MICHIGAN STRATEGIC FUND
BOARD MEETING AGENDA
June 28, 2016
10:00 am

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

Communications

A. Consent Agenda
   Proposed Meeting Minutes – May 24, 2016
   NanoBio Corporation – Loan Amendment – Christin Armstrong
   Gema Diagnostics, Inc. – Loan Write Off Request – Christin Armstrong
   Boasso America Corporation – Geographic RZ Time Extension Revocation – Dan Parisian
   ChemQuest, Inc. – Geographic RZ Time Extension Revocation – Dan Parisian
   United Engineered Tooling, Inc. – T & D Recovery Zone Revocation – Dan Parisian
   Grid Logic, Inc. – Renewable Energy Renaissance Zone Revocation – Dan Parisian
   Integrated Manufacturing & Assembly, LLC – MBDP Amendment – Jeremy Webb
   NEAPCO Holdings – MBDP Amendment – Trevor Friedeberg
   Thomson Reuters – MBDP Amendment – Trevor Friedeberg
   Grand Rapids Downtown Market Holdings, LLC – MCRP Amendment – Jim Davis
   Crescent Shores, LLC/City of Holland – MBT/TIF Amendments – Jennifer Schwanky
   CDBG Application Guide – Guide Recommendation – Chris Whitz

B. Administrative
   MSF Designated Renaissance Zone - PILOT/Policy Recommendations – Josh Hundt
   CDBG Loan Program – Continuing Activity Definition Recommendation – Greg West
   Covisint Corporation – MBDP Forbearance Request – Christin Armstrong
   Detroit Next Michigan Development Corporation Designation – Andrea Robach

C. Business Investment
   1. Entrepreneurship
      Lawrence Tech University – Gatekeeper Grant Award – Fred Molnar
      MSU Innovation Hub – MTRAC Statewide Program – Fred Molnar
   2. Business Growth
      University of Michigan Transport Research Institute – Auto Programs Grant – Eric Shreffler
      Flint Procurement Assistance Center – Grant Assistance – Sean Carlson
      FEV North America, Inc. – MBDP Grant – Marcia Gebarowski
      JR Automation Technologies, LLC – MBDP Grant – Mike Gietzen
      Ashley Capital/City of Hazel Park – Act 381 Work Plan – Stacy Bowerman
   3. Access to Capital
      F.P. Horak Company/H&J Realty Co., LLC – Bond Inducement – Chris Cook

D. Community Vitality
   Rivers Edge Partners, LLC/City of Kalamazoo – MCRP/Act 381 Work Plan – Emily Petz
   Strongback Properties, LLC/City of Adrian – CDBG/Act 381 Work Plan – Joe Borgstrom
   River Parc Place II, LLC/City of Manistee – MCRP/Act 381 Work Plan – Dan Leonard
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, for each of which supporting documentation is attached to this Resolution.

Consent Agenda Items:

- Proposed Meeting Minutes – May 24, 2016
- NanoBio Corporation – Loan Amendment
- Gema Diagnostics, Inc. – Loan Write Off Request
- Boasso America Corporation – Geographic Renaissance Zone Time Extension Revocation
- ChemQuest, Inc. – Geographic Renaissance Zone Time Extension Revocation
- United Engineered Tooling, Inc. – Tool & Die Recovery Zone Revocation
- Grid Logic, Inc. – Renewable Energy Renaissance Zone Revocation
- Integrated Manufacturing & Assembly, LLC – MBDP Amendment
- NEAPCO Holdings – MBDP Amendment
- Thomson Reuters – MBDP Amendment
- Grand Rapids Downtown Market Holdings, LLC – MCRP Amendment
- Crescent Shores, LLC/City of Holland – MBT/TIF Amendments

Ayes:

Nays:

Recused:

Lansing, Michigan
June 28, 2016
MICHIGAN STRATEGIC FUND
PROPOSED MEETING MINUTES
May 24, 2016

Members Present

Paul Anderson
Steve Arwood
Dan Boge
Shelly Edgerton
Larry Koops
Andrew Lockwood (on behalf of Treasurer Khouri)
Shaun Wilson
Wayne Wood

Members Absent

Terri Jo Umlor
Jody DePree Vanderwel

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

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

Mr. Arwood recognized the following legislators in attendance: Senator Bert Johnson, who wished to show support for Flex N Gate Detroit, LLC, on the agenda under D1. Business Investment; Joe Becker attending on behalf of Senator Rick Jones, who wished to show support for Spartan Motors/City of Charlotte on the agenda under D1. Business Investment; State Representative Nancy Jenkins who wished to show support for the City of Adrian Façade Improvement, on the agenda under E. Community Vitality; Corey Welch attending on behalf of Senator Dale Zorn who wished to show support for the City of Adrian Façade Improvement, on the agenda under E. Community Vitality; Collin McDonough attending on behalf of Senator Margaret O’Brien who wished to show support for Peregrine PNC, LLC/City of Kalamazoo, on the agenda under E. Community Vitality; Julie Vogel on behalf of State Representative Jon Hoadley, who wished to show support for Peregrine PNC, LLC/City of Kalamazoo, on the agenda under E. Community Vitality.

Communications: Andrea Robach, MSF Administrator advised the Board that the Covisint Forbearance agenda item, under B. Administrative, has been pulled. Additionally, the Board has been provided revised resolutions for Cosworth, and Detroit Renewable Power, under agenda items C1 & C2 respectively, at the table.

A. CONSENT AGENDA
Resolution 2016-058 Approval of Consent Agenda Items

Mr. Arwood asked if there were any questions from the Board regarding the items under the Consent Agenda. There being none, Larry Koops motioned for approval of the following:

Proposed Meeting Minutes – April 26, 2016
MidTowne Village, LLC/City of Grand Rapids – MCRP Amendment 2016-059
Lofts on 820, LLC/City of Grand Rapids – MCRP Amendment 2016-060
Appointment to DMI Board of Directors – 2016-061
Approval of Additional MSF Bond Counsel – 2016-062

Dan Boge seconded the motion. The motion carried: 8 ayes; 0 nays; 0 recused.

B. ADMINISTRATIVE
Resolution 2016-063 Community Revitalization Program – Incentive Parameters
Lisa Pung, Manager, MCRP, Brownfield & Smart Zone Programs and Julius Edwards, Manager, Real Estate Investment & Portfolio, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-063. Dan Boge seconded the motion. The motion carried: 8 ayes; 0 nays; 0 recused.

C. IMAGE/STATE BRANDING
Resolution 2016-064 China Tourism Development Svcs. – RFP Award Recommendation
Dave Lorenz, Vice President, Travel Michigan, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-064. Paul Anderson seconded the motion. The motion carried: 8 ayes; 0 nays; 0 recused.

Resolution 2016-065 Detroit Convention and Visitors Bureau – MOU Renewal
Dave Lorenz, Vice President, Travel Michigan, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-065. Wayne Wood seconded the motion. The motion carried: 8 ayes; 0 nays; 0 recused.

D. BUSINESS INVESTMENT
D1. Business Growth
Resolution 2016-066 Spartan Motors, Inc./City of Charlotte – Act 381 Work Plan
Trevor Friedeberg, Development Finance Manager, provided the Board with information regarding this action item. Following brief discussion, Wayne Wood motioned for approval of Resolution 2016-066. Paul Anderson seconded the motion. The motion carried: 8 ayes; 0 nays; 0 recused.

Resolution 2016-067 Cosworth, LLC – Michigan Business Development Program
Marcia Gebarowski, Development Finance Manager, provided the Board with information regarding this action item. Following brief discussion, Dan Boge motioned for the approval of Resolution 2016-067. Shaun Wilson seconded the motion. The motion carried: 8 ayes; 0 nays; 0 recused.

Resolution 2016-068 Flex N Gate – Michigan Business Development Program
Marcia Gebarowski, Development Finance Manager, provided the Board with information regarding this action item. Following brief discussion, Shaun Wilson motioned for the approval of Resolution 2016-068. Dan Boge seconded the motion. The motion carried: 8 ayes; 0 nays; 0 recused.

Mr. Wilson recused from next item, leaves the room.

D2. Access to Capital
Resolution 2016-069 Detroit Renewable Power, LLC – Bond Authorizing
Chris Cook, Director, Capital Programs, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-069. Dan Boge seconded the motion. The motion carried via roll call vote: 7 ayes; 0 nays; 1 recused.

Mr. Wilson rejoined the meeting.
Resolution 2016-070 Potluri Group, LLC/Digital Terrain, Inc. – SSBCI Collateral Support
Rachel Bakken, Project Manager, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for approval of Resolution 2016-070. Wayne Wood seconded the motion. The motion carried: 8 ayes; 0 nays; 0 recused.

E. COMMUNITY VITALITY
Resolutions 2016-071 & 2016-072 Peregrine PNC, LLC/City of Kalamazoo – MCRP & Act 381 Work Plan
Emily Petz, Community Assistance Team, provided the Board with information regarding these action items. Following brief discussion, Larry Koops motioned for the approval of Resolutions 2016-071 & 2016-072. Wayne Wood seconded the motion. The motion carried: 8 ayes; 0 nays; 0 recused.

Resolutions 2016-073 & 2016-074 601 Bond/City of Grand Rapids – Act 381 Work Plan & MBT Amendments
Rob Garza, Brownfield Specialist, provided the Board with information regarding these action items. Following brief discussion, Wayne Wood motioned for the approval of Resolutions 2016-073 & 2016-74. Dan Boge seconded the motion. The motion carried: 8 ayes; 0 nays; 0 recused.

Resolution 2016-075 & 2016-076 Sperry’s Theatre/City of Port Huron – Brownfield & MBT Amendments
Rob Garza, Brownfield Specialist, provided the Board with information regarding these action items. Following brief discussion, Larry Koops motioned for the approval of Resolutions 2016-075 & 2016-76. Andrew Lockwood seconded the motion. The motion carried: 8 ayes; 0 nays; 0 recused.

Resolution 2016-077 City of Adrian – CDBG Façade Improvement
Marilyn Crowley, Community Assistance Team, provided the Board with information regarding this action item. Following brief discussion, Wayne Wood motioned for the approval of Resolution 2016-077. Larry Koops seconded the motion. The motion carried: 8 ayes; 0 nays; 0 recused.

Mr. Arwood adjourned the meeting at 11:23 am.
May 24, 2016

Dear Michigan Strategic Fund Board Members,

I am writing to share my utmost support for the approval of the City of Adrian’s Community Development Block Grant application for much needed façade projects in downtown Adrian.

There is a great deal of community support for these projects from citizens and businesses alike and it is expected that $558,533 of private investment will be forthcoming as well. This funding would be used to restore a total of six historic buildings, each of which are extremely important to the community. There are many benefits to restoring these buildings, including economic growth and helping to revitalize the downtown Adrian area. The buildings include 127-129 East Maumee Street which is owned by the Croswell Opera House & Fine Arts Association. The Croswell Opera House was voted Michigan’s Favorite Theater in the state and these CDBG funds would be used to enhance the experience with handicapped access and other additional amenities.

I urge the Michigan Strategic Fund Board to give your utmost consideration to the City of Adrian’s application for a total of $1,450,346 in CDBG funds. These funds will continue the great work the City of Adrian is already doing to revitalize their downtown area. The benefits the City of Adrian will receive from this grant will span generations and the many benefits cannot be measured in mere words, but go far in the City of Adrian.

Sincerely,

[Signature]

Dale W. Zorn
State Senator
District 17
Steve Arwood, President and Chairman
Michigan Strategic Fund
300 N. Washington Square
Lansing, MI 48913

Dear Chairman Arwood and Board Members,

It has been brought to our attention there is a pending request from Cosworth LLC to approve a $2.1 million Michigan Business Development Program performance-based loan (with the ability to convert to a grant based on job creation milestones) to support a new manufacturing facility to machine V8 cylinder heads for an OEM. As this development will lease a facility in the Cherry Creek Corporate Park in Shelby Township, which is in both of our districts, we wanted to reach out and convey to the board that both Rep. Peter Lucido and Sen. Jack Brandenburg wish to demonstrate on the record their support for this loan.

In our view, the capital investment of $17.5 million and the creation of 50 jobs over five years is a worthwhile investment in our community and is worthy of this loan. Most importantly, as Cosworth LLC has received a competing offer from Indiana to build this facility and while Michigan has improved since the Great Recession, we should always be striving forward and actively competing to bring more jobs to Michigan.

Kindly contact either one of us at our offices, Rep. Lucido at 517-373-0843, or Sen. Brandenburg at 517-373-7670, if you have any questions for us on this matter. We hope you grant this request and continue to do the work necessary to ensure a brighter tomorrow for all Michigan residents. With appreciation of your anticipated cooperation, we therefore remain,

Respectfully,

Peter J. Lucido
State Representative
36th District

Jack Brandenburg
State Senator
8th District
January 22, 2016

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 Meetings I am unable to attend.

Sincerely,

[Signature]

N.A. Khouri  
State Treasurer

Cc: Andrew Lockwood
Dear Andrea,

Please consider this communication as a letter of recusal for the Detroit Renewable Power, LLC agenda item listed for the **Tuesday, May 24, 2016** Michigan Strategic Fund board meeting.

I will be recusing myself due to our firm’s direct business dealings with Detroit Renewable Power.

Thank you,

Shaun W. Wilson
MEMORANDUM

Date:       June 28, 2016
To:         MSF Board
From:       Christin Armstrong, Associate General Counsel & V.P., Compliance and Contract Services
Subject:    NanoBio Corporation Loan Restructure Request

Request
NanoBio Corporation (“NanoBio” or the “Company”) has requested an amendment to its 21st Century Jobs Fund Business Plan Competition Loan according to the following terms: 1) extend the grace period for twelve months, with full principal and interest payments beginning, on June 1, 2017 and continuing in equal monthly installments for the following twenty-three months and 2) increase the interest rate from 3.25% to 3.5%; with all other terms and conditions of the loan remaining in full force and effect, including the right of the Michigan Strategic Fund (“MSF”) to convert the loan into equity upon the occurrence of a conversion event, as defined in the Loan Agreement (the “Request”).

Background
NanoBio received a loan of up to $2,377,526 from the Strategic Economic Investment and Commercialization (“SEIC”) Board\(^1\) and the MSF on May 15, 2007. NanoBio is a research-stage biotechnology company focused on developing and commercializing products for the prevention and treatment of infectious diseases. The Company is a spinout from the Center for Biologic Nanotechnology at the University of Michigan.

The original award was a straight loan with an interest rate of 3%, a six year grace period and a four year payment schedule (the “NanoBio Loan”). The MSF was also granted, and maintains, a security interest on the Company’s tangible personal property, excluding inventory. The NanoBio Loan was amended on October 15, 2013 as follows: 1) conversion of 50% of the then outstanding indebtedness ($2,743,174.32) into 3,356,796 shares of the Company’s Series C Preferred Stock; 2) the addition of conversion terms that would allow the MSF to elect to convert the remaining indebtedness into equity upon the occurrence of a conversion event, including the closing of a financing round of at least $1,000,000 or the Company’s filing of an initial public offering; and 3) extended the grace period of the remaining indebtedness to June 1, 2015. The NanoBio Loan was again amended on December 1, 2015 as follows: 1) extension of the grace period to June 1, 2016 and 2) increase the interest rate from 3% to 3.25%. The loan balance as of May 31, 2016 is $1,517,049.88.

\(^1\) The SEIC Board was abolished by Executive Order 2010-04. All powers, duties, functions, and obligations of the SEIC Board were transferred to the MSF.
The Company reports that it has seen some significant successes over the past two years, including a signed license agreement with Merck for two vaccines and winning a grant from the National Institutes of Health (“NIH”) to support several of its projects. Despite these successes, the Company does not have any product revenues and has very limited cash flow. As such, NanoBio is unable to service the loan at this time. Extending the grace period will allow the Company to use its limited cash flow toward further development and commercialization of its vaccine programs.

**Recommendation**
MEDC Staff recommends approval of the Request

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

WHEREAS, the Strategic Economic Investment and Commercialization (“SEIC”) Board, the MSF and NanoBio Corporation (“NanoBio” or “Company”), entered into a 21st Century Business Plan Competition Loan Agreement, dated May 15, 2007, whereby the SEIC Board and MSF agreed to loan up to $2,377,526 to NanoBio under the terms and conditions set forth in the Convertible Loan Agreement, Security Agreement and Promissory Note (the “Note”), each dated January 18, 2007 (the Loan Agreement, Security Agreement, and Note, collectively, “Loan Documents”);

WHEREAS, pursuant to Executive Order 2010-04, the SEIC Board was abolished and all powers, duties, and functions of the SEIC Board were transferred to the MSF;

WHEREAS, in accordance with Section 125.2088k-3 of the Michigan Strategic Fund Compiled Resolutions, the Loan Documents were amended by Amendment One to the Loan Agreement on October 15, 2013 and by Amendment Two to the Loan Agreement on December 1, 2015;

WHEREAS, NanoBio has requested that the MSF amend the Loan Documents to effectuate an extension to the grace period and new payment schedule, with terms and conditions that shall include:

(a) increasing the interest rate under the Note from 3.25% to 3.5%;

(b) extending the grace period ending date under the Note from June 1, 2016 to June 1, 2017; and

(c) requiring Note payments in equal installments of principal and interest to begin on June 1, 2016 and continuing for the following twenty-three (23) months.

(the aforementioned, collectively “Loan Amendment Request”);

WHEREAS, the MEDC recommends that the MSF Board approve the Loan Amendment Request; and

WHEREAS, the MSF wishes to approve the Loan Amendment Request.
NOW, THEREFORE, BE IT RESOLVED, the MSF approves the Loan Amendment Request and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
June 28, 2016
MEMORANDUM

Date: June 28, 2016

To: MSF Board

From: Christin Armstrong, Associate General Counsel & V.P., Compliance and Contract Services

Subject: Gema Diagnostics, Inc. – Loan & Investment Write-Off Request

Request
Gema Diagnostics, Inc. (“Gema” or the “Company”) has had three awards from the Michigan Strategic Fund (“MSF”) with a combined original total of $1,350,000 (a detailed summary of the MSF investments is included below). The Company dissolved effective December 31, 2014. Michigan Economic Development Corporation (“MEDC”) Staff requests that the MSF authorize a full accounting write off of the remaining MSF loan and investments described under the MSF Investment Summary below (the “Request”).

Background
Company Overview
Gema Diagnostics, Inc. was formed in 2005 to commercialize a molecular diagnostics approach for the Assisted Reproductive Technology market that would maximize the probability of healthy, live births while reducing the overall process risks, time and expense. The Company designed an oocyte screening technique for fertility clinics in order to identify genetic ‘pregnancy signatures’ prior to fertilization. Gema received the following loans and investments from the MSF and MEDC:

MSF Investment Summary

Michigan Life Sciences Corridor Loan
Year 2003
Program Rational Sitting Push Pull Accelerator (RSPPA) Award
Award amount $50,000
Status Paid in Full

Michigan Life Sciences Corridor Loan/Investment
Award Amount: $800,000
Award Date: 9/14/05
Loan Balance (as of 5/31/16): $799,292.15 ($448,280.09 converted to equity on 3/15/13)
Equity: 298,853 shares Series B Preferred
Status Partially converted/In default

Pure Michigan Venture Match Fund
Award Amount: $500,000
Award Date: 3/5/2013
Equity: 333,333 shares Series B Preferred
**MEDC Follow on Fund (Corporate)**

Award Amount: $250,000  
Award Date: 3/16/11  
Status: Write-off approved by the MEDC

**Current Status**
The final results of the Company’s clinical trials were negative and its existing and prospective investors declined to invest any additional funds. As a result, the Company’s board of directors voted to wind down the operation. The Company’s dissolution was effective December 31, 2014.

**Collateral and Disposition of Assets**
The Company’s assets were sold off over the course of 2014 to fund the clinical trials, leaving no tangible assets as security for the loan. The Company sought buyers for its intellectual property, however, there was no interest in the market given the negative result of the clinical trials.

**Recommendation**
MEDC Staff recommends approval of the Request.

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

WHEREAS, the MSF maintains the following loans and investments in Gema Diagnostics, Inc. (“Gema” or the “Company”):

<table>
<thead>
<tr>
<th>Michigan Life Sciences Corridor Loan/Investment</th>
<th>Pure Michigan Venture Match Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Award Amount: $800,000</td>
<td>Award Amount: $500,000</td>
</tr>
<tr>
<td>Award Date: 9/14/05</td>
<td>Award Date: 3/5/2013</td>
</tr>
<tr>
<td>Loan Balance (5/31/16): $799,292.15</td>
<td>Equity: 333,333 shares Series B Preferred</td>
</tr>
<tr>
<td>Equity: 298,853 shares Series B Preferred</td>
<td>Equity: 298,853 shares Series B Preferred</td>
</tr>
</tbody>
</table>

(where the aforementioned, collectively, the “Gema Loan and Investments”)

WHEREAS, Gema has notified the MEDC that it has ceased all operations and that the corporation has dissolved;

WHEREAS, the MEDC has reviewed the Company’s financial information and recommends that the MSF Board approve a complete accounting write-off of the Gema Loan and Investments (collectively, the “Write-Off Request”);

WHEREAS, the MSF Board wishes to approve the Write-Off Request.

NOW, THEREFORE, BE IT RESOLVED, the MSF approves the Write-Off Request; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
June 28, 2016
Memorandum

Date: June 28, 2016

To: Michigan Strategic Fund Board

From: Dan Parisian, Program Specialist

Subject: City of Detroit Renaissance Zone
Southwest Delray Subzone
Revocation of Renaissance Zone Time Extension – Boasso America Corporation

Action
Michigan Economic Development Corporation (“MEDC”) Staff requests the Michigan Strategic Fund (“MSF”) Board to approve a resolution revoking the Renaissance Zone time extension designation for Boasso America Corporation’s (the “Company”) site in the Southwest Delray Subzone located in the City of Detroit. The Company’s extension term is currently set to expire on December 31, 2018.

Background
The Southwest Delray Subzone within City of Detroit Renaissance Zone has been in effect since 1997 and was set to expire on December 31, 2011. On December 15, 2010, the Michigan Strategic Fund Board (the “MSF”) awarded a time extension to the Company for an additional eight (8) years. The Company entered into a development agreement (the “Agreement”) with the MSF agreeing to the creation of thirty-six (36) new full-time jobs and capital investment of $1.5 million.

The Company failed to create thirty-six (36) new jobs by December 31, 2015 as required per the Agreement. The Company created three (3) new jobs at the site and therefore a 90-day cure period was initiated on February 10, 2016. The cure period lapsed on May 13 with no formal response being received from the Company.

Recommendation
MEDC Staff recommends that the MSF Board approve the revocation of Boasso America Corporation’s Renaissance Zone time extension designation for their site in the City of Detroit, effective December 31, 2016 for property tax purposes, and January 1, 2017 for all other tax purposes.
REVOCATION OF AN EXISTING RENAISSANCE ZONE TIME EXTENSION
DESIGNATION: Boasso America Corporation

WHEREAS, Public Act 116 of 2008 amended the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, to authorize the Michigan Strategic Fund (“MSF”) to extend the duration of renaissance zone status for one or more portions of an existing renaissance zone for a period of time not to exceed fifteen (15) years, provided that the extension will increase capital investment or job creation and the affected county consents to the extension;

WHEREAS, on December 15, 2010, the MSF Board approved a Renaissance Zone time extension for Boasso America Corporation for the Southwest Delray Subzone in the City of Detroit Renaissance Zone (the “Zone”);

WHEREAS, Section 4(7) of the Act requires a development agreement be entered into between the MSF, the real property owner, and the Company, which requires milestones with regards to job creation and new investment;

WHEREAS, Section 4(7) of the Act allows the MSF Board to revoke the time extension designation if the MSF Board determines that increased capital investment or job creation will not begin within one (1) year of granting the extension or otherwise violates the terms of the written development agreement; and

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the renaissance zone program, and was notified by the Company through annual reporting, that the Company failed to create thirty-six (36) new jobs within the Zone by December 31, 2015 as required per the Development Agreement;

WHEREAS, pursuant to the development agreement, staff on behalf of the MSF, has sent notice to the Company initiating a 90-day cure period to cure its noncompliance or it will recommend revocation and the 90-day cure period has since lapsed;

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the revocation of the Company’s Renaissance Zone time extension designation, effective December 31, 2016 for property tax purposes and January 1, 2017 for all other purposes; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
June 28, 2016
Memorandum

Date: June 28, 2016

To: Michigan Strategic Fund Board

From: Dan Parisian, Program Specialist

Subject: Border to Border Renaissance Zone
Village of Middleville Subzone
Revocation of Renaissance Zone Time Extension –ChemQuest, Inc.

