item on the Consent Agenda will be included in the Consent Agenda Resolution.

- Any member of the MSF Board may request that an item on the Consent Agenda be moved to the regular agenda prior to or during a meeting of the MSF Board.

- The official meeting minutes will reflect all items included in the Consent Agenda as approved by the MSF Board.
MEMORANDUM

Date: December 19, 2017

To: Michigan Strategic Fund Board

From: Lori Mullins, Manager, Brownfield and MCRP
Rob Garza, Brownfield and MCRP Senior Program Specialist

Subject: Michigan Business Tax Credit Amendment Policy

Request
Michigan Economic Development Corporation (“MEDC”) recommends that the Michigan Strategic Fund (“MSF”) Board adopt the Michigan Business Tax Credit Amendment Policy set forth in Exhibit A to the proposed resolution.

Background
The Brownfield Tax Credit Program was created as Act 36 of 2007 (“Act”) under the Single Business Tax (“SBT”). In 2008, Act 36 was amended to create the Michigan Business Tax (“MBT”) which replaced the Single Business Tax. Both of these tax credits were administered by the Michigan Economic Development Corporation (“MEDC”) on behalf of the MSF. The Michigan Business Tax was repealed on December 31, 2011, with the adoption of Corporate Income Tax (“CIT”). At the time of repeal, it was specified that all existing SBT and MBT tax credits would be honored.

In accordance with Act 36 of 2007, amendments could be approved by the MSF for pre-approved projects. Project amendments are frequently requested to allow the developer to adjust to changes in the economy and enable completion of the project. The MSF Resolution 2017-012 Strategic Fund Compiled General Delegation of Authority including Brownfield Redevelopment Programs, delegates authority to approve certain amendments to the MSF Manager or MSF President.

In order to remain consistent in the continuing evaluation of Brownfield MBT amendment requests, staff is recommending the adoption of a policy by the MSF that will prohibit the consideration of MBT amendment requests if the request is not formally received by the MEDC prior to the ten year statutory expiration of the credit. The ten year statutory expiration date for the credit is defined as ten years from the date on the original Pre-Approval Letter issued by the Michigan Economic Growth Authority (“MEGA”) or MSF Board.

Recommendation
MEDC Staff recommends that the MSF Board adopt the Michigan Business Tax Amendment Policy set forth in Exhibit A to the proposed resolution.
Michigan Strategic Fund Brownfield MBT Amendment Policy

**Background**

The Brownfield Tax Credit Program was created as Act 36 of 2007 (Act) under the Single Business Tax ("SBT"). In 2008, Act 36 was amended to create the Michigan Business Tax ("MBT") which replaced the Single Business Tax. Both of these tax credits were administered by the Michigan Economic Development Corporation ("MEDC") on behalf of the MSF. The Michigan Business Tax was repealed on December 31, 2011, with the adoption of Corporate Income Tax ("CIT"). At the time of repeal, it was specified that all existing SBT and MBT tax credits would be honored.

In accordance with Act 36 of 2007, amendments could be approved by the MSF for pre-approved projects. Project amendments are frequently requested to allow the developer to adjust to changes in the economy and enable completion of the project. The MSF Resolution 2017-012 Strategic Fund Compiled General Delegation of Authority including Brownfield Redevelopment Programs, delegates authority to approve certain amendments to the MSF Manager or MSF President.

The guidelines and procedure outlined in this Brownfield MBT Amendment Policy (the “Policy”) shall be used to establish the time limitation in which Brownfield MBT credits must be submitted to the MEDC in order to consider an amendment request. The Michigan Economic Development Corporation (“MEDC”) will perform the review of all Brownfield MBT amendment requests.

**Definitions**

"Qualified Taxpayer" means a taxpayer that owns, leases, or has entered into an agreement to purchase or lease eligible property. In addition, a qualified taxpayer also must certify that the department of environmental quality has not sued or issued a unilateral order to the taxpayer pursuant to part 201 of the natural resources and environmental protection act, 1994 PA 451, MCL 324.20101 to 324.20142, to compel response activity on or to the eligible property, or expended any state funds for response activity on or to the eligible property and demanded reimbursement for those expenditures from the qualified taxpayer.

**Guidelines**

- A formal Brownfield MBT amendment application must be completed and fully executed by the qualified taxpayer(s) for formal consideration by the MEDC. Furthermore, this amendment application must be received by the MEDC prior to the ten year statutory expiration date of the Brownfield MBT credit.

- The ten year statutory expiration date is defined as ten years from the date on the original Pre-Approval Letter issued by the Michigan Economic Growth Authority ("MEGA") or MSF Board.

**Procedure**

1. The qualified taxpayer(s) provide MEDC Staff with a completed and fully executed Brownfield MBT amendment application.

2. The Brownfield MBT application must be received and confirmed by MEDC staff (via hand delivery, traditional mail, or electronically) prior to the ten year statutory expiration date of the Brownfield MBT credit.

3. MEDC staff will conduct a formal evaluation of the amendment request and determine whether or not the request will be supported.
MICHIGAN STRATEGIC FUND

Resolution 2017 –

Brownfield Tax Credit Amendment Policy

At the meeting of the Michigan Strategic Fund (“MSF”) held on December 19, 2017, in Lansing, Michigan.

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

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

WHEREAS, the attached Brownfield Tax Credit Amendment policy is intended to acknowledge current and future project amendment consideration and assure staff is continuing to operate within the MSF’s guidance;

WHEREAS, the policy will also allow the State to achieve project completion for projects that fall within current business development and community development goals while utilizing an existing resource of the brownfield redevelopment tax credits;

WHEREAS, staff seeks to establish a time limitation as it pertains to the allowance of amendment consideration past the ten year statutory expiration of a Brownfield credit;

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board Staff recommends the attached Brownfield Tax Credit Amendment Policy pertaining to the Michigan Brownfield Credit Program be adopted by the MSF Board for implementation, effective immediately.

Ayes:

Nays:

Recused:

Lansing, Michigan
December 19, 2017
MEMORANDUM

Date: December 19, 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. The MEDC has completed civil and criminal background checks in accordance with the MSF Background Review Policy. No issues were identified.

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 $6,241,039.
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>Description</th>
<th>Percentage</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>School tax capture</td>
<td>17.93%</td>
<td>$6,241,039</td>
</tr>
<tr>
<td>Local tax capture</td>
<td>82.07%</td>
<td>$28,559,225</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>Description</th>
<th>Amount</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><strong>Sub-Total</strong></td>
<td>$24,907,330</td>
</tr>
<tr>
<td>Contingency (15%)</td>
<td>+ 3,736,099</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td>$28,643,429</td>
</tr>
<tr>
<td>Interest (5%)</td>
<td>+ 6,126,835</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></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>
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 $6,241,039.

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 the 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
December 19, 2017
MEMORANDUM

Date: December 19, 2017

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

From: Mike Gietzen, Sr. Business Development Project Manager

Subject: American HAVAL Motor Technology, LLC (“Company” or “Applicant”) Michigan Business Development Program Performance-based Grant Request

Summary
This is a request from American HAVAL Motor Technology, LLC for a $1,500,000 performance-based grant. This project involves the creation of 150 Qualified New Jobs and a capital investment of up to $3,510,000 in the City of Farmington Hills within Oakland County.

American HAVAL Motor Technology, LLC is looking to expand their sales and research & development operations in the U.S. to meet potential growth opportunities. The new R&D center will focus on meeting environmental and safety regulations in the U.S. market, as well as evaluating autonomous and automated technologies. The Company has shown interest in locating close to the Transportation Research Center (“TRC”) in East Liberty, Ohio. TRC is the largest independently owned proving ground in North America, and an asset that the Company sees very important.

Background
The parent company, Great Wall Motor Company Limited, is China’s largest SUV and pickup manufacturer. The Company has been listed on the Hong Kong Stock Exchange since 2003 and the Shanghai Stock Exchange since 2011. Great Wall Motors owns two brands: Haval and Great Wall, which covers three vehicle categories including SUV, passenger car, and pickup truck. Great Wall Motor currently employs more than 60,000 employees worldwide.

As American HAVAL Motor Technology, LLC continues to build its international brand, the Company has recognized expansion opportunities in the U.S. market. As a result the Company is evaluating the opportunity to further expand its Sales and R&D operations. The Company has identified a 16,000 square foot facility in the City of Farmington Hills. The Company plans to invest $3,510,000 and create 150 jobs over the next five years.