Action
Michigan Economic Development Corporation (“MEDC”) Staff requests the Michigan Strategic Fund (“MSF”) Board to approve a resolution revoking the Renaissance Zone time extension designation for ChemQuest, Inc. (the “Company”) site in the Village of Middleville Subzone located in the Village of Middleville. The Company’s extension term is currently set to expire on December 31, 2016.

Background
The Village of Middleville Subzone within the Border to Border Renaissance Zone has been in effect since 2001 and was set to expire on December 31, 2011. On December 21, 2011, the Michigan Strategic Fund Board (the “MSF”) awarded a time extension to the Company for an additional five (5) years. The Company entered into a development agreement (the “Agreement”) with the MSF agreeing to the creation of twenty-two (22) new full-time jobs and capital investment of $250,000.

The Company failed to create twenty-two (22) new jobs by December 31, 2015 as required per the Agreement. The Company created four (4) new jobs at the site and therefore a 90-day cure period was initiated on March 7, 2016. The cure period lapsed on June 16, 2016.

Recommendation
MEDC Staff recommends that the MSF Board approve the revocation of ChemQuest, Inc.’s Renaissance Zone time extension designation for their site in the Village of Middleville, effective December 31, 2015 for property tax purposes, and January 1, 2016 for all other tax purposes.
MICHIGAN STRATEGIC FUND

RESOLUTION

2016-

REVOCATION OF AN EXISTING RENAISSANCE ZONE TIME EXTENSION
DESIGNATION: ChemQuest, Inc.

WHEREAS, Public Act 116 of 2008 amended the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, to authorize the Michigan Strategic Fund (“MSF”) to extend the duration of renaissance zone status for one or more portions of an existing renaissance zone for a period of time not to exceed fifteen (15) years, provided that the extension will increase capital investment or job creation and the affected county consents to the extension;

WHEREAS, on December 21, 2011, the MSF Board approved a Renaissance Zone time extension for ChemQuest, Inc. for the Village of Middleville Subzone in the Border to Border Renaissance Zone (the “Zone”);

WHEREAS, Section 4(7) of the Act requires a development agreement be entered into between the MSF, the real property owner, and the Company, which requires milestones with regards to job creation and new investment;

WHEREAS, Section 4(7) of the Act allows the MSF Board to revoke the time extension designation if the MSF Board determines that increased capital investment or job creation will not begin within one (1) year of granting the extension or otherwise violates the terms of the written development agreement; and

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the renaissance zone program, and was notified by the Company through annual reporting, that the Company failed to create twenty-two (22) new jobs within the Zone by December 31, 2015 as required per the Development Agreement;

WHEREAS, pursuant to the development agreement, staff on behalf of the MSF, has sent notice to the Company initiating a 90-day cure period to cure its noncompliance or it will recommend revocation and the 90-day cure period has since lapsed;

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the revocation of the Company’s Renaissance Zone time extension designation, effective December 31, 2015 for property tax purposes and January 1, 2016 for all other purposes; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
June 28, 2016
Memorandum

Date: June 28, 2016
To: Michigan Strategic Fund Board
From: Dan Parisian, Compliance Specialist
Subject: United Engineered Tooling, Inc.
       Tool & Die Renaissance Recovery Zone - Revocation

Action
The Michigan Economic Development Corporation (“MEDC”) is recommending the revocation of the Tool & Die Renaissance Recovery Zone (“Zone”) for United Engineered Tooling, Inc. (the “Company”) by the Michigan Strategic Fund (“MSF”) Board. The Company’s ten year Recovery Zone term is currently set to expire at the conclusion of 2016.

Background
The MSF Board originally designated a Recovery Zone for United Engineered Tooling, Inc. located in the Township of Garfield, as a member of the Northwest Michigan Tooling Coalition (the “Collaborative”) on December 20, 2006.

The Company applied for a transfer of the Zone and the transfer was approved by the MSF Board on October 24, 2012. As a condition of the approval, the Company agreed to file an annual progress report by January 31 of each year the Zone is in effect as documented on MSF Board Resolution 2012-149. Notice was sent to the Company regarding the delinquent report and a 30-day cure period was initiated on April 4, 2016 which expired on May 4, 2016. To date, the required report has not been submitted.

Under the Michigan Renaissance Zone Act, 1996 PA 376, as amended, the MSF Board has the authority to revoke the designation of a Recovery Zone for a qualified tool and die business if the qualified tool and die business fails or ceases to participate in or comply with a qualified collaborative agreement.

The Company’s President was notified that the MEDC would recommend revocation of the Recovery Zone.

Recommendation
MEDC Staff recommends the MSF Board revoke the Tool and Die Renaissance Recovery Zone designation for United Engineered Tooling, Inc. effective on December 31, 2015 for property tax purposes and January 1, 2016 for all other purposes.
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 United Engineered Tooling, Inc. as a member of the Northwest Michigan Tooling Coalition (the “Collaborative”) at its site in the Township of Garfield, Grand Traverse County located at 1974 Cass Hartman Court, Traverse City, MI 44885 (the “Property”);

WHEREAS, Section 8d(3) of the Act permits the MSF Board to revoke the designation of all or a portion of a recovery zone with respect to one or more qualified tool and die businesses if those qualified tool and die businesses fail or cease to participate in or comply with a qualified collaborative agreement;

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

WHEREAS, the Company failed to file a 2015 progress report as required by MSF Board Resolution 2012-149; and

WHEREAS, therefore, the MEDC recommends revocation of the Company’s Recovery Zone designation for the Property.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board revokes the Recovery Zone designation for United Engineered Tooling, Inc. for the Property located in the Township of Garfield, Grand Traverse County at 1974 Cass Hartman Court, Traverse City, MI 44885, effective on December 31, 2015 for property tax purposes and January 1, 2016 for all other purposes; 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
June 28, 2016
MEMORANDUM

Date: June 28, 2016

To: Michigan Strategic Fund Board

From: Dan Parisian, Program Specialist

Subject: Grid Logic, Inc.
Renewable Energy Renaissance Zone – Revocation

Action
Michigan Economic Development Corporation (“MEDC”) Staff requests the Michigan Strategic Fund (“MSF”) Board approve the recommendation to revoke Grid Logic Inc.’s (the “Company”) Renewable Energy Renaissance Zone to the State Administrative Board (“SAB”). Ten (10) years remain on the Company’s fifteen (15) year Renaissance Zone term, designated on January 26, 2011 and currently set to expire on December 31, 2026.

Background
The Company is a manufacturer of clean energy power management devices for electric utility companies located in the Township of Lapeer, Lapeer County. As a condition to receiving the Renaissance Zone, the Company entered into a development agreement (the “Agreement”) with the MSF, within which the Company committed to investing $20.6 million in the property and to creating 161 full-time (FT) jobs by December 31, 2015.

Based on information received by MEDC through the filing of the Company’s 2015 Progress Report, the Company has created five (5) new FT jobs and invested $4.8 million at the site. The MEDC notified the Company of their non-compliance and initiated the 90-day cure period, as required in the Agreement, on February 18, 2016. The cure period expired on May 18, 2016 without the Company becoming compliant with the terms of the associated Agreement.

Due to the Company’s failure to create 161 full-time jobs and invest $20.6 million at the site, the MSF Board has both contractual and statutory authority to recommend revocation of the Company’s Renewable Energy Renaissance Zone designation to the SAB.

Recommendation
MEDC Staff recommends that the MSF Board approve the associated resolution to recommend to the SAB the revocation of Grid Logic, Inc.’s Renewable Energy Renaissance Zone. All properties will go back on the tax rolls effective December 31, 2016 for property tax purposes and January 1, 2017 for all other tax purposes.
WHEREAS, Section 8e of the Michigan Renaissance Zone Act, 1996 PA 376, as amended, (the “Act”) authorizes the State Administrative Board (“SAB”) to designate up to 15 renaissance zones for renewable energy facilities upon the recommendations of the Michigan Strategic Fund (“MSF”) along with the consent of the local unit of government in which the proposed renaissance zone will be located;

WHEREAS, on February 15, 2011, the SAB approved a Renewable Energy Renaissance Zone for Grid Logic, Inc. (the “Company”) after receiving recommendation of approval from the MSF Board for the Company’s facility beginning January 1, 2012;

WHEREAS, Section 8e(5) of the Act requires a development agreement be entered into between the MSF and the Company, which committed the Company to milestones with regards to job creation, new capital investment and filing reports;

WHEREAS, the Company has not fulfilled the job creation and capital investment milestones as required by the terms of its development agreement;

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the renaissance zone program and has been working with the Company to monitor the compliance issue;

WHEREAS, pursuant to the development agreement, MEDC staff, on behalf of the MSF, has sent notice to the Company to cure its non-compliance and the 90-day cure period has expired as of May 18, 2016;

WHEREAS, the MEDC recommends that the MSF Board approves for recommendation to the State Administrative Board the revocation of the Company’s renewable energy renaissance zone designation effective December 31, 2016 for property tax purposes and January 1, 2017 for all other tax purposes.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves for recommendation to the State Administrative Board the revocation of the Company’s renewable energy renaissance zone designation; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
June 28, 2016
MEMORANDUM

Date: June 28, 2016

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

From: Jeremy Webb, Business Development Project Manager

Subject: Integrated Manufacturing & Assembly, LLC (“Company” or “Applicant”) Amendment to the Approved Michigan Business Development Program Grant Agreement

Request
This is an amendment request to the Company’s existing MBDP Agreement to remove the final Milestone, reduce the required Qualified New Jobs (“QNJ”) from 851 to 566, and total grant award from $4,600,000 to $3,400,000. The Company will be required to maintain the jobs created in Milestone One and Milestone Two for two years following the completion of Milestone Two, January 24, 2017.

Background
On January 23, 2013, the Company was awarded a $3,000,000 Michigan Business Development Program (MBDP) performance based grant based on a proposed expansion in the City of Detroit and creation of 621 new jobs. At the same meeting, Lear Corporation was awarded a $1,600,000 MBDP performance based grant for a proposed new facility in the City of Highland Park and the creation of 230 new jobs. After the agreement for each project was executed, Lear’s customer wanted the supplier for the products produced in Highland Park to be a minority owned company. As a result, Lear subcontracted the Highland Park project to the Company, consolidating all capital costs and new job creation related to both projects into one project. Both companies voluntarily released their previously executed individual awards and on June 26, 2013, the Company was awarded the consolidated award of $4,600,000 for 851 new jobs and a capital investment of up to $32,400,000 in the City of Detroit and the City of Highland Park. The combined approval holds all requirements of the previous deals; including base, jobs and investment.

Due to customer program fluctuations, the Company is uncertain about what timeframe would be necessary to attain the Milestone Three new job creation requirements. Though the Company exceeded their Milestone Two job creation requirements by over 50 new jobs, the customer program fluctuations dramatically slowed job creation. As a result, the Company is requesting to remove the final Milestone, reduce the required Qualified New Jobs (“QNJ”) from 851 to 566, and total grant award from $4,600,000 to $3,400,000.

Recommendation
MEDC Staff recommends the following (collectively, “Recommendation”):
   a) Amend the MBDP Agreement by removing Milestone Three in its entirety;
   b) Reduce the total Qualified New Jobs from 851 to 566;
   c) Reduce the total grant award from $4,600,000 to $3,400,000;
   d) Change the Term of the Grant from March 30, 2018 to January 24, 2017;
   e) All other aspects of the approval remain unchanged.
WHEREAS, the Michigan legislature passed legislation establishing the 21st Century Jobs Trust Fund initiative that was signed into law;

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

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

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

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

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

WHEREAS, the MSF approved an $4,600,000 Michigan Business Development Program Performance based grant on June 26, 2013 for the expansion of operations at two existing leased facilities in Detroit and Highland Park, enter into a lease at a new facility in Detroit that will house machinery and equipment and workforce transferred from another facility, and install new machinery and equipment at an existing facility owned by the Company also in Detroit to accommodate new work (the "Project");

WHEREAS, the Company requests that the Michigan Business Development Program performance based grant be amended and revised as follows: remove Milestone Three, reduce the Required Qualified New Jobs from 851 to 566, reduce the Maximum Grant from $4,600,000 to $3,400,000, and reduce the Term of the Grant from an end date of March 30, 2018 to January 24, 2017 ("Amendment"); and

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
June 28, 2016
MEMORANDUM

Date:       June 28, 2016

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

From:       Trevor Friedeberg, Business Development Project Manager

Subject:    NEAPCO Drivelines, LLC (“Company” or “Applicant”)
            Amendment to Approved Michigan Business Development Program Grant Agreement

Request

The Company was required to expand driveline operations in Van Buren Township and also expand
headquarter operations in the City of Novi, make investments and create jobs related to motor vehicle
transmission and power train parts manufacturing and corporate, subsidiary, and regional managing offices,
respectively. In total, this expansion would lead to the creation of 167 Qualified New Jobs and investment
of up to $57.7 million in the State of Michigan.

Since approval, the Company has changed its real estate decision and found a more suitable headquarter
building at 38900 Hills Tech Drive, Farmington Hills, Michigan. Other factors and aspects of obligations
under the grant have not changed.

Background

On September 28, 2015, the Company was awarded a $1.5 million performance base grant under the
Michigan Business Development Program (“MBDP”). The Company planned to expand driveline
operations in Van Buren Township and also expand headquarter operations in the City of Novi, make
investments and create jobs related to motor vehicle transmission and power train parts manufacturing and
corporate, subsidiary, and regional managing offices, respectively.

The Company was making the decision between expanding in Mexico where there was pressure from local
customers and proven logistical and labor cost savings, or expand its footprint in Michigan, which would
result in future growth opposed to the erosion of the workforce in Michigan due to expanding in other
markets.

Recommendation

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

a) Amend the September 28, 2015 approval for NEAPCO Drivelines, LLC to change the Project
   Location of the headquarter operation from the City of Novi to 38900 Hills Tech Drive, Farmington
   Hills, Michigan;

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, the MSF Board approved a $1.5 million Michigan Business Development Program Performance based grant on September 22, 2015 for the expansion of manufacturing and headquarter operations and create jobs in Van Buren Township and the City of Novi (the “Project”);

WHEREAS, the Company is now expanding operations in Van Buren Township and in Farmington Hills;

WHEREAS, the Company requests that the Michigan Business Development Program performance based grant be amended and revised as follows: change the agreement to reflect the Project Location as Farmington Hills where Qualified New Jobs can be created (“Amendment”);

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

Ayes:

Nays:

Recused:

Lansing, Michigan
June 28, 2016
MEMORANDUM

Date: June 28, 2016

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

From: Trevor Friedeberg, Business Development Project Manager

Subject: Thomson Reuters (Tax&Accounting), Inc. (“Company” or “Applicant”) Amendment to Approved Michigan Business Development Program Grant Agreement

**Request**

The Company was required to create 60 Qualified New Jobs above the Base Employment level of 1,426 by December 31, 2015. While the Company is on schedule with their job creation at the project location, headcounts in other facilities caused by an impending divesture of three company divisions, Master Data Center, Inc., Micropatent LLC, and Thomson Reuters (Scientific) LLC, have caused slowing of the net job growth of the company as required under the grant. These three divisions account for 195 employees statewide causing a large discrepancy in the required Base Employment Level and the Company’s ability to meet the Qualified New Jobs number.

Additionally, the Company has requested an extension to meet Milestone One to December 31, 2016 to allow the selling of the divested companies to be finalized and extend all subsequent milestones accordingly, to allow for additional time to meet all job creation requirements set forth in the MDBP agreement.

In total, the company anticipates creating all 300 Required Qualified New Jobs at 6300 Interfirst Drive, Ann Arbor, MI.

**Background**

On October 28, 2014 the Michigan Strategic Fund approved a $2.4 million award for Thomson Reuters (Tax Accounting), Inc. under the Michigan Business Development Program (“MBDP”). The Company proposed the consolidation of existing operations into one location which can support future expansion in order to accommodate anticipated growth in Pittsfield Charter Township. This project will result in the creation of 300 Qualified New Jobs and $19.8 million in capital investment. Pittsfield Charter Township committed to provide a property tax abatement in support of the project.

**Recommendation**

MEDC Staff recommends the following (collectively, “Recommendation”): Amend the October 28, 2014 approval for Thomson Reuters (Tax & Accounting), Inc. to:

- a) Reduce the required Base Employment level by 195 from 1,426 to 1,231;
- b) Extend the due date for Milestone 1 to December 31, 2016;
- c) Extend the due date for Milestone 2 to December 31, 2017;
- d) Extend the due date for Milestone 3 to December 31, 2018;
- e) Extend the due date for Milestone 4 to December 31, 2019;
- f) Extend the due date for Milestone 5 to December 31, 2020;
- g) Extend the Term of the Agreement to December 31, 2021;
- h) All other aspects of the approval remain unchanged.
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: June 5, 2016

Company Name: Thomson Reuters (Tax & Accounting) Inc. ("Company" or "Applicant")

Company Address: 2395 Midway Rd.
Carrolton, TX 75006

Project Address ("Project"): 6300 Interfirst Dr.
Saline, MI 48176

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 $2,400,000 ("MBDP Incentive Award")
- **Base Employment Level:** 1,426
- **Total Qualified New Job Creation:** 300
  *(above Base Employment Level)*
- **Company Investment:** $19,866,000 in building annual lease costs, leasehold improvements, furniture and fixtures, computers, other personal property, or any combination thereof, for the Project.
- **Municipality supporting the Project:** Pittsfield Charter Township committed to provide property tax abatement on real and/or personal property.
- **Disbursement Milestones:** The terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award are outlined in Exhibit B of the Agreement, and include:
  - **Disbursement Milestone 1:** Upon demonstrated creation of 60 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than December 31, 2015.

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**PURE MICHIGAN**

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• Disbursement Milestone 2: Up to $440,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 55 additional Qualified New Jobs (for a total of 115 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2016.

• Disbursement Milestone 3: Up to $480,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 60 additional Qualified New Jobs (for a total of 175 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2017.

• Disbursement Milestone 4: Up to $440,000 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, and Disbursement Milestone 3, and upon demonstrated creation of 55 additional Qualified New Jobs (for a total of 230 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2018.

• Disbursement Milestone 5: Up to $560,000 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, Disbursement Milestone 3, and Disbursement Milestone 4, and upon demonstrated creation of 70 additional Qualified New Jobs (for a total of 300 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2019.

• Term of Agreement: Execution of Agreement to December 31, 2021

Proposed MBDP Incentive Amendment:

• Base Employment Level 1,231 Amend the Base Employment Level from 1,426 to 1,231 to exclude Master DataCenter, Inc., Micropatent LLC, and Thomson Reuters (Scientific) LLC.

• Disbursement Milestones: The terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award will be amended as follows:

  • Disbursement Milestone 1: Up to $480,000 Upon demonstrated creation of 60 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than December 31, 2016.

  • Disbursement Milestone 2: Up to $440,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 55 additional Qualified New Jobs (for a total of 115 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2017.
• Disbursement Milestone 3: Up to $480,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 60 additional Qualified New Jobs (for a total of 175 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2018.

• Disbursement Milestone 4 $440,000 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, and Disbursement Milestone 3, and upon demonstrated creation of 55 additional Qualified New Jobs (for a total of 230 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2019.

• Disbursement Milestone 5: $560,000 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, Disbursement Milestone 3, and Disbursement Milestone 4, and upon demonstrated creation of 70 additional Qualified New Jobs (for a total of 300 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2020.

• Term of Agreement: Execution of Agreement to December 31, 2021

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 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 June 10, 2016 the MEDC may not be able to proceed with any recommendation to the MSF.

Acknowledged as received by:

Thomson Reuters (Tax & Accounting) Inc.
By: [Signature]
Printed Name: Jaime Fuentes
Vice President
Its: 6/7/2016
Dated:

Michigan Economic Development Corporation
By: [Signature]
Printed Name: Trevor Friedelberg
Business Projects Wgr.
Dated:

Thomson Reuters (Tax & Accounting) Inc.
MICHIGAN STRATEGIC FUND

RESOLUTION 2015-

APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
THOMSON REUTERS (TAX&ACCOUNTING), INC

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

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

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

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

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

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

WHEREAS, the MSF Board approved an $2.4 million Michigan Business Development Program Performance based grant on October 28, 2014 to consolidate operations and create jobs in Pittsfield Charter Township (the "Project");

WHEREAS, the Company is going through a divestiture where three (3) company divisions are being sold, resulting in a reduction in the Company’s overall Base Employment Level;

WHEREAS, the Company requests that the Michigan Business Development Program performance based grant be amended and revised as follows: modify the Base Employment Level requirement from 1,426 to 1,231; it is further requested all milestone due dates as set forth in the agreement, as well as the Term of Agreement, be extended by 1 (one) year ("Amendment 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 Amendment 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 Amendment Award Recommendation").
NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the MBDP Amendment Award Recommendation.

Ayes:

Nays:

Recused:

Lansing, Michigan
June 28, 2016
MEMORANDUM

Date: June 28, 2016

To: Michigan Strategic Fund Board

From: Jim Davis, Underwriting and Incentive Structuring Specialist

Subject: Grand Rapids Downtown Market Holdings, LLC Request for Approval of a Michigan Community Revitalization Program $3,000,000 Other Economic Assistance-Performance-Based Loan Participation Agreement Amendment

Request
Grand Rapids Downtown Market Holdings, LLC (“Company”) is requesting approval of an amendment to the Michigan Community Revitalization Program Performance-Based Loan Participation of Other Economic Assistance (Ex. Loan Participation) Agreement (“Agreement”) and any related ancillary agreements. The amendment request dated April 27, 2016 includes a request to extend the interest-only payments for one year to allow three new tenants, including two new large restaurant users, to catch up with local current market. The one year interest-only extension will allow for adequate financial sustainability.

Background
The Michigan Strategic Fund Board approved up to $3,000,000 Award in a $4,000,000 loan facility from Fifth Third Bank (“Participating Lender”) on February 27, 2015 to the Company for the purpose of constructing a 25,000 square foot year round market on multiple parcels, encompassing a whole block of property, located at 435 Ionia Avenue, SW and 109 Logan Street, SW in the City of Grand Rapids. The project will include multi-vendor space for fresh food markets, with both a year-round indoor component and space for an outdoor seasonal farmer’s market, as well as restaurants and other food services, educational facilities, food processing and production facilities (such as a kitchen incubator), a rooftop greenhouse and other mixed-use components such as crafts, retail shops, residential units and offices.

An amendment/waiver request to the project was approved on July 1, 2014 to:
- Recognize and waive the default resulting from Grand Rapids Downtown Market Holdings, LLC (“Company” or “Borrower”) not obtaining a New Market Tax Credits structure and not implementing an amortization schedule by December 31, 2013.
- To allow Fifth Third Bank (“Bank of Lender”) to amend the Draw Note to allow interest only payments to continue through June 30, 2016, with P & I payments beginning with the payment due July 30, 2016 with the amortization to be agreed upon prior to June 30, 2016 by all parties involved, but in no event will the amortization exceed 20 years.
- To allow the Bank to amend the Loan Agreement to allow the Borrower to finance $500,000 for tenant improvements (the current language allows for $300,000).
An amendment request to the project was approved November 24, 2015 to:
- Consent to subordinating its collateral position to the proposed $1,000,000 line of credit (LOC) from Old National Bank allowing the Lender to have a security position in the assets of the project. The LOC will be used to meet short-term working capital needs, financing future tenant build-outs, fund tenant allowances to attract other tenants, and finance additional non-income producing build-outs within the existing space such as restrooms, etc...

Milestones one, two and three are complete and the company is current with reporting requirements.

**Recommendation**
- The MEDC staff recommends approval of an amendment to allow interest-only payments to continue through June 30, 2017 with P & I payments beginning with the payment due July 30, 2017 per the Company’s request dated April 27, 2016.
RESOLUTION 2016-

APPROVAL TO AMEND A MICHIGAN COMMUNITY REVITALIZATION PROGRAM OTHER ECONOMIC ASSISTANCE PERFORMANCE-BASED LOAN PARTICIPATION AWARD TO GRAND RAPIDS DOWNTOWN MARKET HOLDINGS, LLC

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

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

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

WHEREAS, pursuant to SFCR 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, by Resolution 2013-029 on February 27, 2015 the MSF Board awarded a MCRP Other Economic Assistance – Performance-Based Loan Participation to Grand Rapids Downtown Market Holdings (“Borrower”) of up to $3,000,000 (“Award”) in a $ 4,000,000 loan facility from Fifth Third Bank (“Participating Lender”);

WHEREAS, the MSF entered into the Participation Agreement on June 17, 2013 and the Borrower has made regular payments since that time. The project was acknowledged as completed by the MSF on September 8, 2014 and is currently operating as contemplated;

WHEREAS, the Borrower is requesting that the MSF consent to extend the interest-only payments for one year to allow three new tenants, including two new large restaurant users catch up with local current market. The one year interest-only extension will allow for adequate financial sustainability.

WHEREAS, the MEDC has recommended that the MSF delegate to the MSF Fund Manager authority to enter into an agreement with Grand Rapids Downtown Market Holding, LLC will provide consent from the MSF to extend the interest-only payments for one year;

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

ADOPTED

Ayes:

Nays:

Recused:
MEMORANDUM

Date: June 28, 2016

To: Michigan Strategic Fund Board

From: Jennifer Schwanky, Brownfield and MCRP Program Specialist

Subject: City of Holland Brownfield Redevelopment Authority
       Request for Approval of an Act 381 Work Plan Amendment
       Crescent Shores, LLC - Request for Approval of MBT Brownfield Credit
       Amendment, Project #S09-0018

Request
The proposed project will be undertaken by Crescent Shores, LLC and Lake Mac Developers, LLC. The project will redevelop 29 parcels of property located at 545, 561, and 565 Crescent Drive, 532 West 16th Street, 532 West Shore Drive, 531 South Shore Drive, 512 and 519 West 16th Street and 523 West 17th Street in the City of Holland. The project is located in a traditional commercial center and qualifies for an Act 381 work plan and a MBT Amendment because it is a facility.

In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the City of Holland Brownfield Redevelopment Authority is seeking approval of an increase in local and school tax capture above the previously approved amount for MSF eligible activities in the amount of $275,572. Total local and school tax capture is now $2,171,795. It also requests an extension of time to complete eligible activities for 6 years, to be completed in 2020. The original project was approved by the MEGA Board on June 16, 2009.

Crescent Shores, LLC requests the following amendment be made to the Brownfield MBT credit for the Crescent Shores project, originally approved by the MEGA Board on June 26, 2009: an addition of Qualified Taxpayer Lake Mac Developers, LLC.

Project costs associated with significant investment in public infrastructure and tied to the South Shore Village business district have increased since the original approval of this work plan. Public access to the waterfront and pedestrian infrastructure connecting the waterfront to the development and the adjacent business district have been designed by, and will be largely funded by, the City of Holland. The additional tax increment requested for this work plan will be dedicated as a contribution to fund a portion of the additional public infrastructure. The development pro forma for the private townhomes and mixed use project illustrates that return on investment cannot support the costs of the additional public infrastructure. Additionally, the eligible activities will alleviate Brownfield conditions across the site and make it suitable for redevelopment, and protect human health and the environment. Without Brownfield tax increment reimbursement, the cost burden related to Brownfield conditions would make the project financially unfeasible.
The Applicant anticipates that the project will result in additional capital investment in the amount of $5,000,000, which now will be approximately $15,000,000, along with the originally projected creation of approximately 10-12 permanent full-time equivalent jobs with an average hourly wage of $15.

**Background**
The project was originally approved for tax increment financing on June 16, 2009, and for a small Brownfield MBT credit on June 26, 2009 by the MEGA Board, but economic conditions at that time deteriorated and financing was not obtained to carry out the project. With the recovery of the economy, the construction of the project is viable and lenders have been secured. Project costs have shifted somewhat, and the costs for site preparation activities and public infrastructure improvements have increased.

Demolition activities will be necessary to remove existing buildings on the parcels north and south of Crescent Street, as well as the existing docks as it is necessary for the redevelopment and reconstruction of public facilities. Site preparation activities include special foundations that require piers to be driven into shoreline urban fill, excavation of urban fill, grading, and relocation of active utilities that inhibit redevelopment. Infrastructure improvements including landscaping, sidewalks, water and sewer improvements, public parking, and public docks installed in public right-of-ways are necessary to support the new development. Interest 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.

Crescent Shores, LLC is a development entity formed by principals with experience in acquisition, planning, and development of single family and multi-family residential and commercial properties. Additionally, the principals have experience in operating other businesses relating to the fields of accounting and finance, insurance and construction. Examples of past development projects in Michigan include Stoney Creek Condominiums in Hudsonville, Carriage Lane Apartments, converted to condos, in Byron Center, Field Stone Ridge, platted, in Cannon Township, and Emerald Woods, site condos, in Gaines Township. Lake Mac Developers, LLC is a single-use entity formed by the existing group of developers specifically to complete the project. The entities involved have never been issued any prior incentives by the Michigan Strategic Fund.

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

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

a) Additional time to complete the eligible activities, as well as local and school tax capture for the Act 381 eligible activities totaling $2,171,795 (an increase of $275,572 from the originally approved project). Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $1,085,246.

b) The Brownfield MBT credit amendment request to add Qualified Taxpayer, Lake Mac Developers, LLC.
APPENDIX B – Programmatic Requirements & Screening Guidelines

Property Eligibility
The project is located within the boundaries of the City of Holland, which is a Qualified Local Governmental Unit, and has been determined to be a facility as verified by the Michigan Department of Environmental Quality (DEQ). The property is the subject of a Brownfield Plan, duly approved by the City of Holland on November 19, 2008.

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

a) **Overall Benefit to the Public:**
   The project will reclaim the waterfront for residential use. Additionally, the City will construct a “shopper dock” which will allow transient dockage to vessels seeking to park their boat and visit the businesses in this neighborhood. The project will also result in a significant increase to the City’s tax base.

b) **Jobs Created (Excluding Construction and other Indirect Jobs):**
   The project will create approximately 10-12 new permanent full time jobs with anticipated average wages of approximately $15 per hour.

c) **Area of High Unemployment:**
   The unadjusted employment rate for the City of Holland as of July 2015 was 4.6%. This compares to an adjusted unemployment rate of 6.1% for the State of Michigan and 5.6% nationally for the same period.

d) **Level and Extent of Contamination Alleviated:**
   Portions of the Eligible Property contain elevated concentrations of benzene, toluene, ethylbenzene and xylene (BTEX) in excess of residential Part 201 residential cleanup criteria. The Developer will comply with due care requirements in addressing the existing contamination at the site.

e) **Reuse of Functionally Obsolete Buildings and/or Redevelopment of Blighted Property:**
   This project is not qualifying as either Functionally Obsolete and/or Blighted.

f) **Cost Gap that Exists between the Property and a Similar Greenfield Property:**
   This site was chosen due to its location on Lake Macatawa, therefore a Greenfield site was not considered.

g) **Whether Project will Create a New Brownfield Property in the State:**
   This project is a new redevelopment project and is not expected to create another brownfield.
h) **Whether the Project is Financially and Economically Sound:**
From the materials received, the MEDC infers that the project is financially and economically sound.

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

**Tax Capture Breakdown**
There are 48.0244 non-homestead mills available for capture, with school millage equaling 24 mills (49.97%) and local millage equaling 24.0244 mills (50.03%). Tax increment capture begin in 2009 and is estimated to continue for 15 years. The requested tax capture for MSF eligible activities breaks down as follows:

<table>
<thead>
<tr>
<th></th>
<th>School tax capture (49.97%)</th>
<th>$1,085,246</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local tax capture (50.03%)</td>
<td>$1,086,549</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$2,171,795</td>
<td></td>
</tr>
</tbody>
</table>

**Cost of MSF Eligible Activities**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Current</th>
<th>2009 Approval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demolition</td>
<td>$187,000</td>
<td>244,100</td>
</tr>
<tr>
<td>Infrastructure Improvements</td>
<td>714,925</td>
<td>487,600</td>
</tr>
<tr>
<td>Site Preparation</td>
<td>$906,000</td>
<td>475,400</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>$1,807,925</td>
<td>1,207,100</td>
</tr>
<tr>
<td>Contingency (15%)</td>
<td>+0</td>
<td>181,065</td>
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<tr>
<td>Sub-Total</td>
<td>$1,807,925</td>
<td>1,388,165</td>
</tr>
<tr>
<td>Interest (5%*)</td>
<td>+342,870</td>
<td>492,058</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>$2,150,795</td>
<td>1,880,223</td>
</tr>
<tr>
<td>Brownfield/Work Plan Preparation</td>
<td>+21,000</td>
<td>16,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$2,171,795</td>
<td>1,896,223</td>
</tr>
</tbody>
</table>

*Interest is provided for $1,391,700 in eligible activities paid for by the developer (some costs related to public infrastructure will be paid for by the jurisdiction).
**Brownfield MBT Credit Amendment Request By:**
Crescent Shores, LLC
Contact: Daniel Helmholdt

<table>
<thead>
<tr>
<th></th>
<th>Previous Approval</th>
<th>Amendment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Eligible Investment:</td>
<td>$10,000,000</td>
<td>$13,000,000</td>
</tr>
<tr>
<td>Requested Credit Amount:</td>
<td>$1,250,000</td>
<td>$1,250,000 (capped)</td>
</tr>
<tr>
<td>Requested Credit Percentage:</td>
<td>12.5%</td>
<td>12.5%</td>
</tr>
</tbody>
</table>

The project is a multi-phase project and will be completed in four phases as described below:

**Phase I** – Construction of infrastructure and site improvements, two multi-unit town home buildings, and one carriage house to the eastern end of Property A.

**Phase II** – Construction of a multi-unit town home building and one carriage house on Property A.

**Phase III** – Construction of the three-story mixed-use retail live-wok complex on Property B.

**Phase IV** – Construction of two single family site condos, a multi-unit town home building, and the remaining 2 carriage houses on Property A.

**COST OF ELIGIBLE INVESTMENTS BY PHASE**

<table>
<thead>
<tr>
<th>Phase</th>
<th>New Construction</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase I</td>
<td>$4,000,000</td>
<td>$4,000,000</td>
</tr>
<tr>
<td>Phase II</td>
<td>$3,000,000</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>Phase III</td>
<td>$2,000,000</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Phase IV</td>
<td>$4,000,000</td>
<td>$4,000,000</td>
</tr>
</tbody>
</table>

**TOTAL COST OF ELIGIBLE INVESTMENTS**

<table>
<thead>
<tr>
<th>New Construction</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$13,000,000</td>
<td>$13,000,000</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, the MEGA Board approved a Work Plan request for Crescent Shores Project (the “Project”), by Resolution #2009-113 on June 16, 2009, authorizing the Authority to capture taxes levied for school operating purposes based on a maximum of $1,896,223 in eligible activities;

WHEREAS, the qualified taxpayer wishes to amend the scope of the Project by extending the time allowed for completion of the project and increasing the maximum amount for eligible costs;

WHEREAS, the City of Holland Brownfield Redevelopment Authority (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 amended 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 49.97% to 50.03% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, and infrastructure improvements as presented in the revised Work Plan dated September 14, 2015. Any change in millage that increases the capture percentage of school operating taxes by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on a maximum of $1,807,925 for the principal activity costs of non-environmental activities, a maximum of $342,870 in interest, and a maximum of $21,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of $1,085,246.
BE IT FURTHER RESOLVED, that the MSF Board authorizes the MSF Fund Manager, to provide written notification to the Authority, in the form of a letter which incorporates the terms set forth in this Resolution and consistent with the limitations of the Act, and that this approval is further conditioned upon the Authority, or the City as appropriate, maintaining adequate records regarding: a) all taxes captured for the project; and b) receipts or other appropriate documentation of the cost of eligible activities. The records shall be made available for review upon request by MSF or MEDC staff. Eligible activities authorized by this resolution must be completed within four (4) years from the date of this resolution.

BE IT FURTHER RESOLVED, that they MSF Board is authorizing that capture of taxes levied for school operating purposes for the payment of interest, up to a maximum of $342,870 related to the eligible activities for the Project.

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2009-113 are reaffirmed and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
June 28, 2016
At the meeting of the Michigan Strategic Fund (“MSF”) held on June 28, 2016 in Lansing, Michigan;

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

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

WHEREAS, on June 26, 2009, the MEGA Chairman issued a pre-approval letter for a Small Brownfield MBT Tax Credit to Crescent Shores, LLC (the “Applicant”) to make eligible investment up to $10,000,000 at an eligible property in the City of Holland (the “Project”);

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

WHEREAS, a request has been submitted to amend the Project to add a Qualified Taxpayer – Lake Mac Developers, LLC; and

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

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF, and recommends approval of the amendment by the MSF Board, provided that the maximum credit amount does not exceed $1,250,000;

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board recommends that the MSF President issue an amended pre-approval letter to amend the Project by adding a new Qualified Taxpayer, provided that the maximum credit does not exceed $1,250,000.

Ayes:

Nays:

Recused:

Lansing, Michigan
June 28, 2016
REQUEST
Michigan Economic Development Corporation (“MEDC”) Staff recommends the Michigan Strategic Fund (“MSF”) approval of the attached Application Guide Excerpt for Program Year 2016. (Attachment A)

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

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

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

RECOMMENDATION
The MEDC Staff recommends:

- The MSF approves the attached Application Guide Excerpt for Program Year 2016.
Business Development Program Requirements

BUSINESS DEVELOPMENT PROGRAM EVALUATION-GENERAL

All Business Development Projects will be evaluated on the following:

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

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

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

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

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

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

ELIGIBLE ACTIVITIES AND SPECIFIC RELATED CRITERIA:

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

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

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

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

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

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

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

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

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

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

IV. Business Development - Unique Grants: Innovative and creative funding requests may be considered by the MEDC, based on special and/or unique needs, or situations requiring innovative program approaches not specifically provided for in identified programs. This may
include, but is not limited to, brownfield site redevelopment, targeted industry development, building and building rehabilitation activities, CDBG Section 108 loan guarantees, activities and services listed in the above categories which do not meet identified screening or selection criteria and/or projects associated with other State or Federally funded initiatives. No additional criteria will be utilized to evaluate these projects beyond the general criteria expenses. Expenses to be considered include, but may not be limited to, rent or mortgage, salaries and wages, benefits, inventory, utilities, supplies, computer/printer/software, insurance, shipping and delivery costs, storage costs, equipment rental fees, marketing/advertising costs, accounting fees and vehicle expense.

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

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

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

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

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

COMMUNITY DEVELOPMENT PROGRAM EVALUATION-GENERAL

All Community Development Projects will be evaluated on the following:

- **National Objective**: Proposed projects are expected to meet a National Objective of blight elimination; benefiting a population of individuals of whom at least 51% reside in LMI households; or projects that will result in the creation of full-time equivalent (FTE) positions of which at least 51% of the created positions will be held by LMI persons. Preference will be given to projects with job creation commitments. For job creation or retention projects, funding priority will be given to projects creating permanent, full-time equivalent positions and where the amount of CDBG funds per position created is $35,000 or less.

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

- **Leverage Ratio**: Leveraging refers to additional non-CDBG funds required beyond the match to complete the project. Proposed projects are expected to leverage private and other public funds. Funding priority will be given to projects when the leverage ratio of all other private and public funds to CDBG funds is 1:1 or greater.

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

- **CDBG Request**: All grant requests, with the exception of planning grants, shall not be less than $30,000.
Financial Viability: All Community Development projects must be financially viable. Please refer to the Economic Development Underwriting (Financial Viability) section for guidance on that evaluation process.

ELIGIBLE ACTIVITIES AND SPECIFIC RELATED CRITERIA:

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

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

Communities that are qualified as LMI communities with a population over 15,000 must include at least five participating properties with façade improvements to meet the area wide benefit national objective for this initiative. LMI communities with a population of 15,000 or less must have at least two participating properties to meet the area wide benefit National Objective.

All projects which include historic resources must meet the Secretary of Interior’s Standards for Rehabilitation. All projects should have a contribution of at least 25% of the total project costs. Only complete exterior historic rehabilitation projects will be considered for 25% contribution.

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

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

Exclusively residential structures and government owned buildings, other than Land Bank properties, are not eligible for Building Acquisition funds. Ineligible activities for this initiative include appraisals, structural analysis, or other soft costs associated with acquisition. Projects that will rehabilitate significant structures, with preference to historic buildings, should have a contribution of at least 25% of the total acquisition costs and leverage private/public funds to assist with the rehabilitation of the property at a 1:1 ratio of CDBG funds. Projects that do not involve extensive rehabilitation projects and are intended for growing small businesses, should have a contribution of at least 50% of the total acquisition costs.

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

II. Community Development Assistance to Benefit Communities: Assistance to Communities is designed to assist local units of government that have plans in place to promote and strengthen the infrastructure and environment in their downtowns. These grants are expected to create vibrant communities and enhance sense of place through blight elimination, job creation, and by benefiting areas of low-moderate income individuals. Public infrastructure includes items located on public property, such as: parking facilities, streetscape, farmers' markets, public water or sanitary sewer lines, and related facilities, demolition as part of a larger project, streets, roads, bridges, private utilities and public utilities.

A. Community Development – Farm to Food: Grants are available for communities seeking to construct, rehabilitate, acquire, expand, or improve a facility. Awarded funds must be used for the construction, expansion, acquisition, or improvements of existing farmers' markets. It is expected the structure(s) will be utilized mainly as a farmers’ market. In addition, it is expected that when the structure(s) is not operating as a farmers' market, that it will be used for additional community activities year round.

Projects will be evaluated on the overall impact of the project on the community, the history of market operations, the financial viability of the market, the visibility of location, project start and completion date; use of the building and site during the farmers’ market off season; offering of services to low-moderate income patrons such as Bridge Card use, Project Fresh, etc.; and innovative design elements that promote multiple uses of the project space. All projects must have a contribution of at least 25% of the total project cost.
B. **Community Development - Public Infrastructure related to Small Business:** Communities may request grants to provide public infrastructure improvements necessary for the location, expansion, and/or retention of a specific for-profit business. These projects will be considered on an ongoing basis. A minimum 25% local government cash match is required.

C. **Community Development-Demolition of Blight:** This program does not require the location to be within a traditional downtown and is allowable anywhere within the community that is designated a slum or blighted area. Eligible under this activity would be property acquisition and clearance/demolition. Ineligible activities for this initiative include any acquisition or demolition of privately owned structures, exclusively residential structures, historic structures and state owned buildings, except for Land Bank Properties.

Funding priority will be given to the demolition of vacant, deteriorated and abandoned buildings which are considered to be detrimental to public health and safety. The community must be able to demonstrate that their proposed project is clearly eliminating objectively determinable signs of blight and is strictly limited to eliminating specific instances of blight (spot blight). Priority projects will meet multiple definitions for blight and, if necessary, provide structural building analysis. No private match is required for this program. A minimum of 25% percent local government cash match is required.

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

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

IV. **Community Development - Funding Round Grants:** Grants may be available for public infrastructure, rental rehabilitation and façade projects that upgrade existing public infrastructure systems, substantially rehabilitate rental housing and improve exterior building façades. Announcement of these activities will be made to eligible communities as funding becomes available. Competitive ranking of projects will be based on the proposals received, and awards will be based on the availability of funds. Selection criteria will be announced at the time of the competition. A minimum of no more than twenty five (25%) percent local government cash match may be required. The maximum individual grant award may not exceed $1,000,000.
V. Community Development - CDBG Loan Fund/Revolving Loan Fund (RLF): The intent of the RLF is to provide CDBG eligible loans to businesses and Units of Local Governments (UGLUGs) located with the nine geographic regions established by the MSF, or within the geographic boundaries of an existing Local RLF within the identified regional territory. The MEDC will work with the identified funds to consider projects with existing funding and new funds. However, the MEDC does not intend to further capitalize any funds that are remaining local due to the goal of streamlining funding and creating efficiencies throughout the state. Please note due to the unique nature of these projects and goal of supporting eligible projects brought forward by the funds, Community Development criteria may be waived by MEDC staff.

All Regionalized and Locally held RLF Managers and CDBG Regional RLF Managers were notified that they would have to meet the State of Michigan’s definition of ”Continuing Activity” as approved by the MSF. Continuing Activity is defined as the successful funding of an eligible CDBG loan activity or extension of commercial credit in the preceding 12 months (July 1st – June 30th) or, in the cases in which the RLF had insufficient funds to advance on a proper loan request, a request for assistance was made of the State CDBG program and a loan/grant was approved, with a loan/grant agreement having been signed.

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

VI. Community Development - Unique Grants: Innovative and creative funding requests may be considered by the MEDC based on special and/or unique needs, or situations requiring innovative program approaches not specifically provided in identified programs. This may include, but is not limited to, brownfield site redevelopment, small business development, CDBG Section 108 loan guarantees, activities and services listed in the above categories which do not meet identified screening or selection criteria, and/or projects associated with other State, or are Federally funded.
WHEREAS, Executive Order 1999-1, issued pursuant to Article V of the Michigan Constitution of 1963 and the laws of State of Michigan, consolidated the State’s economic development functions and programs and their accompanying powers of the Michigan Strategic Fund (“MSF”); and

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

WHEREAS, pursuant to SFCR 10.1-1, the MSF approved the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate awards or decisions approved under the CDBG program; and

WHEREAS, the CDBG program desires to adopt the policies, criteria, and parameters for the selection of projects which are enumerated in the attached 2016 Application Guide Excerpt (the “Guide Excerpt”); and

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

WHEREAS, the CDBG program staff recommends that the MSF adopt the attached Guide Excerpt to update the selection criteria in the current Application Guide adopted in 2014 for the CDBG program.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board adopts the attached Guide Excerpt as the policies, criteria, and parameters for projects being considered and funded with 2016 program Year funds; and

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

Ayes:

Nayes:

Recused:

Lansing, Michigan
June 28, 2016
MEMORANDUM

Date: June 28, 2016

To: Michigan Strategic Fund (“MSF”) Board

From: Josh Hundt, Vice President, Business Development Projects
      Stacy Bowerman, Senior Project Manager

Subject: MSF Designated Renaissance Zone Program Guidelines

Summary
Staff are requesting approval of the proposed MSF Designated Renaissance Zone Program Guidelines by the MSF Board.

Background
In 1996, the Renaissance Zone program was created under Public Act 376 of 1996 (the “Act”) to assist the State of Michigan and certain local governmental units in encouraging economic development, job creation, and ancillary economic growth by providing temporary relief from certain taxes for projects located within these Renaissance Zones. The Act allows the MSF Board to authorize Renaissance Zones for economic development projects in Michigan if the business or property owner is current with all state and local taxes and the local governmental unit where the Renaissance Zone is located approves the designation. As of June 2016, there are 10 MSF Designated Renaissance Zones available.