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

The MEDC has completed a civil and criminal background check for the entity and individuals related to this project. No issues were identified.
Considerations

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

b) The project will be located in the City of Farmington Hills. The City of Farmington Hills has offered a “staff, financial, or economic commitment to the project” to cover costs related to Phase 1 Environmental Site Assessment. Since this project is primarily investing in machinery and equipment in addition to job creation, a tax abatement is not a suitable tool for this project.

c) The Applicant has demonstrated a need for the funding. The Company is evaluating where to place a new U.S. research and development facility. The Applicant has received other competitive incentive packages from other potential locations.

d) The Applicant plans to create 150 Qualified New Jobs above a statewide base employment level of 0.

e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: involves out-of-state competition, reuse of an existing facility, prospect of near-term job creation, high wage level for new jobs, the project has strong links to Michigan suppliers, and the project results in a positive ROI for Michigan.

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

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

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

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

RESOLUTION 2017-

APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO AMERICAN HAVAL MOTOR TECHNOLOGY, LLC

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

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

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

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

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

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

WHEREAS, American HAVAL Motor Technology, LLC (“Company”) has requested a performance based MBDP grant of up to $1,500,000 (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”); and

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
December 19, 2017
EXHIBIT A
MICHIGAN BUSINESS DEVELOPMENT PROGRAM
Performance Based Incentive - Term Sheet - Summary

The following is a summary of the highlights of the project and basic terms for which the Company desires grant support from the Michigan Strategic Fund ("MSF") under the Michigan Business Development Program ("MBDP").

Date: 11/28/2017

Company Name: American HAVAL Motor Technology, LLC and/or its affiliates and subsidiaries.

Project Location: 37987 Interchange Drive
Farmington Hills, Michigan 48335

MBDP Incentive Type: Performance-based Grant

Maximum Amount of MBDP Incentive: Up to $1,500,000

Base Employment Level: At least 0

Qualified New Jobs: At least 150

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

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

Term of the Agreement: June 30, 2023

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

Milestone 1: $250,000 for the creation of 25 jobs.
Milestone 2: $250,000 for the creation of 25 additional jobs.
Milestone 3: $500,000 for the creation of 50 additional jobs.
Milestone 4: $500,000 for the creation of 50 additional jobs.

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

American HAVAL Motor Technology, LLC
By: Shengguang Zhao
Printed Name: Shengguang Zhao
Its: Director (6/27/2017)

Michigan Economic Development Corporation
By: Michael Gietzen
Printed Name: Michael Gietzen
MEMORANDUM

Date: December 19, 2017
TO: Michigan Strategic Fund Board
From: Christopher Cook, Director of Capital Access
Subject: Private Activity Bond – Bond Authorizing - $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” or the “Borrower”) 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.

**Plan of Finance:**
CFC Capital, Inc. (a subsidiary of Chemical Bank) has committed to directly purchase 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:**
Based upon a determination by Miller Canfield and the State of Michigan Attorney General’s office that this transaction complies with state and federal law requirements for tax-exempt financing, staff recommends the adoption of a Bond Authorizing resolution in an amount not to exceed $5,500,000.
RESOLUTION TO AUTHORIZE THE ISSUANCE OF THE MICHIGAN
STRATEGIC FUND VARIABLE RATE LIMITED OBLIGATION REVENUE
BONDS (HURON VALLEY PACE PROJECT) SERIES 2017
(THE “BONDS”)

Resolution 2017-__

A. The Michigan Strategic Fund (the “Fund”) is authorized by 1984 PA 270, as amended (the “Act”), to issue bonds for the purpose of making loans to pay the costs of a project (as defined in the Act).

B. The Washtenaw PACE, Inc. d/b/a Huron Valley PACE, a Michigan nonprofit corporation (the “Obligor”), has requested a loan from the Fund to: (i) fund the costs of constructing, furnishing and equipping an approximately 21,000 square foot expansion to the Obligor’s existing facility located in Ypsilanti, Michigan and (ii) pay costs of issuance of the Bonds (collectively the “Project”). The Project will be used in connection with the operation of a senior health care program commonly known as a “Program of All-Inclusive Care for the Elderly (PACE),” which provides health care and social services to eligible seniors who are capable of living in their own homes with supervised care. The initial owner of the Project will be the Obligor, and the initial manager of the Project will be United Methodist Retirement Communities, Inc., a Michigan nonprofit corporation.

C. The Obligor has requested the Fund to issue the Bonds in a principal amount of not to exceed $5,500,000 pursuant to this resolution (the “Resolution”) and a trust indenture (the “Indenture”), between the Fund and U.S. Bank National Association, as bond trustee (the “Trustee”) dated as of December 1, 2017, relating to the Bonds to obtain funds which will be loaned to the Obligor pursuant a loan agreement between the Fund and the Obligor (the “Loan Agreement”) dated as of December 1, 2017, to pay costs of the Project.

D. The Bonds will be issued as fully registered bonds in the minimum authorized denominations of not less than $100,000 and integral multiples of $5,000 in excess thereof.

E. The Bonds will be purchased by the CFC Capital, Inc., as purchaser (the “Purchaser”) pursuant to a bond purchase agreement among the Purchaser, the Fund, and the Obligor (the “Bond Purchase Agreement”).

NOW, THEREFORE, Be It Resolved by the Board of the Fund:

SECTION 1. Issuance of Bonds; Limited Obligation. For the purpose of making the loan requested by the Obligor, the issuance of the Bonds is authorized.
The terms of the Bonds shall be substantially in the form contained in the Indenture, with the changes permitted or required by action of the Fund or the Indenture. The Bonds shall bear the manual or facsimile signature of a member of the Fund’s Board of Directors (a “Member”) or of a person authorized by Board Resolution to sign Bond documents on behalf of the Fund (an “Authorized Officer”), and the official seal of the Fund (or a facsimile of the seal) shall be impressed or imprinted on the Bonds.

The Bonds and the interest and any premium on the Bonds are not a debt or obligation of the State of Michigan or a general obligation of the Fund within the meaning of any constitutional or statutory limitation and do not constitute a charge against the credit or taxing powers of the State of Michigan or the general funds or assets of the Fund (including funds relating to other Fund loans or activities), but shall be limited obligations of the Fund payable solely from the revenues derived from the Loan Agreement and otherwise as provided in the Indenture.

SECTION 2. Approval, Execution and Delivery of Documents. The forms of the following documents, on file with the staff of the Fund and on which have been endorsed by the staff of the Fund the date of adoption of this Resolution, are approved:

a. Loan Agreement
b. Indenture
c. Bond Purchase Agreement

Any Member and Authorized Officer are authorized to execute and deliver the Bond Purchase Agreement and any Member or Authorized Officer is authorized to execute and deliver the remaining documents identified in this Section in substantially the forms approved, with any changes as are considered necessary or desired by him or her, permitted by the Act or otherwise by law, and not materially adverse to the Fund.

SECTION 3. Completion of Document Terms. Any Member may approve the initial interest rate applicable to the Bonds, which shall not be more than 6% per annum, and the principal amount of the Bonds, which shall not be greater than $5,500,000. Approval of those terms shall be evidenced by the Member’s execution of the Bond Purchase Agreement.

SECTION 4. Sale and Delivery of the Bonds. A Member or an Authorized Officer shall execute, seal, and deliver the Bonds upon receipt of the following documents and payment of the purchase price for the Bonds:

a. an opinion of bond counsel to the Fund acceptable to the Fund and the Attorney General of the State of Michigan (the “Attorney General”),
b. an opinion of counsel to the Obligor and necessary certificates and representations of the Obligor acceptable to the Fund, the Attorney General, and bond counsel, and

c. an approving opinion of the Attorney General.

Upon receipt, the proceeds of the Bonds shall be paid over to the Trustee to be credited in accordance with the Indenture.

SECTION 5. Designation of Certain Parties. The Trustee’s acceptance of duties as trustee shall be evidenced by its execution of the Indenture.

SECTION 6. Authorization of Filings, Submissions and Other Documents. Any Member or Authorized Officer, as well as counsel to the Fund, is authorized to apply for or submit, execute, and deliver the other certificates, documents, opinions, and papers to any party or governmental agency as may be required by the Indenture, the Loan Agreement, or the Bond Purchase Agreement, or as may be necessary to effectuate the valid issuance, sale and delivery of the Bonds as tax-exempt bonds and otherwise as contemplated by those documents.

SECTION 8. Conflict and Effectiveness. All resolutions or other proceedings of the Fund in conflict with this Resolution are repealed to the extent of the conflict. This Resolution shall become effective upon adoption. If the Bonds are not delivered to their original purchaser on or before January 19, 2018, the authority granted by this Resolution shall lapse.

Adopted.

Ayes:

Nays:

December 19, 2017 Meeting
Lansing, Michigan

2017-0200329-A/MSF Huron Valley PACE Project/Resolution
MEMORANDUM

Date: December 19, 2017

TO: Michigan Strategic Fund Board

From: Christopher Cook, Director of Capital Access

Subject: Private Activity Bond – Bond Authorizing Hope Network Nonprofit - $11,100,000 – New/Refunding

Request:
Hope Network West Michigan, Hope/Spectrum Health CC, Hope Network Behavioral Health Services and Alternative Community Living, Inc. (collectively the “Obligors”) are all subsidiaries or related entities to Hope Network (“Hope”). The Obligors are requesting private activity bond financing for the refunding of bonds originally issued by the Michigan Strategic Fund and also new money bonds described below.

Background:
Hope is a Michigan nonprofit 501(c)(3) corporation established in 1964. Each of the Obligors is also a Michigan nonprofit (501(c)(3) corporation. The mission of Hope is to empower individuals to overcome challenges and to achieve their highest level of independence. Hope, together with its corporate subsidiaries, is a multi-service organization servicing people with a variety of behavioral and mental disabilities and/or are disadvantaged. Hope has expertise to address a variety of disabilities including physical, neurological, developmental, and genetic disabilities, as well as individuals with brain injury, mental illness, emotional and social difficulties and many others. Hope also serves people who have a need that served time in prison, experienced vocational injuries, or have other barriers to employment.

At the present time, Hope employs approximately 2,576 people throughout the State of Michigan. It is anticipated that the refunding/financing of the proposed projects will create up to 38 new employment opportunities.
It is also noted that the not to exceed $1,700,000 renovation project proposed for Eldon Baker Drive in Flint is located in an area that experiences a higher degree of poverty and higher levels of unemployment relative to the state average. Of the possible 38 new employment opportunities anticipated from the proposed projects, Hope has indicated that the project for Eldon Baker Drive has the potential of creating approximately 16 of these new jobs opportunities, most being full-time positions.

Description of Project:

Series 2017A Bonds (Refunding):  
Bond proceeds will be used to refund all of the outstanding amount of the Series 2005 Bonds issued by the MSF and to pay costs of issuance of the Refunding Bonds. Projects originally financed with proceeds of the Series 2005 Bonds and being refinanced with proceeds of the 2017A Bonds include the acquisition and renovation of four buildings located at 755, 775, 781 and 795 36th Street, Wyoming, Kent County, and refinancing two buildings located at 2700 and 2701 East Lansing Drive, East Lansing, Ingham County. The co-borrowers for the Series 2017A Bonds are Hope Network West Michigan and Hope/Spectrum Health CC.

Series 2017B Bonds (New Money):  
The proceeds of the Series 2017B Bonds will be used to finance, refinance and/or reimburse the co-borrowers for the costs of the projects described below and to pay costs of issuance. The co-borrowers for the Series 2017B Bonds are Hope Network West Michigan, Hope Network Behavioral Health Services and Alternative Community Living, Inc.

Holland Project  
Acquisition and partial renovation of a 26,000 sq. ft. facility located at 11172 Adams Street, Holland, Ottawa County. Approximately 7,000 sq. ft. of the facility will be utilized to provide outpatient services to children with autism and approximately 19,000 sq. ft. of the facility will be used to provide job skills training for individuals with disabilities and other disadvantages. It is anticipated this project will not exceed $1,500,000 of the Bonds.

Wyoming Project  
Renovation of an existing 19,356 sq. ft. facility located at 781 36th Street, Wyoming, Kent County. Facility will be leased to Metropolitan Hospital and Trinity Health, both 501(c)(3) organizations for purposes of operating a medical clinic and dental clinic. It is anticipated this project will not exceed $1,400,000 of the Bonds.

Elba Township Project  
Acquisition of a 4,048 sq. ft. facility located at 5699 Genesee Road, Elba Township, Lapeer County. Facility will be used as an adult foster care facility to serve high-risk individuals with severe mental illness requiring 24-hour care. It is anticipated this project will not exceed $500,000 of the Bonds.
**Dearborn Heights Project**
Acquisition of a 5,900 square foot facility located at 6500 N. Inkster, Dearborn Heights, Wayne County. Facility will be used as an adult foster care facility to serve high-risk individuals with severe mental illness requiring 24-hour care. It is anticipated this project will not exceed $500,000 of the Bonds.

**Flint Project**
Renovation of two 11,000 sq. ft. buildings located at 1110 Eldon Baker Drive, Flint, Genesee County. One facility will be utilized for children outpatient services and the other facility will be used for adult case management and outpatient services. It is anticipated this project will not exceed $1,700,000 of the Bonds.

**Plans of Finance:**
PNC Bank has indicated in interest in purchasing the bonds.

If the project size remains at $11,100,000, the MSF issuance fee will be $26,375.00.

**Recommendation:**
Based upon a determination by Varnum LLP and the State of Michigan Attorney General’s office that this transaction complies with state and federal requirements for tax-exempt financing, staff recommends the adoption of a Bond Authorizing resolution in an amount not to exceed $11,100,000.
RESOLUTION TO AUTHORIZE THE ISSUANCE OF
THE MICHIGAN STRATEGIC FUND
MULTI-MODAL LIMITED OBLIGATION REVENUE REFUNDING BONDS
(HOPE NETWORK PROJECT), SERIES 2017A (THE “2017A BONDS”)
AND THE MICHIGAN STRATEGIC FUND
MULTI-MODAL LIMITED OBLIGATION REVENUE BONDS
(HOPE NETWORK PROJECT), SERIES 2017B (THE “2017B BONDS”)

Resolution 2017-__

A. The Michigan Strategic Fund (the “Fund”) is authorized by 1984 PA 270, as amended (the “Act”), to issue bonds for the purpose of making loans to pay the costs of a project (as defined in the Act).

B. Hope Network West Michigan (“HNWM”), a Michigan nonprofit corporation, and Hope/Spectrum Health CC, a Michigan nonprofit corporation (collectively, the “Series 2017A Obligors”), have requested a loan from the Fund to: (i) currently refund all of the outstanding principal amount of the Michigan Strategic Fund Variable Rate Demand Limited Obligation Revenue Bonds, Series 2005 (Hope Network Project) (the “Refunding Project”), and (ii) pay the cost of issuance of the 2017A Bonds and accomplishing the refunding.

C. Hope Network Behavioral Health Services, a Michigan nonprofit corporation, Alternative Community Living, Inc., a Michigan nonprofit corporation, and HNWM (collectively, the “Series 2017B Obligors”), have requested a loan from the Fund to the cost of (a) the acquisition, renovation, furnishing and equipping of a 26,000 square foot facility located at 11172 Adams Street, Holland, Ottawa County, Michigan (the “Holland Project”); (b) the renovation, furnishing and equipping of a 19,356 square foot facility at 781 36th Street, Wyoming, Kent County, Michigan (the “Wyoming Project”); (c) the acquisition, furnishing and equipping of a 4,048 square foot building at 5699 Genesee Road, Elba Township, Lapeer County, Michigan (the “Elba Township Project”); (d) the acquisition, furnishing and equipping of a 5,900 square foot building at 6500 N. Inkster, Dearborn Heights, Wayne County, Michigan (the “Dearborn Heights Project”); and (e) the renovation of two 11,000 square foot buildings at 1110 Eldon Baker Drive, Flint, Genesee County, Michigan (the “Flint Project,” and together with the Holland Project, the Wyoming Project, the Elba Township Project and the Dearborn Heights Project, the “New Money Projects,” and together with the Refunding Project, the “Project”); and (ii) pay costs of issuance of the 2017B Bonds.

D. The 2017A Obligors and 2017B Obligors (collectively, the “Obligors”) have requested the Fund to issue the Bonds, in more than one series, in the aggregate principal amount not to exceed $11,100,000 pursuant to this resolution.
(the “Resolution”) and a trust indenture as to each series (the “Indentures”), between the Fund and U.S. Bank National Association, as trustee (the “Trustee”) dated as of December 1, 2017, relating to the 2017A Bonds and the 2017B Bonds, respectively, to obtain funds which will be loaned to the applicable Obligors pursuant to two loan agreements (one as to each series) among the Fund and the 2017A Obligors and 2017B Obligors, respectively, dated as of December 1, 2017 (the “Loan Agreements”) to pay costs of the Project and other costs described above.

E. The Bonds will be issued to a sophisticated investor as fully registered bonds in the denomination of $100,000 and integral multiples of $5,000 in excess thereof.

F. The Bonds will be purchased by PNC Bank, National Association (the “Purchaser”) pursuant to bond purchase agreements among the Purchaser, the Fund, and the Series 2017A Obligors and Series 2017B Obligors, respectively (one bond purchase agreement per series, and collectively the “Bond Purchase Agreements”).