In May 2016, the Act was amended to allow the business or property owner located in the Renaissance Zone to make a payment in lieu of taxes abated. In light of this recent change, the MEDC prepared Program Guidelines to establish parameters on designation and compliance of Renaissance Zones as well as guidance on authorizing a Payment in Lieu of Taxes.

It is the intent of the Program Guidelines to ensure MEDC staff is continuing to operate within the MSF’s guidance and allow the State to achieve its goal of encouraging economic development, job creation and ancillary economic growth.

Recommendation
Staff recommends that the MSF do the following:
  • Approve the attached MSF Designated Program Guidelines.
RENAISSANCE ZONE ACT OVERVIEW

As of June 2016, the Michigan Strategic Fund (MSF) Board may designate 10 Renaissance Zones within Michigan in one or more cities, villages, or townships if that municipality, or combination of municipalities, consents to the creation of the Renaissance Zone within its boundaries. Of the 10 Renaissance Zones, two must be designated as a Redevelopment Renaissance Zone and three must be located in rural areas. The MSF Board may not designate a Renaissance Zone if the zone includes a business that is an eligible next Michigan business that is eligible to be certified as a qualified eligible next Michigan business.

Qualified Local Governmental Units may apply for designation of a Renaissance Zone if all of the following are met:

- The geographic area of the Renaissance Zone is located within the boundaries of the Qualified Local Governmental Unit or units that apply;
- The proposed Renaissance Zone is not more than 5,000 acres in size;
- The Renaissance Zone does not contain more than 10 distinct geographic areas;
- The application includes the duration request, not to exceed 15 years;
- The Qualified Local Governmental Unit has an elected county executive’s written approval or the mayor’s approval, if applicable.

The MSF Board may designate Renaissance Zones for period not to exceed 15 years. The MSF shall not designate an area as a Renaissance Zone unless each city, village or township within the proposed Renaissance Zone provides a resolution from its governing body authorizing the designation.

Considerations for designating a Renaissance Zone shall include the following:

- Priority shall be given to applications that include a new business activity
- Evidence of adverse economic and socioeconomic conditions within the proposed Renaissance Zone
- Viability of the development plan
- Whether the development plan is creative and innovative
- Public and private commitment to and other resources available for the proposed Renaissance Zone
- Level of demonstrated cooperation from surrounding communities
- How the local regulatory burden will be eased for businesses operating in the proposed Renaissance Zone
- Public and private commitment to improving abandoned real property

DEFINITIONS

a) **Qualified Local Governmental Unit** means either (a) a county, or (b) a city, village, or township that contains an eligible distressed area (as defined in Section 11 of the state housing development authority act, MCL 125.1411).

b) **Redevelopment Renaissance Zone** shall promote the redevelopment of existing industrial facilities or the development or property for industrial purposes.

c) **Renaissance Zone** means a designated geographic area within which the operations of a designated company or companies are relieved of certain taxes, including state education tax, personal and real
property taxes, and local income tax where applicable. Companies are not exempt from paying the CIT, federal taxes, local bond obligations, school sinking fund or special assessments or Michigan sales and use tax. Individuals living within Renaissance Zones are also relieved of the payment of certain taxes, including state income taxes.

d) **Rural Areas** are those outside the boundaries of Urban Areas.

e) **Urban Areas** are those determined to be urbanized area by the 1990 census from the economics and statistics administration, United States bureau of census.

**RENAISSANCE ZONE OPERATING PRINCIPLES & PARAMETERS**

The MSF Board will consider designation of a Renaissance Zone for projects that will result in major qualifying investments and/or job creation in Michigan.

A qualified investment means an investment to a project in Michigan, and the investment, and its terms and conditions, must be acceptable to the MSF.

A qualified new job means a job performed for the qualified business for consideration by an individual who is a resident of Michigan, and whose Michigan income taxes are withheld by an employer (or an employee leasing company or a professional employer organization on behalf of the employer); and

1) to count as a qualified new job, the qualified new job must be in excess of the number of jobs maintained by the qualified business in Michigan prior to the proposed project, as determined by, and acceptable to the MSF; and

2) the MSF may also consider full time equivalent or hours worked as a method to count a job as a qualified new job, and may impose other terms and conditions, including without limitation that the qualified new job may not count if it includes a job transferred from any qualified business facility in Michigan to another qualified business facility located, or to be located, in Michigan.

The MSF Board intends to consider projects that include the following, to the extent reasonably applicable to the type of development proposed and may include any other considerations satisfactory to the MSF Board:

- Out-of-state competition
- Net-positive return to this state
- Level of investment
- Business diversification
- Shovel ready projects
- Reuse of existing facilities
- Near-term job creation
- Level of wages for new jobs
- Employer provided benefits
- Whether the project is located in a distressed or targeted community
- Strong links to Michigan suppliers

The MSF shall enter into a development agreement with the owner or developer of the facility or property located in the Renaissance Zone, and the business operating in the Renaissance Zone, if applicable, with terms and
conditions in accordance with the Renaissance Zone legislation and Program Guidelines and otherwise satisfactory to the MSF Board. The development agreement shall include at a minimum all conditions imposed upon the Qualified Local Governmental Units and owner or developer; the duration of the Renaissance Zone; revocation and repayment requirements if the Qualified Local Governmental Units, owner or developer do not comply with the written agreement; and an audit provision that allows for the verification of the timely completion or satisfaction of the agreement requirements and investment.

The MEDC will provide administrative services to the MSF for the program, including conducting due diligence, managing compliance processes, and coordinating pre-closing background checks as may be required by the chief compliance officer.

All Renaissance Zone designations will be performance based. The MEDC will require annual reporting of data, financial information, and any other information required to facilitate reporting to the MSF Board, Department of Treasury, and Michigan legislature.

The MEDC may require an application fee as authorized by the MSF Board.

**Payment in Lieu of Taxes**

The MSF may authorize a business that is located and conducts business activity within a MSF Renaissance Zone to make a payment in lieu of taxes to any taxing jurisdiction in which the MSF Renaissance is located.

Considerations for authorizing payments in lieu of taxes shall include the following to the extent reasonably applicable to the type of investment proposed and may include any other consideration satisfactory to the MSF Board:

- Approval of the MSF Renaissance Zone will cause undue financial distress for the taxing jurisdiction
- The local government approving the Renaissance Zone has requested a payment in lieu of taxes as part of their resolution.
- The business(es) locating in the Renaissance Zone requested to make a payment in lieu of taxes.
- The project will result in the reuse of an existing vacant, functionally obsolete, blighted, and/or contaminated facility, or be an expansion of a current facility

Any payments made in lieu of taxes abated as a result of the MSF Renaissance Zone must be proportionate between the county; city, village or township; and state in which the Renaissance Zone is located unless otherwise approved by each governmental unit and the MSF Board. Investments made by local governmental units in support of the project located in the Renaissance Zone may be taken into consideration when determining the proportionate payment amounts.

**Amendment**

There may be occasions where it may be necessary to amend an existing agreement based on change in ownership or project scope. Corporate counsel will be consulted to advise as to whether the action will require MSF approval.

**Compliance**
In the event of non-compliance with statute, resolution or Development Agreement, several steps may be taken by the MSF and the entity to cure the non-compliance. Any material change in the Development Agreement shall require MSF approval.

There are distinct instances when a zone can be revoked:

1. The MSF shall revoke or reduce the duration of a zone if it is determined that the zone is in violation of statute, resolution or the Development Agreement.
2. Failure to commence construction or renovation within one year from the date the renaissance zone is designated.
3. Business closure or failure to commence operation.

Upon the occurrence of an event of default, along with staff recommendation, the MSF may revoke the zone designation by resolution and may require the business and the owner of the real property to pay the state and local taxing authorities an amount up to the value of credits received by the business and the owner of the real property as of the date of the notice of non-compliance or as otherwise provided in their Development Agreement.

1. If the event of default occurs on or before the end of the fourth year of the term of the agreement, then the MSF may require the company (and the owner) to repay 100 percent of the total amount of the credits actually received by the company (and the owner); and

2. If the event of default occurs after the end of the fourth year of the term of the agreement, then the MSF may require the company (and the owner) to repay up to 50 percent of the total amount of the credits actually received by the company (and the owner).
WHEREAS, Public Act 376 of 1996, MCL 125.2681-125.2696, as amended, created the Michigan Renaissance Zone Act (the “Act”) to foster economic opportunities in the State of Michigan; to facilitate economic development; to stimulate industrial, commercial, and residential improvements; to prevent physical and infrastructure deterioration of geographic areas in this State; and to provide exemptions and credits from certain taxes;

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

WHEREAS, the MEDC recommends that the MSF Board adopt the Renaissance Zone Program Guidelines attached as Exhibit A to this resolution; and

WHEREAS, the MSF Board wishes to adopt the Renaissance Zone Program Guidelines.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board adopts the Renaissance Zone Program Guidelines.

Ayes:

Nays:

Recused:

Lansing, Michigan
June 28, 2016
MEMORANDUM

Date: June 28, 2016

To: Michigan Strategic Fund Board

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

Subject: Community Development Block Grant (CDBG) Program
         CDBG Loan Program Exception

Request
The Michigan Economic Development Corporation (MEDC) staff is asking to:

- Consider a Community Development Block Grant (CDBG) Loan Fund to have met the definition of “Continuing Activity” for the 2015 CDBG program year, if the Fund;
  1. completes and returns the Notice of Intent (NOI), related to the Homeowner & Emergency Loan Program (HELP) by June 30, 2016, and
  2. executes a loan agreement with a Regional Loan Fund Administrator (RLFA) by September 30, 2016 to fund HELP loans within the geographic boundary of the Fund.

Background
In 2012, the CDBG Loan Program was regionalized to be aligned with the regionalization efforts for other MEDC/MSF programs. One Regional Fund Manager was designated for each region. This allowed the fund to service a large enough area with the hope that a sufficient number of opportunities would be available.

At this time the MSF also defined “Continuing Activity” as the successful funding of an eligible CDBG loan or extension of commercial credit in the preceding 12 months or, in the cases in which the Fund had insufficient funds to advance on a proper loan request, a request for assistance was made of the State CDBG program and a loan/grant was approved, with a loan/grant agreement having been signed.

If the definition of Continuing Activity is not met, the funds will be reclassified as general CDBG funds, and, per State policy, must be returned to the State as general program income.

On September 22, 2015 the MSF extended the date from January 1, 2016 to June 30, 2016 by which a CDBG Loan Fund must meet the definition of “Continuing Activity”. The MSF also refined the 12 month period in which a CDBG loan or extension of commercial credit must be funded as currently specified in the definition of “Continuing Activity” to begin on July 1st and end on June 30th each year.

In May 2016 staff made CDBG Loan Funds (CLF) and RFLAs aware of the opportunity to fund HELP loans within the geographic boundary of the CLF. As local board approval is necessary to enter into the NOI and to apply for, and execute, a loan with the RFLA, staff has agreed that, given the time constraints involved, it would be to the benefit of the regions and communities to make an exception to the “Continuing Activity” definition for CLFs that wish to participate in HELP.
Recommendation
The MEDC Staff recommends:

- Allow a CDBG Loan Fund that has completed and returned the HELP Notice of Intent by June 30, 2016, and executed a loan agreement with a RLFA by September 30, 2016, to fund HELP loans, as having met the “Continuing Activity” criteria for the 2015 CDBG program year.
WHEREAS, Executive Order 1999-1, issued pursuant to Article V of the Michigan Constitution of 1963 and the laws of the State of Michigan, consolidated the State’s economic development functions and programs and their accompanying powers in the Michigan Strategic Fund (“MSF”);

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

WHEREAS, the CDBG program has policies, criteria, and parameters which are enumerated in the annual Program Guidelines (the “Criteria”);

WHEREAS, the Criteria are contained in the Michigan Annual and Five Year Consolidated Plan for Housing and Community Development (“Consolidated Plan”) and Application Guide which the MSF most recently approved on April 28, 2015, by Resolution 2015-039;

WHEREAS, on August 24, 2011, by Resolution 2011-120, the Fund Manager was authorized to regionalize the existing CDBG loan funds into nine (9) regional entities statewide with one Regional Fund Manager for each region, which Regional Fund Managers were designated by the MSF Board on October 24, 2012 by Resolution 2012-142. Further, the MSF Board adopted the Uniform Reuse and Administration Plan (“Plan”) on November 30, 2011 by Resolution 2011-169 to govern the funds in the Regional Revolving Loan Funds;

WHEREAS, on September 2, 2015, by Resolution 2015-139 the CDBG Application Guide was modified to adjust the “Continuing Activity” deadline from “January 1, 2016” to “June 30, 2016” and to revise the definition of “Continuing Activity” to the twelve month period from July 1st to June 30th; and

WHEREAS, the CDBG program staff recommends that a CDBG Loan Fund that has completed and returned the Homeowner & Emergency Loan Program (“HELP”) Notice of Intent by June 30, 2016, and executed a loan agreement with a Regional Loan Fund Administrator by September 30, 2016, to fund HELP loans, as having met the “Continuing Activity” criteria for the 2015 CDBG program year.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves a CDBG Loan Fund that has completed and returned the Homeowner & Emergency Loan Program (“HELP”) Notice of Intent by June 30, 2016, and executed a loan agreement with a Regional Loan Fund Administrator by September 30, 2016, to fund HELP loans, as having met the “Continuing Activity” criteria for the 2015 CDBG program year.; and

BE IT FURTHER RESOLVED, that that the MSF Board authorizes the MSF President or the MSF Fund Manager to take any action necessary to effectuate the terms of this Resolution.
Ayes:  
Nays:  None  
Recused:  None  

Lansing, Michigan  
June 28, 2016
MEMORANDUM

Date: June 28, 2016

To: MSF Board

From: Christin Armstrong, Associate General Counsel & V.P., Compliance and Contract Services

Subject: Covisint Corporation – Michigan Business Development Grant – Forbearance Request

Request
Covisint Corporation (the “Company”) requests that the Michigan Strategic Fund (“MSF”) Board forbear on exercising its rights to terminate the Company’s Michigan Business Development Program (“BDP”) Grant until April 30, 2017 (the “Forbearance Request”). In consideration for the Forbearance Request, the Company will pay a forbearance fee of $15,000.

Background
On November 24, 2014 the Company was awarded a $1,500,000 Performance-based BDP Grant. This project involves the creation of 50 Qualified New Jobs (“QNJs”) and a capital investment of up to $5,500,000 in the City of Southfield, Oakland County. The Company is required to maintain 235 Base Jobs. The table below shows the Company’s milestone schedule and associated disbursement amounts. No disbursements have been made under the BDP Grant to date.

<table>
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<th>Milestone Deadline</th>
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The Company applied for Milestone One on time, however, it was determined upon audit and verification of the Milestone that some employees were not eligible to be counted toward the Base Job requirement or the QNJ requirement for Milestone One. As a result, the Company fell below its Base Job requirement and was unable to meet the QNJ requirement of Milestone One, thereby triggering an Event of Default under the BDP Grant. As a result of the Event of Default, the MSF is entitled to terminate the BDP Grant.

The Company is confident that it can resolve the Events of Default noted above by April 30, 2017. To that end, MEDC Staff has proposed a forbearance agreement under which the MSF would forbear on exercising its right to terminate until the sooner of April 30, 2017 or the Company’s cure of the Event of Default. In consideration for this forbearance, the Company would be required to pay a forbearance fee of $15,000 (1% of the total grant amount). This fee could be paid in full upon execution of the forbearance agreement or with a portion paid up front and the balance spread over the forbearance term.
**Recommendation**
MEDC Staff recommends that the MSF Board approve the Forbearance Request and further recommends that the MSF President or MSF Fund Manager, with only one required to act, be authorized to negotiate the final terms and conditions of and execute all documents necessary to effectuate the Forbearance Request.
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, on November 25, 2014, the MSF Board authorized a performance-based MBDP other economic assistance incentive of up to $1,500,000 to Covisint Corporation (the “Company”);

WHEREAS, on January 29, 2015, the Company and the MSF entered into an MBDP Grant Agreement under which the Company agreed to create 50 Qualified New Jobs and maintain a Base Employment Level of 235 jobs in the State of Michigan (the “Grant Agreement”);

WHEREAS, the Company is in default under Section 5.2(b) of the Grant Agreement for failure to maintain the Base Employment Level and under Section 5.2(c) of the Grant Agreement for failure to timely meet one of the Key Milestones by the applicable date for such Key Milestone (the “Event of Default”);

WHEREAS, pursuant to Section 5.4 of the Grant Agreement, the MSF may terminate the Grant Agreement upon the occurrence of an Event of Default;

WHEREAS, the Company has requested that the MSF enter into a forbearance agreement with respect to the Event of Default with terms and conditions that shall include:

(a) Forbearance by the MSF from exercising its rights to terminate the Grant Agreement under the Event of Default until the earlier to occur of 1) cure of the Event of Default by the Company or 2) April 30, 2017 (the “Forbearance Period”); and

(b) Payment by the Company of a forbearance fee in the amount of $15,000.

(the aforementioned, collectively the “Forbearance Request”);
WHEREAS, the MEDC has reviewed the Forbearance Request and has determined that the Forbearance Request would allow the Company sufficient time to eliminate the Event of Default while also providing satisfactory consideration to the MSF and recommends that the MSF Board approve the Forbearance Request; and

WHEREAS, the MSF wishes to approve the Forbearance Request.

NOW, THEREFORE, BE IT RESOLVED, the MSF approves the Forbearance Request and

BE IT FURTHER RESOLVED, that the MSF Fund Manager or the MSF Chairperson, in coordination with MEDC Staff, is authorized to negotiate all final terms and conditions and execute all documents necessary to effectuate the Forbearance Request.

Ayes:

Nays:

Recused:

Lansing, Michigan
June 28, 2016
MEMORANDUM

DATE: June 28, 2016

TO: Members of the Michigan Strategic Fund Board

FROM: Mark Morante, MSF Fund Manager
Andrea Robach, MSF Fund Administrator

RE: Recommendation for Next Michigan Development Corporation Designation
City of Detroit

Summary
The Next Michigan Development Act (PA 275 of 2010) authorizes the Michigan Strategic Fund (MSF) Board to designate an applicant which meets the legislative definition of an eligible Act 7 entity or an eligible urban entity as a Next Michigan Development Corporation (NMDC). Designation as a NMDC allows the entity authority to use certain state tax incentives to attract projects which present significant job creation and investment opportunities. An application for such a designation has been submitted by the Detroit Economic Growth Corporation on behalf of the City of Detroit; MCL 125.2954 authorizes an eligible urban entity to designate a nonprofit corporation to file the application and act as the NMDC on behalf of the eligible urban entity. No more than 7 NMDCs may be designated by the state; the Detroit Next Michigan Development Corporation (D-NMDC) would be the seventh and final designation currently permitted by legislation. A complete list of existing NMDCs and their respective territories has been included with this memo as an attachment. After review of the application and supporting materials provided, it is staff’s recommendation that designation of the D-NMDC be approved by the MSF Board.

Background
The role of a Next Michigan Development Corporation is to seek to attract eligible Next Michigan businesses (companies engaged in multi-modal activities) to its district by utilizing authority granted by the MSF to grant the benefits of renaissance zones, local development financing, new personal property tax exemptions and industrial facilities tax exemptions. Designation would allow the proposed D-NMDC to issue the following:

- PA 198 tax abatements – 50% real and personal property tax relief; up to 12 years
- Renaissance Zone designations (up to 12 allowable within district) – 100% personal property tax relief, 100% real property tax relief, 100% municipal corporate income tax relief; over 10 years phased out in years 7-10 upon concurrence by the MSF
- Local Development Finance Authority – provides tax increment financing for public infrastructure permits
- Potential permit expedition

Per PA 275 of 2010, the MSF Board shall apply certain criteria in determining approval of a next Michigan development corporation. Staff has reviewed the full application against these factors, the results of which are summarized in the below table.
<table>
<thead>
<tr>
<th>STATUTORY EVALUATION CRITERIA</th>
<th>D-NMDC ELIGIBILITY (SUMMARIZED)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Nominal level of unemployed workers</td>
<td>• 11% Jobless Rate – March 2016, Preliminary, Not Adjusted, As Reported by Michigan Department of Management &amp; Budget, Labor Division</td>
</tr>
<tr>
<td>• Evidence of significant job creation of a regional or state asset, or a combination of enterprises, facilities or obsolete facilities within the territory of the applicant, documented by a comprehensive business plan and by a third party study or studies quantifying the job creation potential and the degree of potential</td>
<td>• Business cluster strengths: significant access to intermodal facilities, US/International border crossing</td>
</tr>
<tr>
<td>• Transportation infrastructure assets: Coleman A. Young International Airport, Detroit Metropolitan Airport, Willow Run Airport, direct access to four Class I railroads, direct access to five major Interstates, Detroit Windsor Tunnel, Ambassador Bridge &amp; Future New International Trade Center/Gordie Howe Bridge, Port of Detroit</td>
<td>• Planned infrastructure improvements: I-94 Modernization project (scheduled to begin construction in 2019), Gordie Howe International Bridge (anticipated construction to begin 2017)</td>
</tr>
<tr>
<td>• Supported by public and private commitment</td>
<td>• Letters of support submitted from the following public and private entities: Detroit Manufacturing Systems, Rickman Enterprise Group, Focus: HOPE, Detroit Chassis, LLC, James Group International, Inc., Invest Detroit, Southeast Michigan Council of Governments</td>
</tr>
<tr>
<td>• The extent to which the eligible urban entity creates the possibility of streamlined permitting</td>
<td>• Statement on record submitted by David Bell, Interim Director, City of Detroit</td>
</tr>
</tbody>
</table>

Potential Economic Impact

In order to make the best use of the limited Renaissance Zone designations (twelve) currently allowed by statute, the City of Detroit and DEGC have worked closely to identify key employment districts which have the greatest potential for growth in manufacturing and transportation, distribution and logistics. Targeted geographical areas to market for use of these tools include Southwest Detroit, Mount Elliot Employment District & I-94 Industrial Park, and I-96/Southfield. A Logistics and Supply Chain Asset Study published by the MEDC in March 2015 (one of four studies provided as supporting documentation in the application submission) focused in part on the Mount Elliot and Southwest Employment Districts, determining that a combined public-private focused and strategic investment of $1.6-$2.2 billion could produce 15,000-22,000 new jobs and result in $11-$15 billion in value added to the Michigan economy.
Of this projected growth, 6,000-8,000 of the jobs were anticipated to be created in the Detroit metropolitan area.

**Staff Recommendation**
Review of the extensive application and supporting evidence indicates designation as a NMDC will enhance Detroit’s position as a multi-modal center. Therefore, staff recommends the MSF Board approve the designation of the Detroit Next Michigan Development Corporation.
The Next Michigan Development Act was established by PA 275 of 2010. The Act is to encourage the creation of Next Michigan Development Corporations (NMDC) to foster economic opportunities in the State of Michigan. There are currently six (and a seventh under consideration) active NMDCs that can grant incentives not only to new businesses but also to expanding businesses currently residing in Michigan. The designated NMDCs are as follows:

**Northern Nexus NMDC**  
Website: northernnexus.org  
Located within the Northwest Region of Michigan hosting five participating jurisdictions. This region offers the use of Traverse City’s Cherry Capital Airport and road infrastructure to create great opportunities for business.

**I-69 International Trade Corridor NMDC**  
Website: i-69internationaltradecorridor.com  
Located in the East Central Region of Michigan with a depth of 33 participating jurisdictions. Resources of interest include Flint’s Bishop International Airport, deep water ports, several interstate and state highway systems and the St. Clair Tunnel.

**Port Lansing NMDC**  
Website: portlansing.com  
Located within the Central Region of Michigan with participation from the City of Lansing and Ingham County. Port Lansing’s supply chain assets include the Capital Region International Airport, which has the Global Logistics Centre, Foreign Trade Zone (FTZ) No. 275 and adjacent rail. The airport is minutes from I-69, I-96 and US-127 highways.

**VantagePort NMDC**  
Website: vantageport.org  
Located within Southeast Michigan spanning across nine jurisdictions. This region offers expansive transportation infrastructure driving investment in and around Wayne County’s Detroit Metro and Willow Run Airport system.

**West Michigan Economic Partnership NMDC**  
Website: greenlightwm.com  
Located within the West Central Region of Michigan involving participation from seven jurisdictions. The benefits of this region include economical energy and abundant natural resources such as nearby Lake Michigan and the Gerald R. Ford International Airport.

**Superior Trade Zone NMDC**  
Located in the Upper Peninsula of Michigan hosting sixteen jurisdictions. This region takes advantage of the large tracts of land geographically located near the Delta County Airport Industrial Park and the Telkyte Industrial Park located at the former Air Force base in Marquette County. The Superior Trade Zone utilizes their natural resources in the agricultural, mining and tourism industries as well as trade opportunities that occur with Canada to the north.

**Detroit NMDC**  
New legislation allows for a seventh NMDC which is anticipated for the City of Detroit. The application to the Michigan Economic Development CorporationSM (MEDC) for this designation is presently in the early stages.

**WHY DO BUSINESS IN MICHIGAN?**  
Next Michigan Businesses are those located or locating within the NMDC regions that utilize multi-modal transportation in their supply or production chains. NMDCs aim to assist these logistics-based companies and the opportunities offered are as follows:

**Renaissance Zones, PA 376 of 1996**  
Renaissance Zones established by a NMDC offer 100%
relief from both real and personal property taxes and, if applicable, city corporate income tax, within the boundaries. The Renaissance Zones may be approved for up to 10 years and are phased out in 25% increments in the last three years. The Renaissance Zone works in conjunction with the designation of a Marketing Zone within the NMDC.

**Local Development Financing Act, PA 281 of 1986**
Allows a NMDC to utilize tax increment financing to fund public infrastructure improvements. There are several financing options for LDFA activities that allows for the capture of incremental growth of local property taxes over a period of time to fund these improvements.

**New Personal Property Tax Exemption, PA 328 of 1998**
Offers a 100% property tax exemption for an unlimited number of years on new personal property for companies within certain industries.

**Industrial Facilities Tax Exemption pursuant to Act 198 of 1974**
An Industrial Facilities Exemption certificate can be used to obtain a 50% property tax reduction for new, qualified real and personal property for a period of up to 12 years.

**CONTACT INFORMATION**
For more information contact the MEDC Customer Contact Center at 517.373.9808.
Participating jurisdictions

Superior Trade Zone
- Delta County
- Marquette County
- City of Escanaba
- City of Gladstone
- City of Marquette
- Bark River Township
- Chocolay Township
- Ely Township
- Ford River Township
- Garden Township
- Township of Ishpeming
- Township of Maple Ridge
- Nahma Township
- Richmond Township
- Wells Township
- Forsyth Township

I-69 International Trade Corridor
- Village of Almont
- Attica Township
- Burton
- Corunna Genesee County
- Davison Township
- Durand
- Fenton
- Flint
- Flint Charter Township
- Grand Blanc
- Grand Blanc Charter Township
- Imlay City
- Kimball Township
- Lapeer
- Lapeer County
- Lapeer Township
- Village of Lennon
- Marysville
- Village of Morrice
- Mt. Morris Charter Township
- Mundy Charter Township
- Village of North Branch
- Owosso
- Perry
- Perry Township
- Port Huron
- St. Clair
- St. Clair County
- St. Clair Township
- Shiawassee County
- Vernon Township
- Village of Vernon

Northern Nexus
- Blair Township
- East Bay Charter Township
- Garfield Charter Township
- Grand Traverse County
- Traverse City

West Michigan Economic Partnership
- Cascade Charter Township
- Grand Rapids
- Kent County
- Kentwood
- Muskegon
- Muskegon County
- Wyoming

Port Lansing
- DeWitt Charter Township
- Lansing

VantagePort
- Belleville
- Huron Township
- Romulus
- Taylor
- Van Buren Charter Township
- Washtenaw County
- Wayne County
- Ypsilanti
- Ypsilanti Charter Township
WHEREAS, the Next Michigan Development Act (the “Act”), 2010 PA 275, as amended, authorizes the Michigan Strategic Fund (“MSF”) to designate up to seven (7) Next Michigan Development Corporations (a “NMDC”) to foster economic opportunities in this state, prevent conditions of unemployment and underemployment, and promote economic growth;

WHEREAS, the Act provides that either an eligible Act 7 entity or an eligible urban entity may apply to the MSF Board for designation as a NMDC;

WHEREAS, the Act sets forth the criteria the MSF shall apply in determining whether or not to designate a NMDC at MCL 125.2955(2);

WHEREAS, the Act requires the MSF to grant or deny an application within forty-nine (49) days of receipt of an application for designation as a NMDC or the application is considered approved;

WHEREAS, the MSF received a final application from the Detroit Economic Growth Corporation on behalf of the City of Detroit (collectively the “Applicant”) on May 15, 2016, requesting designation of the Detroit Next Michigan Development Corporation as a NMDC (the “Application”);

WHEREAS, the City of Detroit is an eligible urban entity;

WHEREAS, after review of the Application and the criteria set forth at MCL 125.2955(2) staff recommends that the MSF Board approve the Applicant’s Application for designation as a NMDC.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the Applicant’s Application and designates the Detroit Next Michigan Development Corporation as a NMDC effective June 28, 2016; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
June 28, 2016
MEMORANDUM
Date: June 6, 2016
To: MSF Board
From: Fred Molnar, VP Entrepreneurship and Innovation
Subject: Lawrence Technological University Grant

ACTION
MEDC Staff recommends the MSF Board approve a grant in the amount of $100,000 to Lawrence Technological University (LTU) to fund a Gatekeeper Business Incubator grant through March 31, 2017.

BACKGROUND TO AWARD
The Michigan Strategic Fund (“MSF”) is authorized under Section 7 of the MSF Act to make grants, loans and investments in furtherance of the purposes of the MSF Act, as provided in Section 2 of the MSF Act, and which include the following: to help diversify the economy of this state, to assist business enterprise in obtaining additional sources of financing to aid this state in achieving the goal of long-term economic growth and full employment, to meet the growing competition for business enterprises, to preserve existing jobs, to create new jobs, and to reduce the cost of business and production.

The business incubator funding program grants funding to incubators to stimulate the creation and continued growth of technology-based businesses and jobs by capitalizing on the State of Michigan’s growing base of high technology industry, its skilled labor force, its nationally recognized university system, its SmartZones, and its business incubators.

On February 24th, 2015, the MSF selected Lawrence Technological University to receive a grant in the amount of $100,000 over 12 months to act as a Gatekeeper for the Southfield Smartzone and to establish the Business and Technology Center in a 4,000 square foot space within a LTU building located on the campus. The Center is operated by LTU Economic Development, with day to day management provided by the LTU Collaboratory. This grant funds the salary and expenses of the center’s director who is responsible for all gatekeeping activities including assisting companies with BAF and PreSeed applications and will also be responsible for collecting and monitoring the outcomes of the center. This grant is matched with TIF funds from the City of Southfield and in-kind in the form of salaries of the center’s advisory board members.

PROGRAM RESULTS
The purpose of this program is to assist early stage technology companies navigate the MSF funded entrepreneurial programs within the state and provide business advice to help these companies grow and prosper. To date LTU has helped create 9 new companies, served 70 companies total, helped create 18 FTEs as these companies and raise over $2 million in follow on funding. They
have also taken over organizing and hosting the Annual Collaboration for Entrepreneurship event, which this year had over 400 attendees from all over the state.

**BACKGROUND TO REFUNDING REQUEST**
The grant was awarded to the LTU Collaboratory knowing that it was still in its beginning phases of organization. The team at the Collaboratory have been able to provide the required services and have met or exceeded the milestones and metrics in the grant agreement. The continuation of the funding will allow them to continue assisting companies in the Southfield/Troy SmartZone area.

**RECOMMENDATION**
Lawrence Technological University, through this grant, has provided the necessary services to early stage technology based companies in the Southfield/Troy SmartZone. The grantee has continuously demonstrated stringent stewardship of the fund, while meeting or exceeding the expected metrics. As such, MEDC Staff recommends the MSF Board approve this grant for the amount of $100,000, using funds appropriated to the MSF in FY2016 from the General Fund.
WHEREAS, Public Acts 215 and 225 of 2005 (the “Act”) established the 21st Century Jobs Trust Fund initiative;

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

WHEREAS, Section 7 of the Act provides that the MSF has the power to make grants, loans and investments;

WHEREAS, Section 2 of the Act provides that the purposes of the Act and of the MSF is to, among other things, to help diversify the economy of this state, to assist business enterprise in obtaining additional sources of financing to aid this state in achieving the goal of long-term economic growth and full employment, to meet the growing competition for business enterprises, to preserve existing jobs, to create new jobs, and to reduce the cost of business and production;

WHEREAS, the MSF desires to award a grant of up to $1 million to Lawrence Technological University from the fiscal year 2016 General Fund appropriation to the MSF to assist early stage technology companies navigate entrepreneurial programs within the State of Michigan and provide business advice to help these companies grow and prosper, thereby increasing the number of jobs and investment in the State of Michigan (the “LTU Grant”).

NOW, THEREFORE, BE IT RESOLVED, that the MSF approves the LTU Grant; and

BE IT FURTHER RESOLVED, that the MSF authorizes the MSF Fund Manager to take all actions necessary to effectuate the LTU Grant in accordance with the terms and conditions of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
June 28, 2016
MEMORANDUM

Date: June 28, 2016

To: Michigan Strategic Fund

From: Denise Graves, University Relations, Entrepreneurship and Innovation

Subject: Support for the Michigan Translational Research and Commercialization (MTRAC) Statewide Program, Ag Bio Innovation Hub Application

Action

The MEDC requests that the MSF Board approve the request from Michigan State University as an Ag Bio Innovation Hub within the MTRAC Statewide Program. The MEDC also requests the allocation of $1,000,000 from the 21st Century Jobs Fund Entrepreneurship and Innovation 2016 MTRAC budget as funding for 2 years for this Innovation Hub.

Background

At its April 26, 2016 meeting, the MSF approved the creation of the MTRAC Statewide Program, $3,500,000 from the 2016 21st Century Jobs Fund, Program Guidelines and Scoring Criteria for the support of translational research projects in five (5) Innovation Hubs in the following key areas Bio-Medical Sciences, Life Sciences, Advanced Transportation, Advanced Materials and Agriculture-Biology. The program supports the acceleration of technology transfer from Michigan’s institutions of higher education, non-profit research centers and hospital systems for commercialization of competitive edge technologies in the 5 key areas.

The MEDC, program administrator, received one application for the Ag Bio Innovation Hub from Michigan State University. The application was reviewed and scored, based on the approved scoring criteria as attached. Michigan State University meets the criteria for an Innovation Hub as outlined in the approved Program Guidelines.

In February of 2013, the MSF Board Awarded MSU a MTRAC award in the amount of $1,092,500 for a 3 period for the technology transfer and commercialization of competitive edge technologies and bioeconomy technologies to the private sector focusing on Ag Bio.
In their most recent progress reports (April 2016) the current MSU MTRAC Ag Bio Program reported the following metrics cumulative to date (10/2013-3/2016):

<table>
<thead>
<tr>
<th>Metrics</th>
<th>Actual to Date through 3/31/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Start-ups</td>
<td>2</td>
</tr>
<tr>
<td>Jobs Created</td>
<td>6</td>
</tr>
<tr>
<td>Follow on Funding</td>
<td>$12.371M</td>
</tr>
<tr>
<td>Licenses to Industry</td>
<td>3</td>
</tr>
<tr>
<td>Proposals Reviewed by Oversight Committee</td>
<td>62</td>
</tr>
<tr>
<td>Projects Funded</td>
<td>24</td>
</tr>
</tbody>
</table>

**Recommendation**
MEDC Staff recommends that the MSF Board approve the following:

1) Approval of Michigan State University Application for the Ag Bio Innovation Hub for the MTRAC Statewide Program;
2) Allocation of $1,000,000 from the 2016 21st Century Jobs Fund MTRAC budget for the Ag Bio Innovation Hub for 2 years.
## Executive Summary:
Following items are included:
- Name of the applicant organization
- Amount of funds requested
- Amount of cash matching funds
- Term
- Technology and/or market area of focus
- The targeted numbers for:
  - Companies Created
  - Licenses to Michigan companies
  - Licenses to non-Michigan companies
  - Jobs created
  - Amount of follow-on funding

### Research Background and Past Experience:
Does the description of the proposed technology and/or market area make sense? Does the applicant have the experience to do this? Is the team capable of doing it? Are the policies and processes conducive to commercialization? Please consider the following.
- The technology and/or market focus and the reasons for why this area has been chosen
- The volume of federal, state, and other research funding in the proposed area
- The applicant’s experience and expertise in technology transfer in the proposed area
- Key program personnel and their relevant experience (if available)
- Technology transfer leadership and their experience
- The applicant institution’s leaders and their experience
- Policies and processes being conducive to commercialization
  - Intellectual Property
  - Tenure promotion
  - Conflict of Interest Policy

### The university ecosystem and implementation of the MTRAC program:
Do they have a reasonable plan for execution? Do they understand what they need to do to accomplish the goals? Does the applicant have the experience to do this? Please consider the following.
- Understanding of the MTRAC Process
- How the Process will be implemented and how the relevant units (departments, centers and institutes) will be involved
- Integration with the other commercialization programs
- The applicant’s commercialization expertise and experience in the proposed market and/or technology area
- The university’s commitment at all levels in terms of financial match, in-kind resources and willingness to support an Innovation Hub and collaborate with other institutions
- Collaborative partners and their value
- Technology Transfer leadership, their past track record and their commitment
- Key program personnel and their value
- Buy-in and support from the university leadership

### Milestones/Deliverables/Budget:
Do they have a realistic plan and time line? Is the budget enough to support the necessary MTRAC activities and goals and bring the projects to an

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<table>
<thead>
<tr>
<th>Criteria</th>
<th>Reviewer’s Comments</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Summary:</td>
<td>Yes, Eligible</td>
<td></td>
</tr>
<tr>
<td>Research Background and Past Experience:</td>
<td>Max. Possible Points: 25</td>
<td>Score: 25</td>
</tr>
<tr>
<td>The university ecosystem and implementation of the MTRAC program:</td>
<td>Max. Possible Points: 25</td>
<td>Score: 24</td>
</tr>
<tr>
<td>Milestones/Deliverables/Budget:</td>
<td>Max. Possible Points: 25</td>
<td>Score: 21</td>
</tr>
</tbody>
</table>
industry/investor-ready stage? Does the applicant fund the necessary personnel for the program?
- Reasonable milestones/deliverables
- Achievable and leading to economic impact
- The budget is appropriate in scale and scope to proposed technology and/or market area
- Previous MTRAC program and accomplishment of milestones/deliverables and budget

<table>
<thead>
<tr>
<th>Economic Impact:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is the proposed impact reasonable given the proposed technology/market area and the local ecosystem?</td>
</tr>
<tr>
<td>- Potential for company creation per MEDC grant invested</td>
</tr>
<tr>
<td>- Potential for licenses to industry per MEDC grant invested</td>
</tr>
<tr>
<td>- Potential for generating local follow-on investment and/or drawing out-of-state investment into Michigan</td>
</tr>
<tr>
<td>- Reasonable targeted metrics:</td>
</tr>
<tr>
<td>- Companies Created</td>
</tr>
<tr>
<td>- Licenses to Michigan companies</td>
</tr>
<tr>
<td>- Licenses to non-Michigan companies</td>
</tr>
<tr>
<td>- Jobs created</td>
</tr>
<tr>
<td>- Amount of follow-on funding</td>
</tr>
</tbody>
</table>

Max. Possible Points: 25
Score: 21

<table>
<thead>
<tr>
<th>Total Score:</th>
</tr>
</thead>
</table>
Max. Possible Points: 100
Score: 92
WHEREAS, Public Acts 215 and 225 of 2005 (collectively, the “Act”) established the 21st Century Jobs Fund initiative;

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

WHEREAS, pursuant to Section 88o of the Act, the MSF shall create and operate a program to accelerate technology transfer from Michigan’s institutions of higher education to the private sector for commercialization of competitive edge technologies and bioeconomy technologies;

WHEREAS, on April 26, 2016, the MSF Board 1) created the Michigan Translational Research and Commercialization Program to award grants to Michigan institutions of higher education for the purpose of advancing of competitive edge technologies and bioeconomy technologies into commercial applications and increasing the number of startups, jobs, industry licenses and investment for Michigan (the “MTRAC Program”) and 2) adopted the MTRAC Program Guidelines;

WHEREAS, Michigan State University (“MSU”) has submitted a request to receive a grant of up to $1,000,000 as the Innovation Hub for Agriculture-Biology activities (the “Grant Request”);

WHEREAS, the MEDC has reviewed the Grant Request using scoring and evaluation criteria adopted by the MSF Board for the MTRAC Program and determined that MSU meets the criteria for approval as an Innovation Hub for Agriculture-Biology activities as described in the MTRAC Program Guidelines;

WHEREAS, the MEDC recommends that the MSF Board approve a grant award of up to $1,000,000 from the allocation to the MTRAC Program to MSU as an Innovation Hub for Agriculture-Biology activities, for the term of August 1, 2016 through July 31, 2018 (the “Grant Award”); and

WHEREAS, the MSF Board wishes to approve the Grant Award.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the Grant Award and authorizes the MSF Fund Manager to take all action necessary to effectuate the Grant Award, consistent with the terms and conditions of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
June 28, 2016
MEMORANDUM

Date: June 28th, 2016

To: MSF Board

From: Eric Shreffler, Managing Director, Auto Office

Subject: Grant to the University of Michigan Transportation Research Institute for the Ann Arbor Connected Vehicle Test Environment

MEDC Staff recommends the MSF Board approve an award in the amount of $2,000,000 over two years to the University of Michigan Transportation Research Institute (UMTRI) to provide matching funds for the continuation of the Ann Arbor Connected Vehicle Test Environment (AACVTE).

BACKGROUND TO AWARD

Under Section 88b(2)(c) of the MSF Act, the money transferred or appropriated to the MSF may be expended for programs or activities authorized under any chapter of the Act. Pursuant to Section 7(c) of the Act, the MSF has the power, among other things, to make grants.

In 2015, UMTRI was awarded a $9 million competitive federal grant from the USDOT’s Intelligent Transportation Systems Joint Program office for the AACVTE to support continuing research and development of technologies and applications using vehicle-to-vehicle (V2V) and vehicle-to-infrastructure (V2I) technology. Some of these activities will be upgrading and validating devices, others include architectural activities. The goals of the project are

- Develop an understanding of how connected model deployment environments can transform into a self-sustaining early operational deployment in the real world, and begin to implement a prototype of that ecosystem that will become a viable test environment for stakeholders, technologies, data, applications, and possible changes in institutional roles and activities.
- Establishing and maintaining the Ann Arbor environment as the highest-quality operation, both technically and in how stakeholders participate, such that the environment will serve as a template deployable environments. They anticipate having almost 5000 vehicles deployed by the end of the federal grant period.
- Bring high-technology jobs to Michigan. The continuation of this test environment has the potential to attract additional business to the area, to forge new business relationships, and to enhance existing relationships.

The federal grant requires a cost share of $6.2 million. UMTRI will be contributing $3.2 million towards this amount. The MEDC awarded UMTRI a grant using corporate funding for the first year of the program at a total award value of $1,000,000. In executing this program UMTRI regularly exceeded key milestones and metrics.
PROGRAM RESULTS

UMTRI has shown its expertise in the area of connected vehicles as they have been awarded multiple federal awards in this area over the last few years. They were initially selected for the “Safety Pilot of Connected Vehicles Deployment” grant opportunity. Their work under that grant led to this second award for the expanded connected vehicle test environment. Their goals align with the MEDC’s, bringing high-technology jobs to Michigan and solidifying Michigan’s position as a leader in connected vehicle technologies. The continuation of this test environment has the potential to attract additional business to the area, to forge new business relationships, and to enhance existing relationships. Under the Safety Pilot Model Deployment several device manufacturers established local offices in the Detroit area to better support the ongoing work. Two of the companies were from California, and one from Australia. As operations continue and the test environment is expanded, additional support will be required, which will bring even more jobs to the area.

RECOMMENDATION

MEDC Staff recommends the MSF Board approve this award.

MEDC staff also recommends that the MSF Board delegate authority to the MSF Fund Manager, with the assistance of MEDC staff, to negotiate and execute the final terms and conditions and all necessary agreements with UMTRI.
MICHIGAN STRATEGIC FUND
RESOLUTION

2016-

UNIVERSITY OF MICHIGAN TRANSPORTATION RESEARCH INSTITUTE GRANT

WHEREAS, Public Acts 215 and 225 of 2005 (the “Act”) established the 21st Century Jobs Trust Fund initiative;

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

WHEREAS, Section 88b(2)(c) of the Act provides that money transferred or appropriated to the MSF may be expended for programs or activities authorized under any chapter of the Act;

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

WHEREAS, the University of Michigan Transportation Research Institute (“UMTRI”) has requested a grant to support continuing research and development of technologies and applications using vehicle-to-vehicle and vehicle-to-infrastructure technology (the “UMTRI Grant”);

WHEREAS, the MEDC recommends that the MSF approve funding of up to $2,000,000 from the FY2016 appropriation from the 21st Century Jobs Fund for entrepreneurial activities to fund the UMTRI Grant; and

WHEREAS, the MSF approve funding of up to $2,000,000 from the FY2016 appropriation from the 21st Century Jobs Fund for entrepreneurial activities to fund the UMTRI Grant (the “Award Recommendation”).

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
June 28, 2016
MEMORANDUM
Date: June 9, 2016
To: Michigan Strategic Fund Board
From: Sean Carlson, VP, Michigan Defense Center

Subject: Procurement Technical Assistance Center (PTAC) Program – Flint PTAC Funding

Request
The Michigan Economic Development Corporation (MEDC) Staff requests the MSF Board approve the recommended funding award to the Flint/Genesee County Procurement Technical Assistance Center (PTAC) to assist with unexpected costs and expenses resulting from the Flint water crisis.

Background
The Department of Defense’s Procurement Technical Assistance Center (PTAC) Program was established by Congress in 1985 to help create jobs and to improve the local economy by assisting business firms in obtaining and performing under federal, state, and local government contracts. The U.S. Defense Logistics Agency (DLA), the MDC/MEDC, and local economic partners fund Michigan PTACs. The Michigan PTAC Program generates an enormous economic impact. In fiscal year 2014, the PTACs teamed with Michigan companies to secure $1 billion in government contracts resulting in thousands of jobs created or retained within the state. Collectively, hundreds of PTAC clients were successful in winning contracts and many more receiving valuable assistance towards their first contract win.

PTAC awards assist businesses located within the respective regions in winning federal, state and local contracts within the defense industry. Requests for FY16 state funding for PTACs were determined through a competitive application process, with recommendations which were ultimately approved by the Michigan Strategic Fund (MSF) Board. This approach ensured distribution of the limited funding available to the programs which best address economic development priorities of the state, thus providing the greatest return on investment.

Following the distribution of FY16 funding, a balance of $100,000 remained. It is the recommendation of staff that this remaining funding be granted to the Flint/Genesee County PTAC to aid in offsetting unexpected costs and expenses resulting from the Flint water crisis.