NOW, THEREFORE, Be It Resolved by the Board of the Fund:

SECTION 1. Issuance of Bonds; Limited Obligation. For the purpose of making the loans requested by the Obligors, the issuance of the Bonds is authorized.

The terms of the 2017A Bonds and 2017B Bonds shall be substantially in the form contained in the respective Indentures, with the changes permitted or required by action of the Fund or the Indentures. The Bonds shall bear the manual or facsimile signature of a member of the Fund’s Board of Directors (a “Member”) or of a person authorized by Board Resolution to sign bond documents on behalf of the Fund (an “Authorized Officer”), and the official seal of the Fund (or a facsimile of the seal) shall be impressed or imprinted on the Bonds.

The Bonds and the interest and any premium on the Bonds are not a debt or obligation of the State of Michigan or a general obligation of the Fund within the meaning of any constitutional or statutory limitation and do not constitute a charge against the credit or taxing powers of the State of Michigan or the general funds or assets of the Fund (including funds relating to other Fund loans or activities), but shall be limited obligations of the Fund payable solely from the revenues derived from the Loan Agreements and otherwise as provided in the Indentures.

SECTION 2. Approval, Execution and Delivery of Documents. The forms of the following documents (one for each series of Bonds), on file with the staff of the Fund and on which have been endorsed by the staff of the Fund the date of adoption of this Resolution, are approved:

a. Loan Agreements
b. Indentures

c. Bond Purchase Agreements

Any Member and Authorized Officer are authorized to execute and deliver the Bond Purchase Agreements and any Member or Authorized Officer is authorized to execute and deliver the remaining documents identified in this Section in substantially the forms approved, with any changes as are considered necessary or desired by him or her, permitted by the Act or otherwise by law, and not materially adverse to the Fund.

SECTION 3. Completion of Document Terms. Any Member may approve the initial interest rate applicable to the Bonds, which shall not be more than 6% per annum, and the aggregate principal amount of the Bonds, which shall not be greater than $11,100,000. Approval of those terms shall be evidenced by the Member’s execution of the Bond Purchase Agreements.

SECTION 4. Sale and Delivery of the Bonds. A Member or an Authorized Officer shall execute, seal, and deliver the Bonds upon receipt of the following documents and payment of the purchase price for the Bonds:

a. an opinion of bond counsel to the Fund acceptable to the Fund and the Attorney General of the State of Michigan (the “Attorney General”),

b. an opinion of counsel to the Obligors and necessary certificates and representations of the Obligors acceptable to the Fund, the Attorney General, and bond counsel, and

c. an approving opinion of the Attorney General.

Upon receipt, the proceeds of the Bonds shall be paid over to the Trustee to be credited in accordance with the Indentures.

SECTION 5. Designation of Certain Parties. The Trustee’s acceptance of duties as trustee shall be evidenced by its execution of the respective Indentures.

SECTION 6. Authorization of Filings, Submissions and Other Documents. Any Member or Authorized Officer, as well as counsel to the Fund, is authorized to apply for or submit, execute, and deliver the other certificates, documents, opinions, and papers to any party or governmental agency as may be required by the Indentures, the Loan Agreements, or the Bond Purchase Agreements, or as may be necessary to effectuate the valid issuance, sale and delivery of the Bonds as tax-exempt bonds and otherwise as contemplated by those documents. Any Member or Authorized Officer is authorized to execute one or more swap identification certificates for purposes of identifying an interest rate swap agreement relating to all or a portion of either or both series of the Bonds as a qualified hedge.
SECTION 7. Conflict and Effectiveness. All resolutions or other proceedings of the Fund in conflict with this Resolution are repealed to the extent of the conflict. This Resolution shall become effective upon adoption. If the Bonds are not delivered to their original purchaser on or before January 19, 2018, the authority granted by this Resolution shall lapse.

Adopted.

Ayes:

Nays:

December 19, 2017 Meeting
Lansing, Michigan
MEMORANDUM

Date: December 19, 2017

To: Michigan Strategic Fund Board

From: Ryan Kilpatrick, Community Assistance Team Specialist
       Julius L. Edwards, Manager, Underwriting and Incentive Structuring

Subject: Diamond Place LLC – Request for Approval Michigan Community Revitalization Program Award Amendment - Addition of Grant

Request
Diamond Place LLC is requesting approval of an amendment to the Michigan Community Revitalization Program (“MCRP”) Award approved on September 27, 2016 by the MSF Board in the amount of $2,826,000 (the Original MCRP Award). The request is to provide a $1,000,000 MCRP Grant Award in addition to the Original MCRP Award (the “MCRP Amendment Request”).

Background
The Michigan Strategic Fund Board approved an $2,826,000 performance-based loan at 2% interest on September 27, 2016 to the Company for the demolition of a former manufacturing facility on 2.8 acres of property and redevelopment of the site to create 42 market rate residential apartments and 22,000 square feet of ground floor commercial use, including a 16,000 square foot neighborhood grocery store. Developed in tandem with this project will be an additional 123 residential units (98 are affordable), supported by the MSHDA Low Income Housing Tax Credit program. Also included in the development will be a 240 space, multi-level parking deck to serve both the residential and commercial uses on the site.

During construction, the project faced unforeseen and considerable costs associated with the excavation and preparation of the site. The underground water table caused unanticipated complications and significant additional expenses related to dewatering and the removal of contaminated soils and water from the site. This work also caused a delay in the timing of foundations and concrete. In all, these unforeseen costs increased the budget by $1,611,255 and left the developer unable to complete the buildout without additional support. The development team will be contributing more than $650,000 in additional equity beyond the $1,833,734 that was planned for when the Original MCRP Award was approved. This additional equity contribution will drive the investor returns well below most expectations for similar projects.

$750,000 of the additional $1,000,000 in MCRP monies will be utilized to offset a portion of the additional expenses related to dewatering and mitigation of environmental conditions on the site. These activities include the following:
- Export of contaminated soils to a regulated Type II facility
- Import of sand fill material
- Water discharge to the municipal system
• Installation of engineered Geopiers to counteract the instability of underground soils

The developer has also been challenged in securing a grocery tenant, which is required by the New Market Tax Credit award agreement. Until the developer has leased the space to a grocer, the developer is required to pay into a grocery lease reserve account held by the senior lender. Feedback from prospective tenants is that opening a new location involves prohibitively high capital costs. The developer has determined that in addition to the lease reserve account, more funds are required to help secure a grocery tenant. The remaining $250,000 of the additional $1,000,000 in MCRP monies will be utilized to offset a portion of the grocery tenant capital and build-out costs. The project development team has a signed grocery pre-lease agreement, and are working toward a signed lease for the ground floor grocery space.

The following conditions will be placed on disbursement of the additional $1,000,000 in MCRP funds:

• Compliance with the terms of the Original MCRP Award
• Full spend-down of the construction contingency
• Project completion
• A signed grocery lease acceptable to the lenders of the development
• Compliance with all requirements of the MCRP Grant Agreement

**Recommendation**
The MEDC staff recommends approval of the MCRP Amendment Request as presented above.
MICHIGAN STRATEGIC FUND

RESOLUTION 2017 -

APPROVAL OF AN AMENDMENT TO A MICHIGAN COMMUNITY REVITALIZATION PROGRAM OTHER ECONOMIC ASSISTANCE LOAN PARTICIPATION AWARD TO DIAMOND PLACE, L.L.C.

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

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

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

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

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

WHEREAS, by Resolution 2016-196 on September 27, 2016 the MSF Board awarded an MCRP Other Economic Assistance Performance-Based Loan Participation Award to Diamond Place, LLC, in furtherance of the Project of up to $2,826,000 (“Award”);

WHEREAS, by Resolution 2016-206 on October 25, 2016, the MSF Board approved an Award amendment to allow Capital Impact Partners, Inc. to increase their share of the loan by approximately $500,000 and to correct a scrivener’s error within Resolution 2016-196;

WHEREAS, the MEDC recommends that the MSF approve the MCRP Amendment Request adding a $1,000,000 MCRP Grant Award, subject to: (i) final due diligence performed to the satisfaction of the MEDC; and (ii) execution of the Transaction Documents for the Award Request within 180 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 90 days (“MCRP Amendment Recommendation”).

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the MCRP Amendment Recommendation; and
BE IT FURTHER RESOLVED, the MSF Board authorizes the MSF Fund Manager to negotiate the final terms and conditions and execute all final documents necessary to effectuate the MCRP Amendment Recommendation.