Recommendations
MEDC Staff recommends that the MSF Board approve the additional funding be granted to the Flint/Genesee County PTAC, to assist in delivering government contracting support to City of Flint businesses adversely affected by the Water Crisis.
MICHIGAN STRATEGIC FUND

RESOLUTION

2016-

GRANT TO FLINT AND GENESSEE CHAMBER OF COMMERCE
PROCUREMENT TECHNICAL ASSISTANCE CENTER GRANT

WHEREAS, Public Act 315 and 225 of 2006, as amended, created the Michigan Defense Center (“MDC”) within the Michigan Strategic Fund (“MSF”);

WHEREAS, Public Acts 215 and 225 of 2005 (the “Act”) established the 21st Century Jobs Trust Fund initiative;

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

WHEREAS, Section 88b(2)(c) of the Act provides that money transferred or appropriated to the MSF may be expended for programs or activities authorized under any chapter of the Act;

WHEREAS, Section 7(c) of the Act provides that the MSF shall have the power to make grants;

WHEREAS, the MEDC recommends that the MSF Board issue a grant of up to $100,000 from the balance of funds from the Request for Proposals for Procurement Technical Assistance Centers (“PTACs”) issued by the MSF Board on July 28, 2015 to the Flint and Genesee Chamber of Commerce Procurement Technical Assistance Center (the “Flint PTAC”) for the purpose of providing additional government contracting support to businesses in the City of Flint that have been adversely affected by the water crisis in Flint (the “Flint PTAC Grant”); and

WHEREAS, the MSF Board wishes to approve the Flint PTAC Grant to assist Flint businesses adversely affected by the water crisis.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the Flint PTAC Grant; and

BE IT FURTHER RESOLVED, the MSF Board authorizes the MSF Fund Manager to take all steps necessary to effectuate the Flint PTAC Grant, consistent with the terms of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
June 28, 2016
MEMORANDUM

Date: June 28, 2016

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

From: Marcia Gebarowski, Senior Business Development Project Manager

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

Summary
This is a request on behalf of FEV North America, Inc. for a $1,200,000 performance-based grant. Their project involves the creation of 246 Qualified New Jobs, and a capital investment of up to $27,350,000 in the City of Auburn Hills, Oakland County.

FEV evaluated Michigan and South Carolina to construct a new state-of-the-art facility that would house a tech center, engineering services and HQ operations. The Company is at-capacity at their facilities in both states and an expansion would require a bricks and mortar investment. In South Carolina, FEV is located within the Energy Systems Innovation Center at Clemson University. A competing incentive offer from the State of South Carolina and Clemson’s Center for Automotive Research (iCAR) offered the Company assistance to construct a new facility there. MBDP funds would be used to offset the costs of constructing the new building as well as the cost of placing a high-end R&D lab in the facility.

Background
FEV Group, founded in 1978 in Germany, is a powertrain and vehicle design engineering company that supplies the global transportation industry. In 1985, FEV Group formed FEV North America Inc. initially in California, and then relocating to Auburn Hills in 1987.

FEV Engine Technology, Inc. (“FEV”) a California corporation, was formed in 1985 and moved its headquarters to Auburn Hills in 1988. FEV is a recognized leader in the design and development of internal combustion engines and supplier of advanced test and instrumentation systems. FEV offers a complete range of engineering services, including the design, prototyping and development of advanced gasoline, diesel and alternative propulsion systems. In addition, FEV provides engine integration and vehicle calibration services.

The construction of a new facility will allow FEV to grow their presence by 50% in Michigan, enabling the Company to expand their services to customers as well as accommodate a growth in customer demand for their automotive engineering services.

FEV North America received a MEGA credit in 2007 to expand their North American Technical Center in Auburn Hills. The Company collected a portion of their credit until electing to transfer to the CIT in 2012.
The MEDC legal unit has completed a civil and criminal background check for the entity and individuals related to this project.

**Considerations**

a) The Company is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.

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

c) The Company has demonstrated a need for the funding. The company received competing incentives to build and operate this state-of-the-art operation from South Carolina.

d) The Applicant plans to create 246 Qualified New Jobs above a statewide base employment level of 404.

e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: The project is not a retail or a retention project; project; involves out-of-state competition; has a net positive return to Michigan; involves a high level of investment; shovel-ready project with the support of the MSF; prospect of near-term job creation; high wage level for new jobs; projected employer benefits; the project has strong links to Michigan suppliers.

**Recommendation**

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

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

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

c) Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 60 days.
WHEREAS, the Michigan legislature passed legislation establishing the 21st Century Jobs Trust Fund initiative that was signed into law;

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

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

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

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

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

WHEREAS, FEV North America, Inc. (“Company”) has requested a performance based MBDP grant of up to $1,200,000 (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”); and

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
June 28, 2016
EXHIBIT A

Company Name: FEV North America, Inc., and/or its Affiliates

Project Address: City of Auburn Hills & City of Rochester Hills

MBDP Award Amount: Up to $1,200,000

MBDP Award Type: Grant

Base Employment Level: At least 350 employees currently maintained by the Company and/or its Affiliates in the state.

Total Qualified New Jobs: At least 246

Municipality supporting Project: City of Auburn Hills

Disbursement Metrics: All milestones will be completed within five years of MSF Approval

1) Up to $240,000 upon demonstrated creation of 50 Qualified New Jobs above the base employment level and verification of local support

2) Up to $357,000 upon completion of Disbursement Milestone 1, and upon creation of 75 additional Qualified New Jobs above the base employment level

3) Up to $603,000 upon completion of Disbursement Milestone 1, Milestone 2, and upon creation of 121 additional new jobs above the base employment level
MEMORANDUM

Date: June 28, 2016

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

From: Mike Gietzen, Business Development Project Manager

Subject: JR Automation Technologies, LLC (“Company” or “Applicant”)
Michigan Business Development Program Performance-based Grant Request

Summary
This is a request from JR Automation Technologies, LLC for a $2,200,000 performance-based grant. This project involves the creation of 250 Qualified New Jobs and a capital investment of up to $5,600,000 in Holland Charter Township within Ottawa County.

As of March 2015 JR Automation was acquired by a New York-based private equity firm Crestview Partners who is evaluating and restructuring to grow business. JR Automation has an existing facility in South Carolina and has identified other locations in South Carolina which are being considered for expansion. Other considerations Crestview Partners are looking at include to purchase an existing facilities vs. building new construction, supply chain, real estate economics and state incentives. A key concern that has also identified is available skilled labor and labor force availability for technical skills and engineering positions.

Since 2009 the Company has experienced tremendous growth and is in a position to expand. The Company is in need of an additional 100,000 sq. ft. facility to house new growth in their executive office, engineering department, line production, and back office positions.

The proposed Michigan Business Development Program Performance-based Grant incentive package will help offset recruiting cost that the Company will be experiencing due to a very fast hiring ramp up as well as help offset cost identifying hard to find technical, skills trade and engineering positions.

Background
Founded in 1980, JR Automation is a Holland, Michigan based company that designs and builds custom automation equipment for multiple industries using the most cutting edge technology and process to meet customers demand. The Company employees 650+ in 7 location throughout Michigan and South Carolina. The Company also offers metal processing, welding, riveting, machining, tube bending, along with plastic and fabric, testing marking of a variety of parts and machines, assembly solutions and process development services.

JR Automation caters to clients from the aerospace, automotive, construction, furniture, medical, food processing, pharmaceutical and many other industries. Some of JR Automation customers included Toyota, Magna, Tesla, STIHL, Perrigo, Steelcase, Boeing, GM, Haworth, Herman Miller, Johnson Controls, and Lear.
On April 29, 2013 JR Automation Technologies, LLC received a $300,000 Michigan Business Development Program grant for the creation of 90 Qualified New Jobs and a capital investment of $4.2 million. The Company has met all requirements of the grant and is within good standing.

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

**Considerations**

a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.
b) The project will be located in Holland Charter Township. Holland Charter Township has offered a “staff, financial, or economic commitment to the project” in the form of a property tax amendment related to the project.
c) The Applicant has demonstrated a need for the funding. The Company has identified competition from South Carolina. The Company has also indicated that available skilled labor and labor force availability for technical skills and engineering positions is going to be a struggle to hire.
d) The Applicant plans to create 250 of QNJ Qualified New Jobs above a statewide base employment level of 661.
e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: involves out-of-state competition from South Carolina, shovel-ready project with the support of the MSF, diversification to Michigan’s economy, reuse of an existing facility within the City of Holland, above average wages in Ottawa County, 250 new near term jobs, strong links to Michigan suppliers; and is projected to result in a net positive return for the State of Michigan.

**Recommendation**

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

a) Approval of the MBDP Proposal as outlined in the attached term sheet (collectively, “MBDP Proposal”);
b) Closing the MBDP Proposal, subject to available funding under the MBDP at the time of closing (“Available Funding”), satisfactory completion of due diligence (collectively, “Due Diligence”), finalization of all MBDP transaction documents; and
c) Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 60 days.
EXHIBIT A

Company Name: JR Automation Technologies, LLC and/or its Affiliates

Project Location: Holland Charter Township and Village of Stevensville

MBDP Award Amount: Up to $2,200,000

MBDP Award Type: Grant

Base Employment Level: minimum of 661

Total Qualified New Jobs: minimum 250

Municipality support Project: Holland Charter Township

Disbursement Milestone Amounts/ Dates: Performance-based milestone incremental milestones over a 5 year period

1.) Up to $440,000 upon creation of 50 Qualified New Jobs above the base employment level and verification of local support.

2.) Up to $440,000 upon completion of Disbursement Milestone 1 and upon creation of 50 additional Qualified New Jobs (for a total of 100 Qualified New Jobs) above the base employment level.

3.) Up to $440,000 upon completion of Disbursement Milestone 1, and Milestone 2 and upon creation of 50 additional Qualified New Jobs (for a total of 150 Qualified New Jobs) above the base employment level.

4.) Up to $440,000 upon completion of Disbursement Milestone 1, Milestone 2, and Milestone 3 and upon creation of 50 additional Qualified New Jobs (for a total of 200 Qualified New Jobs) above the base employment level.

5.) Up to $440,000 upon completion of Disbursement Milestone 1, Milestone 2, Milestone 3 and Milestone 4 and upon creation of 50 additional Qualified New Jobs (for a total of 250 Qualified New Jobs) and verification above the Base Employment Level and verification of at least 250 total employees at the 4190 Sunnyside Drive Holland, Michigan 49424 facility.

Statutorily required repayment and reporting provisions will be reflected in the transaction documents.
MICHIGAN STRATEGIC FUND

RESOLUTION 2016-

APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO JR AUTOMATION TECHNOLOGIES, 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, JR Automation Technologies, LLC (“Company”) has requested a performance based MBDP grant of up to $2,200,000 (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”); and

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
June 28, 2016
MEMORANDUM

Date: June 28, 2016

To: Michigan Strategic Fund Board

From: Stacy Bowerman, Senior Project Manager
       Rob Garza, Brownfield, CRP and SmartZone Program Specialist

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

Request
The proposed project will be undertaken by Tri-County Commerce Center, LLC. The project will redevelop one parcel occupying approximately 36 acres of property located at 1400 East 10 Mile Road in the City of Hazel Park. The project qualifies for an Act 381 work plan because it is a facility.

In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the City of Hazel Park Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of $5,751,200.

The developer has maximized its senior lending capabilities at $23.6 million and is contributing more than 29% equity into the project. Without Brownfield tax increment reimbursement, the cost burden related to Brownfield conditions would make the project financially unfeasible.

The Applicant anticipates that the project will result in total capital investment in the amount of approximately $36 million, along with the creation of approximately 175 permanent full-time equivalent jobs with an average hourly wage of $16.

Background
The Hazel Park Raceway complex, constructed in 1952, occupies 10 percent of the city’s area. In the 1950’s, the racetrack provided 48 percent of the city’s general fund and after steady decline, it now represents 2 percent. The project will be located on the portion of the property that is currently occupied by paved surface parking that is no longer needed to support the raceway. Prior to construction of the raceway, the property was utilized as a landfill.

The redevelopment will consist of a 575,000 square foot modern building designed to serve industrial tenants. The new building will be a state-of-the-art facility with modern dock/door ratios, lighting, ceiling heights, and fire suppression systems. The development will have ample car parking and trailer staging areas with sufficient electrical capacity to attract light manufacturers.
In order to prepare the property for redevelopment, Brownfield conditions will need to be alleviated. Site demolition activities will be necessary to remove the parking lot. Additional demolition activities include removal of the horse barns and support structures on the property and a hazardous materials assessment of the buildings. Lead and asbestos abatement activities will be undertaken, if necessary. Site preparation activities include a geotechnical evaluation of the landfill, placement of fill and mass grading, and geopier installation. Infrastructure improvements include extending three new water mains and improvements to Couzens Avenue to increase the road classification.

The development is a partnership between Ashley Capital and the current site owners, The Hazel Park Racing Association, Inc. Ashley Capital is the largest privately-held industrial real estate owner/developer in Michigan. Ashley Capital’s portfolio consists of over 22 million square feet of industrial buildings, of which 14 million is located in Michigan. Most of the projects have been on a speculative basis and are currently 94 percent occupied. Ashley Capital has received incentives from the MEDC in the past in the form of a large Brownfield MBT credit valued at $5,027,965 and an associated work plan with state and local tax capture of approximately $12 million, both approved in 2007.

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

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

a) Local and school tax capture for the Act 381 eligible activities totaling $5,751,200. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $2,340,163. However, an entity’s decision to relocate from a Michigan location to the newly constructed facility may result in suspension of the school tax capture if the relocating entity has little or no intentions of: 1) expanding the size of its relocated facility; 2) employing a higher number of individuals then employed prior to its move into the facility; or 3) any other valid business reason.
APPENDIX A – Programmatic Requirements & Screening Guidelines

Property Eligibility
The project is located within the boundaries of the City of Hazel Park, which is a Qualified Local Governmental Unit, and has been determined to be a facility as verified by Michigan Department of Environmental Quality (DEQ) on April 4, 2016.

The property is the subject of a Brownfield Plan, duly approved by the City of Hazel Park on February 1, 2016.

In addition, the project is requesting from the DEQ $3,345,400 in TIF and a $2,000,000 DEQ loan 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 project will reuse approximately 36 acres of underutilized property which will aid in the revitalization of one of the City of Hazel Park’s main commercial corridors. The addition of hundreds of new jobs and streetscape improvements is also expected to help spur ancillary commercial development in the city.

b) Jobs Created (Excluding Construction and other Indirect Jobs):
It is anticipated this project could lead to the creation of 175 full-time equivalent jobs in the City of Hazel Park.

c) Area of High Unemployment:
The City of Hazel Park’s labor market information is not available. Oakland County’s unadjusted jobless rate was 3.5% in April 2016.

d) Level and Extent of Contamination Alleviated:
The Applicant will encapsulate the contaminated fill on the property with limited to no removal and disposal of contaminated soil. The explosion risk associated with the methane levels will be mitigated by a vapor mitigation system installed beneath the building. The environmental activities will also include an evaluation of the off-site migration of methane from the historic landfill. The vapor and dermal contact barriers will serve as barriers to human contact with the underlying contaminated fill and groundwater and associated vapor-phase contaminants. The project will also result in over 20 acres of impervious cover, which will reduce the amount of storm water available to leach contaminants from the fill into the underlying groundwater.

e) Reuse of Functionally Obsolete Buildings and/or Redevelopment of Blighted Property:
The project is not qualifying as functionally obsolete or blighted.
f) **Cost Gap that Exists between the Property and a Similar Greenfield Property:**
The Brownfield TIF is needed to mitigate the costs of removing parking lots and vacant structures, site preparation related to the special foundations required to support the building due to unsuitable and unconsolidated fills, and necessary infrastructure improvements that would not be associated with development of a greenfield site.

g) **Whether Project will Create a New Brownfield Property in the State:**
No new Brownfields will be created by this project.

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

i) **Other Factors Considered:**
The requested tax capture only represents 80% of the available state school and local capture, which will create an immediate benefit to the taxing jurisdictions before full eligible activity reimbursement is complete.

**Tax Capture Breakdown**
There are 58.9790 non-homestead mills available for capture, with school millage equaling 24 mills (40.69%) and local millage equaling 34.9790 mills (59.31%). Tax increment capture will begin in 2017 and is estimated to continue for 23 years. The requested tax capture for MSF eligible activities breaks down as follows:

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<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>School tax capture</td>
<td>(40.69%)</td>
<td>$ 2,340,163</td>
</tr>
<tr>
<td>Local tax capture</td>
<td>(59.31%)</td>
<td>$ 3,411,037</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>$ 5,751,200</strong></td>
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</tbody>
</table>

**Cost of MSF Eligible Activities**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demolition</td>
<td>$ 135,000</td>
</tr>
<tr>
<td>Infrastructure Improvements</td>
<td>$ 760,000</td>
</tr>
<tr>
<td>Site Preparation</td>
<td>$ 4,093,000</td>
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<tr>
<td><strong>Sub-Total</strong></td>
<td>$ 4,988,000</td>
</tr>
<tr>
<td>Contingency (15%)</td>
<td>$ 748,200</td>
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<tr>
<td><strong>Sub-Total</strong></td>
<td>$ 5,736,200</td>
</tr>
<tr>
<td>Brownfield/Work Plan Preparation</td>
<td>$ 15,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$ 5,751,200</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 or asbestos abatement, and for structure demolition and site preparation that are not response activities under the Natural Resources and Environmental Protection Act, 1994 PA 451;

WHEREAS, the City of Hazel Park Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 1400 East 10 Mile Road within the City of Hazel Park, known as the Tri-County Commerce Center Project (the “Project”);

WHEREAS, the City of Hazel Park is a “qualified local governmental unit” and is eligible to provide for a) demolition; b) lead and asbestos abatement; c) public infrastructure improvements; d) site preparation; e) brownfield work plan preparation and f) interest as provided under 2007 PA 204 and;

WHEREAS, the Authority is requesting MSF approval to capture additional taxes levied for school operating purposes to provide for the reimbursement of the cost of eligible activities on an eligible property; and

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF, and has reviewed the application and recommends approval of the Brownfield Work Plan by the MSF Board.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as 40.69% to 59.31% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, and infrastructure improvements as presented in the revised Work Plan dated April 19, 2016. Any change in millage that increases the capture percentage of school operating taxes by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on a maximum of $5,736,200 for the principal activity costs of non-
environmental activities and a contingency and a maximum of $15,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of $2,340,163.

**BE IT FURTHER RESOLVED**, that the MSF Board authorizes the MSF Fund Manager, to provide written notification to the Authority, in the form of a letter which incorporates the terms set forth in this Resolution and consistent with the limitations of the Act, and that this approval is further conditioned upon the Authority, or the City, as appropriate, maintaining adequate records regarding: a) all taxes captured for the project; and b) receipts or other appropriate documentation of the cost of eligible activities. The records shall be made available for review upon request by MSF or MEDC staff. Eligible activities authorized by this resolution must be completed within three (3) years.

**BE IT FURTHER RESOLVED**, that an entity’s decision to relocate from a Michigan location to the newly constructed facility may result in suspension of the school tax capture if the relocating entity has little or no intentions of expanding the size of its relocated facility; employing a higher number of individuals then employed prior to its move into the facility; or any other valid business reason.

**BE IT FURTHER RESOLVED**, that no taxes levied for school operating purposes shall be used to reimburse interest costs related to the eligible activities for the Project.

Ayes:

Nays:

Recused:

Lansing, Michigan
June 28, 2016
MEMORANDUM

Date: June 28, 2016

TO: Michigan Strategic Fund Board

From: Christopher Cook, Director of Capital Access

Subject: Private Activity Bond – Bond Inducement
The F. P. Horak Company / H & J Realty Co., LLC
Manufacturing - $4,500,000 – New

Request:
The F. P. Horak Company, a Michigan corporation (“Horak”), and H & J Realty Co., LLC, a Michigan limited liability company related to Horak through common ownership (the “LLC” and, together with Horak, the “Borrower”) is requesting private activity bond financing for the construction of an approximately 87,000 square foot building to be connected to its approximately 60,000 square foot existing facility and the acquisition and installation of machinery and equipment to be located in Monitor Charter Township, Bay County. The building is expected to be owned by the LLC and leased to Horak. The equipment is anticipated to be owned by Horak.

Background:
In 1946 Frederick Paul Horak established The F. P. Horak Company in the basement of his house in Bay City, Michigan. A business system designer which required printing was the start of the printing business.

In 1967, Horak became a Michigan corporation. The Borrower is a multifaceted printing operation manufacturing web printing, multicolored commercial printing, digital printing (black/white and color), mailing services, wide width printing, fulfillment, publishing, design, marketing services and warehousing.

MSF bonds were issued for the benefit of the Borrower in 1998 for $3,000,000 for the acquisition of land, construction of a facility and the acquisition and installation of machinery and equipment.
Horak currently employs 135 employees and anticipates creating an additional 15 jobs within the first year and up to 71 new positions total over a three year period.

Horak has also received a proposed incentive package from the MEDC including PA 198 Property Tax Abatement under PA198 of 1974 and a 6 Mill State Education Tax Abatement. The total value of the proposed incentives totaled $928,000.

**Description of Project:**
The site of the Borrower’s expansion will be located on Straits Drive in the Valley Technology Park next to the Borrower’s current facility located at 1311 Straits Drive, Monitor Charter Township, Bay County.

**Plans of Finance:**
Chemical Bank has indicated an interest in the direct purchase of the bonds.

If the project size remains at $4,500,000 the MSF issuance fee will be $11,250.00.

**Recommendation:**
After reviewing the private activity bond application for the Borrower, staff finds this project meets the requirements for an Inducement Resolution in the amount of $4,500,000.
WHEREAS, The F. P. Horak Company, a Michigan corporation (“Horak”), and H & J Realty Co., LLC, a Michigan limited liability company (“Realty”) (collectively, the “Company”), presently located at 401 Saginaw Street, Bay City, Michigan;

WHEREAS, the Company desires to construct an approximately 87,000 square foot building to be connected to its approximately 60,000 square foot existing facility and the acquisition and installation of machinery and equipment to be located in Monitor Charter Township, Bay County;

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

WHEREAS, the Company has advised the MSF that the cost of the Project will not exceed Four Million Five Hundred Thousand Dollars ($4,500,000);

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

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

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

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

2. The Loan shall be designated for the Project in accordance with the Company's Tax-Exempt Application Form dated May 31, 2016.

3. The maximum principal amount of the bonds (the "Bonds") expected to be issued to provide the Loan to finance the Project shall not exceed Four Million Five Hundred Thousand Dollars ($4,500,000). The Company shall be obligated to make loan repayments in an amount sufficient to assure full repayment of the Bonds, establish appropriate reserves and pay costs and expenses relating to the issuance of the Bonds and the making of the Loan.

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

5. The MSF's obligation to make the Loan and issue the Bonds contemplated by this Resolution shall expire two years after the date of this Resolution.

6. The Loan may be evidenced by a promissory note and secured by such instruments as are in form and substance satisfactory to the MSF, the Attorney General of the State of Michigan (the “Attorney General”) and bond counsel to the MSF, including a loan agreement, indenture, first mortgage, security agreement and such additional security as may be required by the MSF or purchaser of the Bonds.

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

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

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

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

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

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

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

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan
MEMORANDUM

Date: June 28, 2016

To: Michigan Strategic Fund Board

From: Emily Petz, Community Assistance Team Specialist
Mary Kramer, CRP and Brownfield Programs Specialist

Subject: City of Kalamazoo Brownfield Redevelopment Authority
Request for Approval of an Act 381 Work Plan
River’s Edge Partners, LLC - Request for Approval Michigan Community Revitalization Program Grant

Request

The $10.4 million project will convert a former steel fabrication plant and foundry into office and collaborative work space. The project will encompass approximately 55,000 square feet and is planned to include offices, retail space, a restaurant, physical fitness center, collaborative area, and an outdoor terrace facing Portage Creek. The proposed project will be undertaken by River’s Edge Partners, LLC. The project will redevelop two parcels of property located at 578 East Michigan Avenue (rear parcel) and 600 East Michigan Avenue in the City of Kalamazoo. The project is located in a downtown and qualifies for a Michigan Community Revitalization Program (MCRP) award and Act 381 work plan because it is a facility.

In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the City of Kalamazoo Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of $742,930.

River’s Edge Partners, LLC is requesting approval of a MCRP incentive in the amount of $750,000 in the form of a performance-based grant.

Significant costs are present on the site related to Brownfield conditions. The development team has been able to secure bank financing for approximately 75 percent of the project costs along with $1,040,000 in equity, approximately 10 percent of project costs. The remaining gap will be filled with Michigan Department of Environmental Quality grant and loan and the CRP award which is less than 10 percent of the project costs. This will allow the project to remain financially feasible and achieve adequate cash flow to meet its debt service requirements once it reaches stabilization. CRP detailed structure is provided in Appendix A.

The property is located on 3.66 acres of land adjacent to the Portage Creek, just south of the Kalamazoo River. The eligible activities will alleviate Brownfield conditions across the site and make it suitable for
redevelopment, and protect human health and the environment. Without Brownfield tax increment reimbursement, the cost burden related to Brownfield conditions would make the project financially unfeasible.

The Applicant anticipates that the project will result in total capital investment in the amount of $10,404,434 along with the creation of approximately 118 permanent full-time equivalent jobs with an average hourly wage of $25.

**Background**
The project transforms a vacant property that is at the gateway of Kalamazoo’s downtown central business district and hopes to attract anchor tenants and technology companies; create incubator space; and reinforce Kalamazoo’s position as a regional restaurant destination. Redevelopment of 600 East Michigan is the first phase in the developer's long-term plan of extending Harrison Street south to Pitcher Street, in order to develop property south of the project site and attract even more economic activity to the riverfront area. Two buildings -- a brick office building and an adjacent warehouse -- are part of the project. The warehouse will be completely renovated to create office and retail space with a shared common area. Initially, portions of the eastern and southern sides of the warehouse building will be demolished and the interior warehouse space will be stripped down to the structural steel. Aesthetic features such as abundant natural light, high ceilings, exposed steel beams and spiral ductwork are all part of the intended character for this project. The office/retail suites will range in size and will be leased to a variety of tenants. The common area will include a coffee bar and physical fitness center with access to an exterior terrace that faces Portage Creek. The brick office building will be integrated into the project and is planned to house a full service restaurant. The areas around the building will be paved to provide approximately 200 parking spaces for tenants and visitors.

Asbestos abatement will be necessary prior to demolition activities in order to protect human health. Demolition activities will be necessary to remove the existing interior and exterior features needed to facilitate the proposed construction. Site preparation activities include geotechnical evaluation and civil engineering site design, clearing and grubbing, excavation and off-site disposal of unsuitable soil, site grading and balancing, construction of new building foundations, and relocation of utility lines. Infrastructure improvements include an improved access drive off of East Michigan Avenue and sidewalks, curbs and gutters.

Treystar Holdings, LLC is the project developer and has redeveloped a number of properties in the Portage and Kalamazoo areas.

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

MEDC staff recommends approval of the following:

A. Local and school tax capture for the Act 381 eligible activities totaling $742,930. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $281,793.

B. A MCRP performance-based grant in the amount of $750,000 for River’s Edge Partners, LLC.
APPENDIX A – CRP Summary of Terms

1. Company Name: River’s Edge Partners, LLC

2. Company Address: 7950 Moorsbridge Road
   Portage, Michigan 49024

3. MCRP Incentive Type: Performance Based Grant

4. Maximum Amount of MCRP Incentive: Lesser of 10% of the Eligible Investment, as defined by the Program Guidelines, or $750,000 (“MCRP Incentive Award”)

5. Project Description (“Project”): The project includes the renovation of a vacant former steel fabrication plant and foundry into approximately 55,165 square feet of commercial space.

6. Anticipated Minimum Eligible Investment: $6,457,340 The minimum is based on 80% of the total Eligible Investment amount requested on the CRP incentive application. The Eligible Investment on the Project is anticipated to include:
   • Demolition
   • Building Alteration/Rehabilitation/Improvement
   • Site Improvements
   • Addition of Machinery, Equipment or Fixtures to the Project
   • Professional Fees

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

8. Project Qualifying As: Facility

9. Progress and Milestones & Disbursement: The final terms and conditions of each of the Progress Milestones shall be included in the final Agreement, including that before any disbursement is made to the Applicant, the Applicant must demonstrate timely completion of all Progress Milestones, as required, and otherwise be in full compliance with all terms and conditions of the final Agreement. The MSF Fund Manager, in coordination with Michigan Economic Development Corporation (MEDC) Staff, is authorized to negotiate the final terms and conditions of the final Agreement to be used to memorialize MCRP awards on the MSF’s behalf in accordance with the Guidelines and are anticipated to include:
a. Pre-improvement Progress Milestone: Written certification from Chemical Bank, or a copy of the executed loan agreement, note and mortgage, evidencing that the applicant has closed on financing in the minimum amount of $7,828,749; copies of the executed Michigan Department of Environmental Quality (MDEQ) grant and loan agreements totaling a minimum of $385,685; and documentation of final site plan approval by the City of Kalamazoo or its’ designated planning body.

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

10. Municipality supporting the Project (“Municipal Support”): The City of Kalamazoo has committed to provide Brownfield Act 381 TIF with local support for up to 12 years of tax increment revenue reimbursement in the estimated amount of $461,137.

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

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

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

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

Property Eligibility
The project is located within the boundaries of the City of Kalamazoo, which is a Qualified Local Governmental Unit, and has been determined to be a facility as verified by Michigan Department of Environmental Quality (DEQ) on May 10, 2016.

The property is the subject of a Brownfield Plan, duly approved by the City of Kalamazoo Brownfield Development Authority (KBRA) on June 18, 2015 and concurred with by the City of Kalamazoo on July 6, 2015.

In addition, the project is requesting from the DEQ $47,030 in TIF and a $191,750 DEQ grant and $193,935 DEQ loan 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 $8,071,673.

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 is located in River's Edge -- a former industrial area along Kalamazoo's downtown riverfront. It is in line with the city’s stated Master Plan goal of reusing former industrial buildings as incubator space for new businesses.

B. If the project will act as a catalyst for additional revitalization of the community in which it is located:
This project builds upon the momentum that has already begun in the River’s Edge neighborhood. It also ties into the City of Kalamazoo’s Riverfront Development Plan. The development will bring new companies and restaurant patrons into the downtown riverfront area, which contributes to the vibrancy of the area. As the waterways become a valued amenity, the River’s Edge neighborhood will continue to attract investment and economic development.
C. **The amount of local community and financial support for the project:**
The City of Kalamazoo Brownfield Redevelopment Authority has approved a brownfield plan for up to 12 years of tax increment revenue reimbursement for eligible activities for eligible environmental and non-environmental brownfield activities.

D. **The applicant's financial need for a community revitalization incentive:**
Significant costs are present on the site related to Brownfield conditions. The development team has been able to secure bank financing for approximately 75 percent of the project costs along with $1,040,000 in equity, approximately 10 percent of project costs. The remaining gap will be filled with Michigan Department of Environmental Quality grant and loan and the CRP award which is less than 10 percent of the project costs. This will allow the project to remain financially feasible and achieve adequate cash flow to meet its debt service requirements once it reaches stabilization.

E. **The extent of reuse of vacant buildings, reuse of historical buildings, and redevelopment of blighted property:**
The project will bring buildings that have been vacant since 2010 back into usable space.

F. **Creation of jobs:**
The project is expected to result in the creation of 118 full-time equivalent jobs. The average hourly wage is estimated to be $25.

G. **The level of private sector and other contributions, including, but not limited to, federal funds and federal tax credits:**
Private contributions include $501,500 in cash equity, $538,500 in land and building equity, and up to $7.8 million in bank financing.

H. **Whether the project is financially and economically sound:**
Upon reaching stabilization, it is anticipated that the project will generate enough cash flow to meet the debt service requirements and provide a return to the developer.

I. **Whether the project increases the density of the area:**
The project is situated along a major east-west corridor (Michigan Ave) and within River’s Edge, an up and coming area. The site is just south of new commercial developments like the People's Food Co-op and MacKenzie's Bakery and just west of Arcadia Brewing Company.

J. **Whether the project promotes mixed-use development and walkable communities:**
One of the indirect benefits of the project is that a traffic light will be installed at the entryway into the property. This will help make the intersection more pedestrian friendly. The project is anticipated to include office and restaurant space when completed.

K. **Whether the project converts abandoned public buildings to private use:**
The buildings are not publicly owned.
L. Whether the project promotes sustainable development:
Sustainable elements include the installation of a white TPO (reflective) roof as well as solar tube lighting that will stretch the entire length of the center corridor. The plans also call for recycling the existing asphalt/concrete flooring that is in the warehouse, pulverizing and re-using it in the parking lot.

M. Whether the project involves the rehabilitation of a historic resource:
The project does not involve rehabilitation of a historic resource. However, the intent is to tuck-point the exterior of the brick building and preserve its original look. The project also involves removing and replacing the entire skin of the warehouse portion, keeping a large portion of the structural steel, and accentuating it as a design element.

N. Whether the project addresses area-wide redevelopment:
Kalamazoo has made substantial investments in redeveloping and revitalizing the "River's Edge" area. Strategically located between the core downtown and the Kalamazoo River, it is envisioned as a vibrant area with mixed-use developments and urban character. The project is in close proximity to other key projects, e.g. Arcadia Brewing Company.

O. Whether the project addresses underserved markets of commerce:
The project is designed in response to the city's stated need for additional entrepreneurial incubator space. In its 2010 Master Plan, the city acknowledged the importance of reducing its dependence on a few major employers and encouraging entrepreneurship in emerging sectors. The project is designed to appeal to and attract tech companies and budding entrepreneurs.

P. The level and extent of environmental contamination:
Soil and/or groundwater contamination associated with historical industrial operations is present throughout the property. The currently exposed surface areas will be covered with impervious surfaces (pavement) and new utility lines will be constructed in a manner that will prevent exacerbation of the known contamination.

Ethylbenzene, tetrachloroethene, toluene, vinyl chloride, xylenes, benzo(a)pyrene, fluoranthene, fluorene, 2-methylnaphthalene, naphthalene, phenanthrene, arsenic, cadmium, copper, lead, manganese, nickel, and zinc were measured in soil samples at concentrations greater than Part 201 generic residential drinking water protection criteria, groundwater surface water interface protection criteria, and/or direct contact criteria. In addition, lead and vinyl chloride were measured in groundwater samples at concentrations greater than Part 201 generic residential drinking water criteria and groundwater surface water interface criteria.

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 does not qualify as a historic resource.
R. Whether the project will compete with or affect existing Michigan businesses within the same industry:
The project will not compete with or affect existing Michigan businesses within the same industry.

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

Brownfield Act 381 Program Additional Project Information:

A. Reuse of functionally obsolete buildings and/or redevelopment of blighted property:
No functionally obsolete or blighted conditions apply to this Work Plan.

B. Cost gap that exists between the property and a similar greenfield property:
A greenfield site was not considered. The project was planned to support the city’s Master Plan and Riverfront Development Plan. Therefore, the developer targeted previously developed areas along the Kalamazoo River and Portage Creek. The development has been designed to work within the existing building and site constraints.

The Brownfield Tax Increment Financing is needed to cover the extraordinary costs associated with the redevelopment a brownfield site that was used historically for industrial operations. These include costs for the following activities: demolition of the interior and exterior building features associated with former foundry and machining operations (including asbestos abatement), demolition and removal or relocation of utility lines, excavation and off-site disposal of contaminated soil to support building footing and foundation construction, special foundation construction to address on-site soil conditions, and backfill and grading of the property. These demolition, utility relocation, soil relocation/disposal, site re-grading, and special foundation construction activities would not have been required on a greenfield site.

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

Tax Capture Breakdown
There are 63.2701 non-homestead mills available for capture, with school millage equaling 24 mills (37.9%) and local millage equaling 39.2701 mills (62.07%). Tax increment capture will begin in 2017 and has been approved by the City of Kalamazoo Brownfield Redevelopment Authority for up to 12 years’ worth of actual tax increment revenue reimbursement. The requested tax capture for MSF eligible activities breaks down as follows:

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<tr>
<td>School tax capture</td>
<td>(37.93%)</td>
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<tr>
<td>Local tax capture</td>
<td>(62.07%)</td>
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<td>TOTAL</td>
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<td>Cost of MSF Eligible Activities</td>
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<tr>
<td>Demolition</td>
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<td>Asbestos Abatement</td>
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<td>Infrastructure Improvements</td>
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<tr>
<td>Site Preparation</td>
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<td><strong>Sub-Total</strong></td>
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<td>Brownfield/Work Plan Preparation</td>
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<td><strong>TOTAL</strong></td>
<td><strong>$742,930</strong></td>
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APPENDIX C – Project Map and Renderings
WHEREAS, the Michigan legislature amended the Michigan Strategic Fund Act, MCL 125.2011 et. seq., to add Chapter 8C (being MCL 125.2090a – MCL 125.2090d) to enable the Michigan Strategic Fund (“MSF”) to create and operate the Michigan Community Revitalization Program (“MCRP”) to provide incentives in the form of grants, loans and other economic assistance for redevelopment of communities in Michigan;

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

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

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

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

WHEREAS, River’s Edge Partners, LLC (“Company”) has requested a performance based grant of up to $750,000 (“Award Request”), along with other general terms and conditions;

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
June 28, 2016
WHEREAS, the Michigan Economic Growth Authority ("MEGA") has been established by 1995 PA 24, as amended (the "Act");

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

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

WHEREAS, captured school operating tax revenues may be used under 1996 PA 381 as amended, for infrastructure improvements that directly benefit eligible property, for lead or asbestos abatement, and for structure demolition and site preparation that are not response activities under the Natural Resources and Environmental Protection Act, 1994 PA 451;

WHEREAS, the City of Kalamazoo Brownfield Redevelopment Authority (the "Authority") has submitted a work plan for property located at 600 East Michigan Avenue within the City of Kalamazoo, known as 600 East Michigan Avenue Project (the "Project");

WHEREAS, the City of Kalamazoo is a "qualified local governmental unit" and is eligible to provide for a) demolition; b) lead and asbestos abatement; c) public infrastructure improvements; d) site preparation; e) brownfield work plan preparation and f) interest as provided under 2007 PA 204 and;

WHEREAS, the Authority is requesting MSF approval to capture additional taxes levied for school operating purposes to provide for the reimbursement of the cost of eligible activities on an eligible property; and

WHEREAS, the Michigan Economic Development Corporation ("MEDC") provides administrative services to the MSF, and has reviewed the application and recommends approval of the Brownfield Work Plan by the MSF Board.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as 37.93% to 62.07% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, asbestos abatement and infrastructure improvements as presented in the revised Work Plan dated May 25, 2016. Any change in millage that increases the capture percentage of school operating taxes by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on a maximum of $732,930 for the principal
activity costs of non-environmental activities, and a maximum of $10,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of $281,793.

BE IT FURTHER RESOLVED, that the MSF Board authorizes the MSF Fund Manager, to provide written notification to the Authority, in the form of a letter which incorporates the terms set forth in this Resolution and consistent with the limitations of the Act, and that this approval is further conditioned upon the Authority, or the City, as appropriate, maintaining adequate records regarding: a) all taxes captured for the project; and b) receipts or other appropriate documentation of the cost of eligible activities. The records shall be made available for review upon request by MSF or MEDC staff. Eligible activities authorized by this resolution must be completed within three (3) years.

BE IT FURTHER RESOLVED, that no taxes levied for school operating purposes shall be used to reimburse interest costs related to the eligible activities for the Project.

Ayes:

Nays:

Recused:

Lansing, Michigan
June 28, 2016
MEMORANDUM

Date: June 28, 2016

To: Michigan Strategic Fund Board

From: Joseph Borgstrom, Eastern Regional Director, Community Assistance Team
      Charles Donaldson, Program Specialist, CDBG
      Mary Kramer, Program Specialist, Brownfield
      Christine Whitz, Director, Community Development Block Grant Program

Subject: City of Adrian Brownfield Redevelopment Authority
         Request for Approval of an Act 381 Work Plan
         Community Development Block Grant Program
         Strongback Four Corners Redevelopment Project—Strongback
         Properties, LLC
         City of Adrian, County of Lenawee

Request

The City of Adrian is requesting $2,866,446 in Community Development Block Grant (CDBG) funds for blight elimination through historic preservation and rental rehabilitation needed for the Strongback Four Corners Redevelopment Project located in Lenawee County, Michigan.

In addition, in order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the City of Adrian Brownfield Redevelopment Authority is seeking approval of local and school tax capture for Michigan Strategic Fund (MSF) eligible activities in the amount of $392,375.

The project proposes to build out three parcels located at 101-111 East Maumee Street in the heart of downtown Adrian. The buildings have been vacant for over ten years. They are currently owned by the Lenawee County Land Bank Authority and the City of Adrian and were determined to be blighted and one of the parcels was determined to be a facility. The project will redevelop these historic properties into seventeen new residential units and approximately 5,800 square feet of commercial space on the first floor. The proposed project will be undertaken by Strongback Properties, LLC.

The project deviates from CDBG policy of a minimum 1:1 private investment match because of the financial burden necessary to complete the project. The large gap and need for CDBG and Brownfield funding is due to several factors: the building has substantial structural work needed
to make it safe, it is extremely blighted due to years of abandonment and being open to the elements, the historic character will be restored, the project requires Davis-Bacon Wages, increasing costs, and brownfield eligible activities required to alleviate brownfield conditions across the site and make it suitable for redevelopment, and protect human health and the environment increases the cost burden.

Without the proposed incentive structure, these publicly owned properties will continue to sit vacant until they are torn down for health and safety reasons. This project will be a landmark development and act as a catalyst for both the city, county and region.

This project anticipates private investment of $1,620,313 and a total project cost of $4,710,001.

**Background**
The mixed-use rehabilitation, will occur on .19 acres. Ten of the seventeen apartments will be considered fair market rent and reserved for low-moderate income tenants. The building facades will be historically renovated and a new stairwell and elevator for the new apartments will be constructed. A private courtyard will be created for residents and business patrons to enter the building from the rear of the property, where parking is available. Commercial space on the first floor will be white boxed and consists of 26 percent of the 22,220 total square foot project. The scope of work includes masonry restoration, storefront restoration, window replacement, courtyard improvements, roof improvements, basement improvements and interior finishes.

Lead and asbestos abatement will be necessary prior to demolition activities in order to protect human health. Select demolition activities will be necessary on the interior and exterior of the building to prepare the buildings for rehabilitation. Site preparation activities are required to prepare the site for use of a modern day commercial space, and to promote a safe work site during development. Site preparation activities will include costs for temporary fencing, traffic control, and erosion control. These activities are necessary to support the new development.

CDBG funded activities include masonry, steel and metal fab, rough/finish carpentry, drywall, thermal and moisture protection, windows and doors, flooring, elevator and equipment, fire protection, plumbing, HVAC, electrical, earthwork and utilities, site improvements, construction overhead/profit/general requirements and the cost of a certified third party administrator. Private activities include acquisition, demolition, appliances, and a portion of all of the CDBG funded activities.

Strongback Properties, LLC have not previously received incentives from the MSF. Program specific requirements and screening guidelines are addressed in Appendix A, the Terms Sheet for the project is provided in Appendix B, and a project area map, including renderings and before photos are provided in Appendix C.
**Recommendation**  
The MEDC Staff recommends approval of the following:

- A CDBG Grant in the amount of $2,866,446 of which up to $30,000 is to be used for a CDBG Certified Grant Administrator authorized by the City of Adrian for the Strongback Four Corners Redevelopment Project.

- Local and school tax capture for the Act 381 eligible activities totaling $392,375. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $361,291.
APPENDIX A – Programmatic Requirements & Screening Guidelines

Program Requirements- CDBG
The project was evaluated utilizing the CDBG requirements. It has been determined that the project meets the following requirements to qualify as an eligible project under the CDBG program:

- **National Objective(s):**
  This project qualifies for CDBG funding as the project meets the definition of blight as defined in the Brownfield Redevelopment Financing Act 381 of 1996, MCL 125.2652 (e)(i-iv) and (vii) which meets a national objective by eliminating or preventing slums and blight on a spot basis. This project also qualifies for CDBG funding as the project will meet the national objective area benefit-housing by providing 51% of the rental units to low/moderate families.

- **Eligible Activity:**
  This project involves eligible activities identified in Section 105(a)(4)(18) of Title I of the Housing and Community Development Act of 1974, as amended.

Screening Guidelines
The project was evaluated utilizing the CDBG guidelines. It has been determined that the project meets the following standards to qualify as an eligible project under the CDBG program:

- **Economic Impact:** The economic impact of this project was evaluated based off of the following:
  - Located in a highly visible location
  - Located in a DDA
  - Local organizational capacity to successfully complete this project
  - Has ability to administer the project
  - The community has adopted a downtown development plan
  - The project will consist of multiple buildings that have the following characteristics:
    - Multi-story Building
    - Mixed-use components
    - Eligible for Historic or Contributing Designation
    - Completely vacant building being returned to active use

- **Minimum Local Participation:**
  A condition for execution of the final Agreement(s) is that the city of Adrian has agreed to be the Grantee and committed to provide: An OPRA estimated to be worth
approximately $331,237 over ten (10) years and approval of a brownfield tax increment financing plan with a local value of approximately $31,084 over eighteen (18) years. The final terms and conditions evidencing this support shall be included in the final Agreement(s).

- **Minimum Leverage Ratio:** The private leverage contribution, to be provided by Strongback Properties, LLC, equals $1,620,313, which results in a leverage ratio of approximately .56:1 of the CDBG grant.

- **Financial Viability and Background Check:** The business receiving the benefit from this project has completed a background check with no concerns and has been determined to be financially viable.

The MEDC staff has concluded that the project meets the minimum program requirements and screening guidelines to be eligible under the CDBG program.

**Programmatic Requirements & Screening Guidelines- Brownfield Act 381 Program**

**Property Eligibility**
The project is located within the boundaries of the city of Adrian, which is a Qualified Local Governmental Unit, and has been deemed blighted by the city of Adrian in January of 2016 and one parcel was determined to be a facility as verified by MDEQ on May 3, 2016. The property is the subject of a Brownfield Plan, duly approved by the city of Adrian on May 2, 2016.

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

a) **Overall Benefit to the Public:**
The project will transform an underutilized, blighted and contaminated property and put the property back to productive use as a viable, mixed-use property. This development is anticipated to create jobs from the creation of new retail space and further increase urban density in the city of Adrian by creating new downtown residences and office/retail space. It will also further promote a walkable community in the city. The property has underperformed as a taxable interest in the city for over a decade. Promoting a dense urban environment benefits the community through more efficient delivery of goods and services in both the private and public sectors.

b) **Jobs Created (Excluding Construction and other Indirect Jobs):**
This project is expected to create 8 to 10 new full-time equivalent jobs in the retail sector.
c) **Area of High Unemployment:**
   The county of Lenawee unadjusted jobless rate was 3.8% in April 2016.

d) **Level and Extent of Contamination Alleviated:**
   Appropriate due care activities will be performed during redevelopment of the property. Due care measures will be undertaken to the extent necessary to be protective of residential use of the property.

e) **Reuse of Functionally Obsolete Buildings and/or Redevelopment of Blighted Property:**
   The blighted properties will be completely renovated.

f) **Cost Gap that Exists between the Property and a Similar Greenfield Property:**
   The Brownfield TIF is a small part of the overall local, state and federal support needed for the project; however, without the TIF and tax abatement, the project is unable to support the private financing.

g) **Whether Project will Create a New Brownfield Property in the State:**
   No new Brownfields will be created by this project.