Ayes:

Nays:

Recused:

Lansing, Michigan
December 19, 2017
MEMORANDUM

Date: December 19, 2017

To: Michigan Strategic Fund Board

From: Dominic Romano, Community Assistance Team Specialist
Lynda Franke, Commercial Real Estate Investment Specialist
Rob Garza, Brownfield and MCRP Senior Program Specialist

Subject: County of Washtenaw Brownfield Redevelopment Authority
Request for Approval of an Act 381 Work Plan
The Original and Only Thompson Block, LLC & 3mission Redevelopment Corporation - Request for Approval of a Michigan Community Revitalization Other Economic Assistance Award for the Thompson Block Redevelopment Project

Request
The proposed project will be undertaken by The Original and Only Thompson Block, LLC and 3mission Redevelopment Corporation. The project will redevelop three parcels of property located at 400 North River Street in the City of Ypsilanti. 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 historic resource, functionally obsolete, and adjacent & contiguous.

In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the County of Washtenaw Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of $1,265,799.

The Original and Only Thompson Block, LLC and 3mission Redevelopment Corporation (Co-Applicants) are also requesting approval of a MCRP incentive in the amount up to $3,175,000, or 50% of eligible investment, whichever is less, in the form of a performance-based other economic assistance loan participation. The total eligible investment is projected to be $9,525,214. This request seeks to utilize the third and final opportunity in 2017 for an MCRP incentive up to 50% of eligible investment.

The developer has maximized senior financing and is contributing nearly 16% equity into the project. The projected developer return is under 10%, and the proposed investment in this historic asset will create a robust and vibrant mixed-use development. Limited recent development, high construction costs and a small amount of market comparables are affecting the level of senior debt the project can attract which is currently at 55% loan to appraised value. The support from MEDC will not only address the gap, but also support the feasibility of this higher-density, pedestrian friendly, energy efficient, historic preservation...
MCRP support will assist in covering some of the costs related to the construction and structural challenges of the project. Significant costs are also present on the site related to brownfield conditions.

The eligible activities will alleviate brownfield conditions across the site and make it suitable for redevelopment, and protect human health and the environment. Without brownfield tax increment reimbursement, the cost burden related to brownfield conditions would make the project financially unfeasible. A detailed structure for the MCRP investment is provided in Appendix A.

Additional sources of funding that will be used to cover redevelopment costs are an Obsolete Property Redevelopment Act abatement (valued at approximately $795,000), Federal Historic Tax Credits, and State Historic Tax Credits that are anticipated to bring net proceeds of $2,534,183 to the project.

The Applicant anticipates that the project will result in total capital investment in the amount of $11,779,614, along with the creation of approximately 70 permanent full-time equivalent jobs with an average hourly wage of $15.

**Background**
Renovation and reconstruction of this Civil War era structure will occur on three parcels and will include a mixed-use building containing three floors of residential and commercial space. The first floor will contain an approximately 10,182 square foot restaurant while the second and third floors will contain 20 residential rental units occupying approximately 15,883 square feet. The restaurant will be operated by the Co-Applicant 3mission Redevelopment Corporation, who currently owns and operates several successful restaurants in Traverse City, Royal Oak, and Ann Arbor.

Demolition activities will include select interior demolition and removal of the existing parking lot, curb and gutter, sidewalks, limited road pavement and unsuitable utilities. Site preparation activities will involve surveying, engineering, clearing, grubbing, unstable materials excavation, utilities replacement/relocation, fill, and some temporary activities for access, erosion control, site control, and traffic control. Infrastructure improvements to entrances, the right-of-way, and roads 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.

A project on this site was previously awarded both an Act 381 Work Plan by the MEGA Board on August 19, 2008, and Brownfield MBT Credit by the MSF Chairperson on October 10, 2008, respectively. The Washtenaw County Board of Commissioners terminated the brownfield plan associated with the previously approved work plan via resolution on June 7, 2017 and the current developer is not pursuing use of the MBT credit because of its statutory expiration date of October 10, 2018.

The Original and Only Thompson Block, LLC, 3mission Redevelopment Corporation, and its principals have not received funding support from the Michigan Strategic Fund (MSF) to date. The MEDC has completed civil and criminal background checks in accordance with the MSF Background Review Policy. No issues were identified.
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 $1,265,799. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $555,501.

b) A MCRP performance-based other economic assistance loan participation up to the lesser of 50% of Eligible Investment or $3,175,000 for The Original and Only Thompson Block, LLC and 3 Mission Redevelopment Corporation.
APPENDIX A – MCRP Financial Structure

FINANCING OPPORTUNITY – MCRP LOAN PARTICIPATION

SUMMARY OF DEVELOPMENT SOURCES:

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
<th>Percentage</th>
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<tr>
<td>Bank Share</td>
<td>$3,420,000</td>
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<tr>
<td>MSF Share</td>
<td>$3,175,000</td>
<td>27%</td>
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<tr>
<td>Historic Tax Credit Equity</td>
<td>$2,534,183</td>
<td>21%</td>
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<tr>
<td>Deferred Developer Fee</td>
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<tr>
<td>Developer Equity</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$11,779,614</strong></td>
<td><strong>100%</strong></td>
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</table>

LOAN FACILITY

MSF Facility: MCRP Loan Participation

Borrower: The Original and Only Thompson Block, LLC and 3mission Redevelopment Corporation, or Related Entity

Lender: Bank of Ann Arbor

Total Amount of Loans: Anticipated to be $6,595,000

Lender Share: Anticipated to be $3,420,000

MSF Share: Up to the lesser of 50% of Eligible Investment or $3,175,000

Term: To match that of the Lender, not to exceed 120 months

Amortization: To match that of the Lender

Interest Rate: 1% per annum

Repayment Terms: Up to 36 months interest only, followed by monthly principal and interest with balance due at maturity.

- Up to $1,200,000 of the MSF Share of the loan to be forgiven following construction completion and achievement of other performance milestones.
- Payment to the MSF will be contingent on a minimum Debt Service Coverage Ratio (DSCR) yet to be determined.
Collateral: To match that of the Lender, anticipated to be a 1st mortgage and assignment of rents and leases for 400 N River St., Ypsilanti, MI. MSF Interest to be subordinated to that of the Lender.

Guarantee: To match that of the Lender, anticipated to be personal guarantees of Jon Carlson, Greg Lobdell, and Robert Eisman. MSF Interest to be subordinated to that of the Lender.

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

Funding: The MSF will fund up to $3,175,000 to be disbursed following closing of the Loan and achievement of other performance criteria.

Other Conditions: The MSF’s investment will be contingent upon receipt and review of the following:
- Evidence of a minimum owner equity contribution of $1,850,000 to the project
- Lender commitment and underwriting documentation
- Final Development Budget
- Executed Guaranteed Maximum Price
- A requirement for installation of a rooftop solar array will be detailed in the final Agreement
- Receipt of affidavit from Fred Beal, Stewart Beal and Nora Wright that they do not and will not have a financial interest in the project until 2030
APPENDIX B – Programmatic Requirements & Screening Guidelines

Property Eligibility
The project is located within the boundaries of the City of Ypsilanti, which is a Qualified Local Governmental Unit, and has been determined to be a historic resource by the National Park Service and within the Ypsilanti Historic District by the local jurisdiction.

The property is the subject of a Brownfield Plan, duly approved by the County of Washtenaw on June 7, 2017 and the City of Ypsilanti on June 6, 2017.

In addition, the project is requesting from the DEQ $12,874 in TIF to assist with environmental eligible activities.

MCRP Program and its Guidelines
On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program (MCRP) and on September 22, 2015, the MSF Board approved its restated program guidelines. The primary intended objective of the MCRP is to provide incentives to persons that make eligible investments on eligible property in Michigan. The total eligible investment for this project is estimated to be $9,525,214.

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 rehabilitate a historic asset while increasing density and walkability in the neighborhood. The project will also eliminate a long-standing eyesore and replace it with a vibrant mixed-use building.

B. If the project will act as a catalyst for additional revitalization of the community in which it is located:
The community of Ypsilanti has a high demand for residential development with a lack of housing stock. This project will be a catalyst in demonstrating the Ypsilanti market is an attractive and competitive location for developments that serve Washtenaw county and the surrounding area.
C. The amount of local community and financial support for the project:
The City of Ypsilanti is supporting the project with an OPRA valued at approximately $795,000 over ten years.

D. The applicant's financial need for a community revitalization incentive:
The high costs to rehabilitate this severely damaged historic structure is driving the financial need for the MCRP incentive, as well as a lower than typical level of senior financing due to limited comparable product.

E. The extent of reuse of vacant buildings, reuse of historical buildings, and redevelopment of blighted property:
The project will rehabilitate and reconstruct a Civil-War era barracks building into a mixed-use building.

F. Creation of jobs:
The project anticipates the creation of 70 full-time equivalent jobs with an average hourly wage of $15.

G. The level of private sector and other contributions, including, but not limited to, federal funds and federal tax credits:
Federal Historic Tax Credits will be applied to this project at an equity amount of $1,392,908, while Michigan Historic Preservation Network will provide State Historic Tax Credit equity at $1,141,275. The senior lender, Bank of Ann Arbor, is providing financing of $3,420,000 while the development team is contributing equity in the amount of $1,850,431.

H. Whether the project is financially and economically sound:
The project is anticipated to generate a DSCR of 1.2 or higher upon reaching stabilization. The projected rents are somewhat higher than the current market rent, however, projections are deemed acceptable, because these units are anticipated to be luxury lofts with on-site parking that should generate higher rents than the average units that are currently available.

I. Whether the project increases the density of the area:
The project will activate approximately 32,712 square feet of restaurant and residential space in the neighborhood, creating additional density and attracting additional consumers to the area.

J. Whether the project promotes mixed-use development and walkable communities:
The project will mix residential and commercial uses in a zero-lot line design with larger sidewalks to promote more walkability in the neighborhood.

K. Whether the project converts abandoned public buildings to private use:
No abandoned public buildings will be activated through this project.

L. Whether the project promotes sustainable development:
This project promotes economic sustainability in that the commercial tenant will be a successful restaurant format that has been proven successful by one of the project developers; 3mission Redevelopment Corporation. Neighborhood sustainability is addressed as rental units are created to increase density. The project anticipates the use of solar panels which will offset some use of traditional power needs and provide for a more environmentally sustainable development.

M. Whether the project involves the rehabilitation of a historic resource:
The project is rehabilitating and reconstructing a Civil-War era historic resource.

N. Whether the project addresses area-wide redevelopment:
The project will redevelop a property that has remained in disrepair for a significant period of time. It is anticipated that the project will demonstrate the viability of the Ypsilanti market and spur additional development.

O. Whether the project addresses underserved markets of commerce:
The project will address the underserved housing market in Ypsilanti.

P. The level and extent of environmental contamination:
Arsenic, benzo(a)pyrene, fluoranthene, naphthalene, phenanthrene, and mercury in subsurface fill materials at concentrations greater than MDEQs residential cleanup criteria were found onsite.

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 will meet the federal Secretary of the Interior's standards for rehabilitation and guidelines for rehabilitating historic buildings.

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

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

Brownfield Act 381 Program Additional Project Information:

A. Reuse of functionally obsolete buildings and/or redevelopment of blighted property:
The project will reactivate a functionally obsolete building.

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 73.8013 non-homestead mills available for capture, with school millage equaling 23.9712 mills (32.48%) and local millage equaling 49.8301 mills (67.52%). An Obsolete Property Rehabilitation Act (OPRA) tax abatement will be in effect on the property through 2029. The length of the anticipated reimbursement schedule coupled with the disparity between the available millages still allows the majority of reimbursement to fall on the local taxing jurisdictions. In addition, there is an interlocal agreement between the BRA and the DDA that allows the BRA to capture 95% of capturable millages throughout the length of the plan on the portion of the property that lies within the DDA. Tax increment capture will begin in 2019 and is estimated to continue for 26 years. The blended tax capture for MSF eligible activities breaks down as follows:

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<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>School tax capture</td>
<td>43.89%</td>
<td>$555,501</td>
</tr>
<tr>
<td>Local tax capture</td>
<td>56.11%</td>
<td>$710,298</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>$1,265,799</strong></td>
</tr>
</tbody>
</table>

**Cost of MSF Eligible Activities**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demolition</td>
<td>$342,000</td>
</tr>
<tr>
<td>Infrastructure Improvements</td>
<td>185,900</td>
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<tr>
<td>Site Preparation</td>
<td>+ 268,150</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>$796,050</td>
</tr>
<tr>
<td>Contingency (15%)</td>
<td>+ 119,408</td>
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<tr>
<td>Sub-Total</td>
<td>$915,458</td>
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<tr>
<td>Interest (3%)</td>
<td>+ 336,641</td>
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<tr>
<td>Sub-Total</td>
<td>$1,252,099</td>
</tr>
<tr>
<td>Brownfield/Work Plan Preparation</td>
<td>+ 13,700</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$1,265,799</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 County of Washtenaw Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 400 North River Street within the City of Ypsilanti, known as the Thompson Block Project (the “Project”);

WHEREAS, the City of Ypsilanti 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 MEGA previously approved a Work Plan dated June 17, 2008 through Resolution 2008-102; and

WHEREAS, the Authority has terminated the July 21, 2008 Work Plan and has submitted a new Brownfield Work Plan dated November 16, 2017 for consideration; 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 43.89% to 56.11% ratio between school and local taxes for non-homestead properties, to reimburse the cost
of site preparation, demolition, and infrastructure improvements as presented in the Work Plan dated November 16, 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 $915,458 for the principal activity costs of non-environmental activities and a contingency, a maximum of $336,641 in interest, a maximum of $13,700 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of $555,501.

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

BE IT FURTHER RESOLVED, that the MSF Board is authorizing that capture of taxes levied for school operating purposes for the payment of interest, up to a maximum of $336,641 related to the eligible activities for the Project.

Ayes:

Nays:

Recused:

Lansing, Michigan
December 19, 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 2090-1(3), the MSF approved the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate awards and decisions approved under the MCRP (“Transaction Documents”);

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

WHEREAS, Bank of Ann Arbor (“Lender”) will be providing financing to The Original and Only Thompson Block, L.L.C. and or related entities (“Proposed Borrower”) of up to $3,420,000 toward the construction activities and infrastructure improvements to real property (“Project”);

WHEREAS, the Lender and the Proposed Borrower have requested an Other Economic Assistance Performance Based Loan Participation award from the MSF under the MCRP for the Project in an amount not to exceed $3,175,000 (“Award Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC has recommended that the MSF approve the Award Request in accordance with the Term Sheet and Guidelines, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents for the Award Request within 120 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 90 days (“MCRP Award Recommendation”);

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

Ayes:

Nays:

Recused:

Lansing, Michigan
December 19, 2017
Exhibit A

**MSF Facility**
MCRP Loan Participation

**Borrower:**
The Original and Only Thompson Block, LLC and 3mission Redevelopment Corporation, or Related Entity

**Lender:**
Bank of Ann Arbor

**Total Amount of Loans:**
Anticipated to be $6,595,000

**Lender Share:**
Anticipated to be $3,420,000

**MSF Share:**
Up to the lesser of 50% of Eligible Investment or $3,175,000

**Term:**
To match that of the Lender, not to exceed 120 months

**Amortization:**
To match that of the Lender

**Interest Rate:**
1% per annum

**Repayment Terms:**
Up to 36 months interest only, followed by monthly principal and interest with balance due at maturity.

- Up to $1,200,000 of the MSF Share of the loan to be forgiven following construction completion and achievement of other performance milestones.

- Payment to the MSF will be contingent on a minimum Debt Service Coverage Ratio (DSCR) yet to be determined.

**Collateral:**
To match that of the Lender, anticipated to be a 1st mortgage and assignment of rents and leases for 400 N River St., Ypsilanti, MI. MSF Interest to be subordinated to that of the Lender.

**Guarantee:**
To match that of the Lender, anticipated to be personal guarantees of Jon Carlson, Greg Lobdell, and Robert Eisman. MSF Interest to be subordinated to that of the Lender.

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

**Funding:**
The MSF will fund up to $3,175,000 to be disbursed following closing of the Loan and other performance criteria.

**Other Conditions:**
The MSF’s investment will be contingent upon the following:
- A minimum owner equity contribution of $1,850,000 to the project.
- Lender commitment and underwriting documentation
- Final Development Budget
- Executed Guaranteed Maximum Price
• A requirement for installation of a rooftop solar array will be detailed in the final Agreement
• Receipt of affidavit from Fred Beal, Stewart Beal and Nora Wright that they do not and will not have a financial interest in the project until 2030
MEMORANDUM

Date: December 19, 2017

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

From: Julius L. Edwards, Manager, Underwriting and Incentive Structuring
Katharine Czarnecki, Senior Vice President, Community Development

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 measurable 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 (the “MCC Investment”);

WHEREAS, by resolution 2017-119 on August 22, 2017 the MSF Board approved amendments to the MCC Investment 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, Company has requested an increase of $3,500,000 to the MCC Investment to invest into certain residential rental and mixed use development projects toward among other things, revitalizing Michigan communities (the “Request”);

WHEREAS, the MEDC recommends that the MSF approve the Request;

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 Request;

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

BE IT FURTHER RESOLVED, the MSF approves the Request.

Ayes:

Nays:

Recused:

Lansing, Michigan
December 19, 2017
MEMORANDUM

TO: Mark Morante, S.V.P and MSF Fund Manager  
From: Eric Hanna, CEO Michigan Community Capital  
Date: 11/30/2017  
RE: Project and Performance Update

Background
Michigan Community Capital (“MCC”) was formerly known as the Michigan Magnet Fund. The organization is a directorship-based non-profit 501c3 corporation and a federally certified Community Development Entity (“CDE”). The company was formed as a collaboration between the MEDC, MSHDA and Cinnaire (formerly Great Lakes Capital Fund Housing Corporation) in 2004 in order to compete for the then new, federal New Markets Tax Credit (“NMTC”). This tax credit is designed to induce investment into Low and Moderate Income (“LMI”) communities in order to facilitate or catalyze additional development (essentially a “1st mover” tool).

A CDE is an organization licensed by the (Federal) Treasury Department Community Development Financial Institutions Fund, or “CDFI Fund” as eligible to apply for, receive, sub-allocate and sell NMTC’s. To achieve this license the organization must be built in specific ways and must have specific purposes including making loans and investments, on preferential terms, in LMI communities and/or to LMI people. At this time, the MEDC CEO appoints and removes MCC directors. This structure allows MCC to utilize the MEDC and MSF’s track record of capital deployment and job/investment outcomes when competing for NMTC’s.

The company was established with no staff, two part-time contractors and no assets outside of its cash. The company was successful in attracting $60M in allocation authority in 2005, which it deployed into 10, excellent projects. Some examples include:

- Book Cadillac Hotel (Detroit)
- Harbor Shores Redevelopment (Benton Harbor)
- Bicycle Factor (Grand Rapids)
- Inner City Christian Federation Headquarters (Grand Rapids)
- Rowe Engineering Building (Flint)

The company then lost several application rounds as the rounds became more competitive. In 2009 and 2010, the American Recovery and Reinvestment Act (“ARRA”) increased the availability of credits and the company won again $60M and $25M respectively, which it further deployed into additional projects, again in Detroit, Pontiac, Quinnesec and other locations. It then lost 5 successive rounds as competition again became exceptionally strong.

2016 MCC Reboot
In 2016, the Board, MEDC and MSHDA decided to take some steps necessary to make the organization more competitive. Those steps included hiring a full time CEO, establishing products outside of the NMTC, developing critical internal technology and procedural infrastructure, leasing a physical office space and importantly capitalizing the company to begin addressing the needs of LMI individuals.

Competitors that have been successful consistently have utilized a mix of public, private and philanthropic loans and Equity Equivalent Investments as “sources of capital” and have then deployed
those funds into projects that generated strong “policy” outcomes in LMI communities such as job creation through small business financing, the elimination of blight and excessive vacancy through community development real estate projects and the reconditioning and rehabilitation of housing.

Further, successful competitors demonstrate many attributes of private sector financial organizations including efficient contracting to control expenses, rigorous due diligence and underwriting standards and meticulous long-term asset management. MCC has replicated these traits to ensure it can credibly raise capital and manage its projects effectively.

**What the MSF and MEDC gets...**

Capital from the MSF is critical to building out the capability of the organization, which is a key objective of the MEDC and the MSF. The reason is simple, NMTC’s have provided over $36M in federal subsidies (grants) to Michigan projects that were state priority transactions. Not making a loan investment in MCC, risks the loss of future federal subsidy which is invaluable in closing gaps, all on projects that are priorities for the MEDC and MSF.

The MEDC also gets the added firepower that MCC’s market based deployment and management skills bring to the table. MCC is not looked at by developers in the same way that MEDC or MSF are viewed. MCC is successful at extracting and enforcing conditions because developers view us as not a public subsidy source but as a co-investor and a party that shares some of the same concerns and motivations that the developer shares.

Finally, in addition to the subsidy provided by NMTC’s, the MSF’s investment allows MCC to become competitive for bank CRA, foundation and other federal funds that MEDC/MSF are not able to directly leverage. MCC is just beginning to test the limits of the capital it can leverage outside of tax credits, but the broader pool is significant.

**Equity Investing in Attainable/Workforce Housing**

In discussion with MSHDA, MEDC and other local communities, the concept of “missing middle” or “attainable/workforce housing” in a number of strong real estate sub-markets became a priority. No tool now exists nationwide to address this issue and attempts in other states have had mixed results. In an attempt to address individuals housing needs who do not meet a low-income tax credit threshold but who cannot also afford very high market rate rents, MCC developed an equity product.

The business model for this tool is very simple. MCC approaches a market rate developer or vice versa, typically in Downtown/Midtown Detroit, Grand Rapids, Ann Arbor/Washtnaw, Oakland, or Traverse City and offers to provide equity to the partnership (property owner) for which the property will pay below market returns. In exchange and in taking on MCC as a partner, the developer agrees to restrict a negotiated percentage of the housing units in its building to individuals earning 61%-120% of the Area Median Income with a very high bias for 80% AMI. These restrictions are imposed in the operating agreement and MCC receives certain other rights such as the right to consent to dispositions, the right to remove managers, the right to establish and maintain adequate reserves of various kinds and other material rights designed to protect MCC and ensure long term affordability.

**Projects**
To date, MCC has completed two projects and has closed, with non-MSF capital, two additional transactions in the past 5 months.

439 Selden LLC is a 50 unit naturally occurring affordable housing project which involved the purchase of a severely underperforming and poorly maintained apartment building in Midtown Detroit. The building will receive almost $3.0M in upgrades both inside and out. Tenants will be rotated to newly rehabilitated units to avoid vacating tenants that have lived in the neighborhood for decades. Rents on the new units will come up to a maximum of 80% AMI for half the building and 100% AMI for the other half. For existing tenants this increase will be very gradual in order to avoid displacement as much as possible. MCC’s partners on this transaction were PK Companies and LISC (Local Initiatives Support Corporation) who underwrote and holds the debt.

TC 637 Michigan LLC is a new construction 44-unit mixed use building with a single 3,600 sf retail bay. The project located on the medical mile in Grand Rapids, MI in an area with dramatically increasing rents. The building was custom designed to provide attainable/workforce units with minimal in-unit storage supplemented by basement and building amenities. The result of MCC’s investment is that 100% of the units will be restricted to 80% AMI or the life of the MCC investment. With well appointed but modestly sized units priced at just under $1,000 per month it is anticipated that demand will outstrip supply significantly.

Disposition Strategy
Disposition is always the toughest item to negotiate. MCC intends to maintain affordability and control for a long as possible and as such, it attempts to implement Call’s or First Right of Refusal provisions which will allow it to retain its interest. Repayment of the MSF facility as well as other capital that MCC is able to source from Banks and Foundations will come from cash out refinancing activity and available free cash flow.

Business Plan
MCC is borrowing from all its sources at between 1% and 2% and is achieving yields after cost of funds between 2.5% and 10% depending on the market and percentage of total equity MCC takes in the deal. MCC maintains very low and scalable operating costs. Hard operating costs are around $400k annually and MCC is hoping to achieve total assets of $20M by the end of 2017, $30M by the end of 2018 and $45M by the end of 2019 with decreasing reliance on MSF capital as Banks meeting a CRA need under a lower corporate tax rate increase their investments. Increases in assets require nominal incremental monitoring and this scale will allow for the organization to achieve its two most important goals:

1) demonstrating financial stability and track record to improve competitiveness for NMTC’s, and;
2) addressing the housing needs of working individuals and families who do not qualify for federal subsidy but are also priced out of the places they work and need to live.

Capitalization Efforts:
MCC is working hard with banks and community foundations to educate them on why this objective is important and how MCC’s professional delivery system can side-step a number of federal regulations and deliver a nimble, market oriented solution to this particular housing challenge. The following efforts are confidentially underway:
Fifth Third Bank: Currently we are requesting a $1.0M, 1% 5-year interest only bond and a commitment to provide an additional similar bond each year for a total of 5 years. The bank will receive CRA credit and will have the ability to purchase NMTC’s and to write senior loans.

PNC Bank: Identical Ask, currently under review.
Chemical Bank: Identical Ask, currently under review.
Huntington Bank: Identical Ask, currently under review.
Northern Trust: $1.0M Bond Closed, additional $1.0M Bond requested. Same Terms.
GR Community Foundation: In discussions regarding a 3% 10-year IO, Principle at maturity PRI targeted at a specific transaction in Grand Rapids.
Grand Haven CF: Early discussion about a 7-year Bond to finance similar WF housing target.

**December MSF Meeting**

It is anticipated that the MSF will review two opportunities for MCC in December. The first was the tabled increase of $3.5M in additional resources to provide for attainable/workforce housing. MCC’s pipeline across just Grand Rapids, Midtown Detroit and Traverse City exceeds $20M and the MEDC’s loan facility will, with this increase, reach $13.5M total. The supplemental capital will continue to fund these types of transactions which create space for moderate income people in areas where they would be pushed out.

The second item will be a special Pilot project which the MEDC and MCC are collaborating on. The request is to provide $3.0M to fund three transactions in tertiary markets alongside landowners who are not career developers. Often, due to a lack of expertise and resources, landowners in smaller markets that own crucial downtown properties are not able or willing to create dense, vibrant, “best practice’ based mixed use developments on their land and so the utilization of key parcels is highly diminished, and this detracts from potential future investment. With these resources, MCC will become a professional investment partner, at a highly reduced rate of return, and will bring with us a team of professional construction managers, bankers, and support from the MEDC CAT Team in addressing necessary development incentives to help landowners put together better projects in communities where a lack of investment is holding back growth. These projects will actually push rents in order to attempt to stimulate surrounding development and will acclimate local landowners to “how” to do smarter, denser and more profitable transactions.
MEMORANDUM

Date: December 19, 2017

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

From: Julius L. Edwards, Manager, Underwriting and Incentive Structuring
Katharine Czarnecki, Senior Vice President, Community Development

Subject: Investment Fund Award to Michigan Community Capital f/k/a Michigan Magnet Fund

Summary
The request is for up to a $3,000,000 Loan Award from the Investment Fund for Michigan Community Capital (MCC) to focus on providing below market equity investments in projects undertaken by developers with limited experience and limited access to capital due to the limited returns provided by these types of projects. Often these developers hold or control property in tertiary markets but are not able to deliver smart, dense, well-designed projects due to these constraints. This effort will help expose new developers and new products to these markets in order to catalyze and demonstrate how to best utilize key sites. It is anticipated that MCC will employ the Award to initially invest in between three (3) to five (5) projects across the state of Michigan. It is anticipated that the MCC will provide the development team with construction oversight for the project. The proposed Loan Award would be disbursed on a project-by-project basis. The proposed structure of the Investment Fund Loan Award is presented in more detail in Appendix A.

These funds will be marketed to developers with limited development experience (generally developers that have completed less than 5 projects). All projects and the proposed equity investments will be reviewed and approved by MEDC staff and MEDC senior management.

By making the Loan Award to MCC it will allow MEDC to leverage MCC’s staffing capacity and potentially assist MCC in building its resume for future New Market Tax Credit (NMTC) allocations. All of the underwriting and due diligence will be performed or contracted by MCC. MEDC’s oversight will primarily consist of reviewing the underwriting materials and project details (including the proposed equity investment) provided by MCC staff to determine if the individual projects meet the desired goals of providing below market equity to “Small Developers”.

Recommendation
MEDC Staff recommends the approval of an Investment Fund Loan Award request as outlined in Appendix A.

APPENDIX A
**Loan Facility**

**MSF Incentive:** Non-Revolving Draw Facility

**Borrower(s):** Michigan Community Capital (MCC) f/k/a Michigan Magnet Fund

**Loan Amount:** $3,000,000

**Interest Rate:** 1% per annum, beginning in the 37th month following loan closing.

**Fees:** Anticipated to be 1% of the Loan Award Amount spread over three annual payments. MCC to be responsible for all third-party fees incurred by the MEDC and MSF in closing the transactions.

**Draw Period:** 36 months following loan closing.

**Term:** 276 months (23 years) following loan closing.

**Amortization:** Not Applicable

**Repayment Terms:** Anticipated to be annual interest only payments beginning in the 37th month following closing. Payments made prior to that time will be applied to principal. Outstanding principal balance due at maturity of the loan. Additionally, the loan will require principal pay downs upon exit of MCC in ownership of the individual project investments.

**Collateral:** Anticipated to be assignment/pledge of a controlled deposit account setup to invest in projects financed by the Investment Fund Loan Award, and a security interest in the individual projects or assignment/pledge of benefits/distributions related to individual project investments.

**Guarantee:** N/A

**Funding:** Individual advances will be subject to MEDC staff review, approval by the MSF Fund Manager or another approved representative of the MSF, and completion of to be determined Milestones.

**Other Requirements:** Anticipated to consist of the following with final terms to be negotiated:

- It is anticipated that MCC will have between 60-90 days to close on individual projects following disbursement of MSF funds.
- Each advance will be subject to funding availability.
- Projects will require preliminary approval of the location and project details by MEDC staff and senior management.
• Projects will be subject to a minimum compliance period equal to the greater of 60 months or the term of MCC’s investment in the project.
• Projects will be required to meet MSF statutory requirements.
• All proposals must include an exit strategy not to exceed 15 years for each project.
• Project must be consistent with the community’s master plan and supported via local financial contribution.
• MCC be required to provide annual reporting to the MSF on the project. Requested information may consist of but will not be limited to disbursement summaries, summaries of distribution receipts, and financial performance for individual projects financed with funding from the MSF.
• The program will require the MCC to contract with a third-party for construction monitoring and review of draw requests.
• Investments made under this program will be limited $1M for any single project.
• Projects must be either commercial, residential, or a mix of the two uses.
MICHIGAN STRATEGIC FUND

RESOLUTION 2017-

APPROVAL OF FUNDING AN INVESTMENT FUND LOAN
TO MICHIGAN COMMUNITY CAPITAL (f/k/a MICHIGAN MAGNET FUND)

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, Michigan Community Capital (f/k/a Michigan Magnet Fund) have requested a loan of up to $3,000,000 to invest into certain residential, commercial or mixed use development projects toward among other things, revitalizing Michigan communities, along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”) (the, foregoing, collectively, “MCC Investment”);

WHEREAS, the MEDC recommends that the MSF approve funding of up to $3 million from the Investment Fund to fund the MCC Investment (“Funding”);
WHEREAS, the MEDC recommends that the MSF approve the MCC Investment in accordance with the Term Sheet, subject to: (i) available Funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of transaction documents within 180 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager or MSF Financial Officer, the Time Period may be extended for up to an additional 60 days (the foregoing, collectively, the “Recommendation for the MCC Investment”).

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

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

BE IT FURTHER RESOLVED, the MSF approves the Recommendation for the MCC Investment; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
December 19, 2017
EXHIBIT A

“TERM SHEET”

**LOAN FACILITY**

**MSF Incentive:** Non-Revolving Draw Facility

**Borrower(s):** Michigan Community Capital (MCC) f/k/a Michigan Magnet Fund

**Loan Amount:** $3,000,000

**Interest Rate:** 1% per annum, beginning in the 37th month following loan closing.

**Fees:** Anticipated to be 1% of the Loan Award Amount spread over three annual payments. MCC to be responsible for all third-party fees incurred by the MEDC and MSF in closing the transactions.

**Draw Period:** 36 months following loan closing.

**Term:** 276 months (23 years) following loan closing.

**Amortization:** Not Applicable

**Repayment Terms:** Anticipated to be annual interest only payments beginning in the 37th month following closing. Payments made prior to that time will be applied to principal. Outstanding principal balance due at maturity of the loan. Additionally, the loan will require principal pay downs upon exit of MCC in ownership of the individual project investments.

**Collateral:** Anticipated to be assignment/pledge of a controlled deposit account setup to invest in projects financed by the Investment Fund Loan Award, and a security interest in the individual projects or assignment/pledge of benefits/distributions related to individual project investments.

**Guarantee:** N/A

**Funding:** Individual advances will be subject to MEDC staff review, approval by the MSF Fund Manager or another approved representative of the MSF, and completion of to be determined Milestones.

**Other Requirements:** Anticipated to consist of the following with final terms to be negotiated:

- It is anticipated that MCC will have between 60-90 days to close on individual projects following disbursement of MSF funds.
- Each advance will be subject to funding availability.
• Projects will require preliminary approval of the location and project details by MEDC staff and senior management.
• Projects will be subject to a minimum compliance period equal to the greater of 60 months or the term of MCC’s investment in the project.
• Projects will be required to meet MSF statutory requirements.
• All proposals must include an exit strategy not to exceed 15 years for each project.
• Project must be consistent with the community’s master plan and supported via local financial contribution.
• MCC be required to provide annual reporting to the MSF on the project. Requested information may consist of but will not be limited to disbursement summaries, summaries of distribution receipts, and financial performance for individual projects financed with funding from the MSF.
• The program will require the MCC to contract with a third-party for construction monitoring and review of draw requests.
• Investments made under this program will be limited $1M for any single project.
• Projects must be either commercial, residential, or a mix of the two uses.