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

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

**Tax Capture Breakdown**
There are 54.2963 non-homestead mills available for capture, with school millage equaling 24 mills (44.20%) and local millage equaling 30.2963 mills (55.80%). Tax increment capture will begin in 2017 and is estimated to continue for 11 years. The project has been approved for an Obsolete Property Rehabilitation Act (OPRA) tax abatement for 10 years, so the blended ratio of capture for the entire 11 years is 92.08 percent state to 7.92 percent local. The requested tax capture for MSF eligible activities breaks down as follows:

<table>
<thead>
<tr>
<th></th>
<th>Percent</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>School tax capture</td>
<td>92.08%</td>
<td>$361,291</td>
</tr>
<tr>
<td>Local tax capture</td>
<td>7.92%</td>
<td>$31,084</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>$392,375</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>$250,000</td>
</tr>
<tr>
<td>Lead or Asbestos Abatement</td>
<td>$75,000</td>
</tr>
<tr>
<td>Site Preparation</td>
<td>$7,500</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td><strong>$332,500</strong></td>
</tr>
<tr>
<td>Contingency (15%)</td>
<td>$49,875</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td><strong>$382,375</strong></td>
</tr>
<tr>
<td>Brownfield/Work Plan Preparation</td>
<td>$10,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$392,375</strong></td>
</tr>
</tbody>
</table>
APPENDIX B- Terms Sheet

MICHIGAN COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM
Performance Based Grant - Term Sheet

The following is a summary of the highlights of the proposed project and basic terms for which the Company desires grant support from the Michigan Strategic Fund ("MSF") under the Michigan Community Development Block Grant Program ("CDBG"). While the CDBG is opened and funded through the MSF, recommendation for approval of a CDBG incentive award is presented by the Michigan Economic Development Corporation ("MEDC") to the MSF.

Date: 5/18/2016

1. **Community Name ("Grantee")**: City of Adrian

2. **Company Name ("Company")**: Strongback Properties, LLC

3. **Company Address**:
   East Maumee Street
   Adrian, MI 49221

4. **Project Address**:
   101-107, 111, East Maumee Street
   Adrian, MI 49221

5. **Project Description and Activities**: The project proposes to build out the properties with seventeen new residential units and approximately 6,800 square feet of commercial space on the first floor. The project will also include a private courtyard for residents and business patrons to enter the building from the rear of the property. The three building facades will be historically renovated and a new stairwell and elevator for new apartments will be constructed. Commercial space on the first floor will be white boxed. The scope of work includes masonry restoration, storefront restoration, window replacement, courtyard improvements, roof improvements, basement improvements and interior finishes. CDBG funded activities include masonry, steel and metal fab, rough/finish carpentry, drywall, thermal and moisture protection, windows and doors, flooring, elevator and equipment, fire protection, plumbing, HVAC, electrical, earthwork and utilities, site improvements, construction overhead/profit/general requirements and the cost of a certified third party administrator. Private activities include acquisition, demolition, appliances, and a portion of all of the CDBG funded activities.

6. **Total Estimated Project Costs**: $4,486,759

7. **CDBG Grant Incentive Type**: CDBG for blight elimination and rental rehabilitation

8. **CDBG Grant Amount**:
   - Blight Elimination: $2,138,446
   - Housing (Rental Rehab): $683,000
   - Administrative Grant Administration: $58,000
   **TOTAL**: $2,886,446

   The Company is responsible for allocating costs to the appropriate activities and National Objectives.

   In no event shall the amount of the CDBG grant assistance exceed more than seventy-four percent (74%) of the total estimated Blight Elimination costs estimated at $2,303,972.

CD CDBG Terms Sheet
June 2015
In no event shall the amount of the CDBG grant assistance exceed more than forty-four percent (44%) of the total estimated Housing costs estimated at $1,552,786.

If the actual cost is less than shown in the Total Estimated Project Costs, the amount of the Grant shall be reduced on a proportional basis. The Company and Grantee shall be responsible for any cost overruns. Funds will be made available to the community on a reimbursement basis for eligible costs.

9. Minimum Company Investment: $1,620,313

10. Type of financing for Investment: 

11. Rehabilitation of Residential Rental Units: 
   - The Property Owner must rehabilitate 17 residential rental units and at least fifty-one percent (51%), or nine (9) of the residential rental units must be leased to low and moderate income households.
   - Units leased to low and moderate income households must have an initial lease for no less than 12 months and the rent must be "affordable", as defined by MDCH and/or HUD guidelines.
   - All potential tenants for low and moderate income units must be income qualified, within 6 months prior to lease signing.
   - All residential rental units must meet Housing Quality Standards, as defined by HUD guidelines.


13. Project Milestones: The final terms and conditions of each of the Project Milestones shall be included in the final Agreement. These activities must be completed before the dates outlined below, but may be completed beforehand once necessary approvals take place. Before any disbursement is made to the Company through the Community, the Company must demonstrate compliance with Project Milestones as required, and otherwise be in full compliance with all terms and conditions of the final Agreement, and further shall include:

   a) Grant Agreement Executed: August 31, 2016
   b) Property Acquisition Completed: September 30, 2016
   c) Construction Commencement: September 30, 2016
   d) Construction Completed: August 31, 2018

(City of Adrian/ Strongback Properties, LLC)
14. Term of Agreement: The term of the Agreement is from execution of the Agreement for a period of two (2) years. This term includes completing all required project activities.

15. Community Support for Projects: A condition for execution of the Agreement is that the municipality has agreed to be the Grantee and committed to provide: An OPRA estimated to be worth approximately $131,137 over ten (10) years and approval of a brownfield tax increment financing plan valued at approximately $802,728 over twenty-four (24) years. The final terms and conditions evidencing this support shall be included in the final Agreement(s).

16. Repayment Provisions: It is understood and acknowledged by all parties, including the Company, that the investment was an essential factor in persuading the Grantee that the project is economically viable, and further, in the absence of this commitment by the Company, the grant would not have been awarded and the Company has verified that the CDBG Funds are not substituted for non-federal funds.

The Company further acknowledges that should the private investment goals for this project not be met, the Grantee may require the repayment of the Grant up to the full amount from the Company. The MSF may require the Grantee and Company to execute a Development Agreement that will be acknowledged by the MSF outlining repayment provisions.

17. Environmental Review: The CDBG environmental review process must be completed and written authorization received from MEC prior to incurring project costs and beginning any project activities. Project costs include costs to be paid for with CDBG funds and all other non-CDBG funds. Incurring costs is defined as making any commitments relevant to the project. This includes, but is not limited to: signing contracts, entering into lease/easement/purchase agreements, ordering equipment, materials, or supplies; or performing any other work. The environmental review process usually takes the community a minimum of 60 days to complete. Incurring project costs and/or starting project activities prior to written authorization will jeopardize or cause the withdrawal of your project for funding consideration.

18. Lead Safe Housing Rule: The Company is responsible for complying with the HUD’s Lead Safe Housing Rule (24 CFR Part 35). The rule applies to all housing units assisted with CDBG funds, including single and multi-family, whether publicly or privately owned.

19. Davis Bacon and Related Acts: These federal statutes and their implementing regulations require that federally-assisted construction work in excess of $2,000 must have prevailing wage rates (determined by the U.S. Department of Labor) paid to all employees working on such construction work. If CDBG funds assist even just a portion of the construction work, then Davis-Bacon becomes applicable to the entire construction work. However, note that CDBG funds can finance activities other than construction work, without triggering Davis-Bacon requirements, even though CDBG funds are part of an overall project which may involve construction work. For this project, Davis Bacon requirements apply to the entire scope of the project.

20. Reporting Requirements: The Company will be required to provide regular information to the Grantee to assure reporting requirements compliance, including, but not limited to:
   a) Progress Reports beginning October 15, 2016, and every six (6) months thereafter.
   b) Final Progress Report 60 days after completion of the Term.
21. **Public Announcements:** The Company shall not make, or cause, any announcement of the proposed CDIG Incentive Award parameters outlined in this letter before the date of approval by the MSF of the CDIG Incentive Award, unless authorized and coordinated in advance with the MEDC.

22. **Conflicts of Interest:** Please indicate below whether or not the COMPANY(IES) associated with this proposed project have a contractual relationship with one or more of the following entities:

- Yes ☐ No ☑ Michigan Economic Development Corporation
- Yes ☐ No ☑ Michigan Association of Realtors
- Yes ☐ No ☑ Michigan Department of Licensing & Regulatory Affairs
- Yes ☐ No ☑ Michigan Department of Treasury
- Yes ☐ No ☑ Springfield Commercial Roofing
- Yes ☐ No ☑ Michigan Regional Council of Carpenters
- Yes ☐ No ☑ PNC Financial Services Group
- Yes ☐ No ☑ Grand Angels
- Yes ☐ No ☑ Greenstone Financial

If yes to any of the above, please describe the nature of the relationship.

23. **Required Attachments:**

- ☑ Completed Background Check Form
  
  ![Completed Background Check Form](https://www.michiganbusiness.org/crg/files/Background_Check_Form/Applicant-Key-Individual-Certification-form.pdf)
- ☑ Proof of Financing for Required match investment (cash and loan)
- ☑ Executed Development Agreement with the city of Adrian
- ☑ Third Party structural report

This Term Sheet is an outline of the structure of the proposed CDIG Incentive Award and does not purport to summarize all of the conditions, terms, covenants, representations, warranties and other provisions which would be contained in definitive legal documentation for the CDIG Incentive Award contemplated hereby. It should not in any way be viewed as a commitment by or an obligation of the MEDC, the MSF or any other entity to extend financial accommodations to the Company and is subject to, among other things, the approval of the request under MEDC's internal approval process and by the MSF Board. Any final CDIG Incentive Award is contingent upon several factors, including: (i) submission by the Community of a completed application and all other documentation required under the CDIG; (ii) satisfactory municipality support; (iii) available MSF funding; (iv) completion of financial review, business integrity review, required background checks, and other business and legal review and due diligence, as
required, the results of which must be satisfactory to the MEDC, the MSF, and as applicable, the Chief Compliance Officer; (v) approval of an award by the MSF; and (vi) execution of a final Agreement containing the established milestones, repayment terms, reporting requirements, and all other detailed terms and conditions, required by the MSF.

The Company cannot assign this Term Sheet without the prior written consent of the MEDC. If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible CDBG Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by June 18, 2016, the MEDC may not be able to proceed with any recommendation to the MSF.

Michigan Economic Development Corporation
By: Marilyn Crowley
It: Community Assistance Specialist

Signature: 
Dated: 5/13/2016

Acknowledged as received by:
Strongback Properties, LLC:
By: 
Its: 
Signature: 
Dated: 5/16/2016

Acknowledged as received by:
City of Adrian
By: 
Its: 
Signature: 
Dated: 5/16/2016

Cc: Christine Whitl, Manager, CDBG Program
Charles Donahue, CDBG Specialist
Joe Bergstrom, CA Team Director
APPENDIX C – Map, Photos, Renderings
WHEREAS, Executive Order 1999-1, issued pursuant to Article V of the Michigan Constitution of 1963 and the laws of the State of Michigan, consolidated the State’s economic development functions and programs and their accompanying powers in the Michigan Strategic Fund (the “MSF”);

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

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

WHEREAS, pursuant to SFCR 10.1-1, the MSF approved the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate awards or decisions approved under the CDBG program;

WHEREAS, the City of Adrian (the “Community”) has submitted a complete application for approval requesting funding to be used to fund the City of Adrian Strongback Project (the “Project”);

WHEREAS, CDBG program staff reviewed the proposed Project in light of the Criteria, Guide and HUD regulations and concluded the Project is eligible for funding, is not speculative in nature, is economically sound, is ready to proceed, and will eliminate specific conditions of blight or physical decay on a spot basis not located in a designated slum or blighted area, and at least 51 percent of the project beneficiaries of the housing portion of the project are low and moderate income persons; and

WHEREAS, staff recommends that a grant agreement be authorized and entered into with the Community for funds from the CDBG program for the reasons set forth in this Resolution.

NOW, THEREFORE, BE IT RESOLVED, that the MSF authorizes a grant to the Community not to exceed $2,866,466 for the payment or reimbursement of costs associated with the Project, and, allocates $2,866,466 from the Michigan CDBG program for the purpose of funding the Community’s proposed Project contingent upon the MSF’s continued receipt of CDBG funds and availability of adequate funds; and

BE IT FURTHER RESOLVED, the MSF Fund Manager, in coordination with MEDC staff is directed to negotiate the terms of a grant agreement for the Project consistent with this Resolution; and

BE IT FURTHER RESOLVED, if the Community fails to execute and return the grant agreement to staff within 180 days of the date this Resolution is adopted, this Resolution shall be of no further force and effect and shall be void.
Ayes:

Nays:

Recused:

Lansing, Michigan
June 28, 2016
WHEREAS, the Michigan Economic Growth Authority ("MEGA") has been established by 1995 PA 24, as amended (the "Act");

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

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

WHEREAS, captured school operating tax revenues may be used under 1996 PA 381 as amended, for infrastructure improvements that directly benefit eligible property, for lead or asbestos abatement, and for structure demolition and site preparation that are not response activities under the Natural Resources and Environmental Protection Act, 1994 PA 451;

WHEREAS, the City of Adrian Brownfield Redevelopment Authority (the "Authority") has submitted a work plan for property located at 101 and 109 E. Maumee Street within the City of Adrian, known as the Strongback Four Corners Redevelopment Project (the "Project");

WHEREAS, the City of Adrian is a “qualified local governmental unit” and is eligible to provide for a) demolition; b) lead and asbestos abatement; c) public infrastructure improvements; d) site preparation; e) brownfield work plan preparation and f) interest as provided under 2007 PA 204 and;

WHEREAS, the Authority is requesting MSF approval to capture additional taxes levied for school operating purposes to provide for the reimbursement of the cost of eligible activities on an eligible property; and

WHEREAS, the Michigan Economic Development Corporation ("MEDC") provides administrative services to the MSF, and has reviewed the application and recommends approval of the Brownfield Work Plan by the MSF Board.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as 92.08% to 7.92% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, and lead and asbestos abatement as presented in the revised Work Plan dated May 9, 2016. Any change in millage that increases the capture percentage of school operating taxes by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on a maximum of $382,375 for the principal activity costs of non-
environmental activities and a contingency, and a maximum of $10,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of $361,291.

BE IT FURTHER RESOLVED, that the MSF Board authorizes the MSF Fund Manager, to provide written notification to the Authority, in the form of a letter which incorporates the terms set forth in this Resolution and consistent with the limitations of the Act, and that this approval is further conditioned upon the Authority, or the City of Adrian, as appropriate, maintaining adequate records regarding: a) all taxes captured for the project; and b) receipts or other appropriate documentation of the cost of eligible activities. The records shall be made available for review upon request by MSF or MEDC staff. Eligible activities authorized by this resolution must be completed within three (3) years.

BE IT FURTHER RESOLVED, that no taxes levied for school operating purposes shall be used to reimburse interest costs related to the eligible activities for the Project.

Ayes:

Nays:

Recused:

Lansing, Michigan
June 28, 2016
MEMORANDUM

Date: June 28, 2016

To: Michigan Strategic Fund Board

From: Daniel Leonard, Community Assistance Specialist
Jennifer Schwanky, Brownfield and MCRP Program Specialist

Subject: City of Manistee Brownfield Redevelopment Authority
Request for Approval of an Act 381 Work Plan
River Parc Place II, LLC - Request for Approval Michigan Community Revitalization Program Grant

Request

The subject project will revive and complete what initially was a residential condominium project which began in 2006 and was left unfinished and exposed to the elements for ten years. The proposed project will renovate and physically stabilize an existing four story building in downtown Manistee into a mixed-use development. The CRP portion of the project will redevelop one primary parcel measuring roughly (.40) acres of property located at 80 Washington Street in the City of Manistee. The Act 381 Brownfield Work Plan will cover six additional real estate parcels. The proposed project will be undertaken by John Groothuis, a co-owner of Capstone Companies. The project is located in a downtown and qualifies for a Michigan Community Revitalization Program (MCRP) award and Act 381 work plan because it is a facility.

In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the City of Manistee Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of $2,980,685.

River Parc Place II, LLC (the “Applicant”) is requesting approval of a MCRP incentive in the amount of $636,680 in the form of a performance-based grant.

Discussion with both the development team as well as their lending institution, West Shore Bank, described the financial limits of this project given its significantly deteriorated state. Based upon the appraised value of the site, West Shore Bank offered to support this project with roughly 75% of the required scope of work associated with the renovation and completion of this downtown property. With 30% private equity dedicated to the project, represented both in cash and land, the development team’s economic risk associated with the project is high. Additional financial support is also necessary to stabilize physical deterioration of this structure given the elevated renovation costs and new proposed expanded scope of work to not only address the structure, but also its surrounding water, sewer, and roadway issues plaguing this area of Manistee. Upon review of the project’s financial capital stack, without the proposed incentive package from the MEDC the elevated project cost would preclude the
project from creating any return on investment for the development team; thus leaving the building to again sit in a state of disrepair and blight. Even with the proposed incentive package for this project the ROI is anticipated at under 6% over twenty years, of which is a very slim margin of return for any project let alone one of this magnitude.

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. CRP detailed structure is provided in Appendix A.

The Applicant anticipates that the project will result in total capital investment in the amount of $4,051,624 along with the creation of approximately four (4) permanent full-time equivalent jobs with an average hourly wage of $19 per hour.

**Background**

Originally built in 2006, this existing structure today suffers from physical deterioration of the structural supports, exterior façade and integral components of the building, which ultimately has forced the City of Manistee to determine that the building is considered “blighted” per both local ordinance as well as by State construction code. Renovation efforts to the building will retrofit the existing space to accommodate eighteen new residential condominium units as well as two new commercial spaces on the first floor and onsite parking. With the assistance of the development team, this newly renovated proposal will both stabilize the structure physically, while also introducing a new mixed-use concept within the building envelope. Additionally, the (.40) acres of property will renovate the shorefront to allow lake access boat slips for both public and private usage for the local boating community. Aside from the physical renovation of the primary building, the development will also include the addition of a new river walk, sidewalk system, upgraded water and sewer capacity for the area, as well as added streetscape efforts along Washington Street.

Lead and asbestos abatement will be necessary prior to demolition activities in the older North Channel building in order to protect human health. Demolition activities will be necessary to remove unstable interior and exterior walls, roofing components, floors, staircases, doors and windows, and other blighted elements of the building prior to rehabilitating the structure. Additional demolition includes the removal of inactive aerial and underground utilities, obsolete pavements, sidewalks, and concrete foundations of former structures onsite. Site preparation activities include site grading and balancing for new construction of access drives, new sidewalks, and storm water control. Infrastructure improvements including new sidewalk systems throughout the site, streetscape improvements along Washington Street, installation of new water mains to provide future “looping” capacity for properties west of the subject, installation of sanitary sewer force main along the south side of the property, and upgrades to the sanitary pup station located adjacent to the west of the subject property 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.

Capstone is a commercial real-estate and business brokerage company that functions both as a development firm, but also as a consultant to potential developers around the State of Michigan. Mr.
Groothuis is also the acting representative of River Parc Place II, LLC for purposes of this application. Through all of the past developments and redevelopments the applicant has and is associated with, this request is the first of its kind as they have never asked for outside financial assistance from any State or Federal agency. Discussion with the applicant further supports the financial need of this project as the significant public component of this project would have never been considered without additional funding opportunities for both the applicant as well as the City of Manistee.

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

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

a) Local and school tax capture for the Act 381 eligible activities totaling $2,980,685. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $1,261,128.

b) A MCRP performance-based grant in the amount of $636,680 for River Parc Place II, LLC.
APPENDIX A – CRP Summary of Terms Sheet

1. Company Name: River Parc Place II, LLC

2. Company Address: 300 Washington Avenue, Suite 100
Grande Haven, Michigan 49417

3. MCRP Incentive Type: Performance Based Grant

4. Maximum Amount of MCRP Incentive: Lesser of 20% of the Eligible Investment, as defined by the Program Guidelines, or $636,680 (“MCRP Incentive Award”)

5. Project Description (“Project”): The project involves the redevelopment of the vacant 22,000 square foot building into approximately 18 residential condominium units, as well as approximately two commercial spaces on the first floor. The project will include the elimination of the existing blight conditions, new enclosed parking spaces and parking for owner-occupied and rental units, as well as site improvements on the property.

6. Anticipated Minimum Eligible Investment: $2,546,720 The minimum is based on 80% of the total Eligible Investment amount requested on the CRP incentive application. The Eligible Investment on the Project is anticipated to include:
   - Demolition
   - Building Rehabilitation
   - Site Improvements
   - Machinery, Equipment & Fixtures
   - Professional Fees

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

8. Project Qualifying As: Facility

9. Progress and Milestones & Disbursement: The final terms and conditions of each of the Progress Milestones shall be included in the final Agreement, including that before any disbursement is made to the Applicant, the Applicant must demonstrate timely completion of all Progress Milestones, as required, and otherwise be in full compliance with all terms and conditions of the final Agreement. The MSF Fund Manager, in coordination with Michigan Economic Development Corporation (MEDC) Staff, is authorized to negotiate the final terms and conditions of the final Agreement to be used to memorialize MCRP awards on the MSF’s behalf in accordance with the Guidelines and are anticipated to include:
a. **Pre-improvement Progress Milestone:** Written certification from West Shore Bank, or a copy of the executed loan agreement, note and mortgage, evidencing that the applicant has closed on financing in the minimum amount of $1,948,465.

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

**10. Municipality supporting the Project (“Municipal Support”):** City of Manistee. The municipality has committed to an approved Brownfield Plan for reimbursement of eligible activities, as well as funding for the Phase I and II ESAs and BEA for the property, approximated at $25,000.

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

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

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

Property Eligibility
The project is located within the boundaries of the City of Manistee, which is a Qualified Local Governmental Unit, and has been determined to be a facility as verified by Michigan Department of Environmental Quality (DEQ) on May 16, 2016.

The property is the subject of a Brownfield Plan, duly approved by the City of Manistee on October 21, 2014.

In addition, the project is requesting from the DEQ, $166,750 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 $3,183,401.

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

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

A. The importance of the project to the community in which it is located:
   The City's DDA - Main Street has targeted this property as one of its highest redevelopment priorities due to its key location in the downtown, the need to abate the very visible blighted conditions, and the need to create residential spaces in the Central Commercial District.

B. If the project will act as a catalyst for additional revitalization of the community in which it is located:
   The DDA – Main Street believes in the positive catalytic impact of this redevelopment project on the downtown. Several property owners in the downtown area are considering undertaking similar, but smaller, redevelopment projects based on the financial success of this project.

C. The amount of local community and financial support for the project:
   The city and its Brownfield Redevelopment Authority (“CMBRA”) have funded the performance of environmental Due Diligence activities at the site (approximated at over $20,000). The city has
allocated over $1,900,000 in Local TIF capture for the eligible redevelopment project costs and public infrastructure improvements to support the project's increased density demands.

D. **The applicant's financial need for a community revitalization incentive:**
   This project's construction costs are heavily impacted by the significant deterioration the structure has suffered from never being completed or sealed since construction began 10 years ago in 2006. Financially, West Shore Bank, a local institution is familiar with the project, however, based on the property’s value is limited to supporting this project at roughly 75% of the project's construction efforts needed. Without the financial assistance of the MEDC, this project will not make economic sense for the development team to attempt due to the tight projected revenues anticipated per both small local lease rates as well as condo values within the region.

E. **The extent of reuse of vacant buildings, reuse of historical buildings, and redevelopment of blighted property:**
   The entirety of the subject structure and supporting property will be reutilized for the proposed redevelopment project.

F. **Creation of jobs:**
   The applicant anticipates the creation of four new jobs within the subject structure at an average wage of roughly $19 per hour.

G. **The level of private sector and other contributions, including, but not limited to, federal funds and federal tax credits:**
   Overall, a mix of both private financing and traditional lending sources for this project is comprised of roughly 83 percent of the total project costs.

H. **Whether the project is financially and economically sound:**
   The applicant provided condo sales data which illustrates a market demand for downtown residential living units within the City of Manistee and surrounding markets. Additionally, market research comprised of Manistee County’s Target Market Analysis which was performed by a consultant of the MSHDA also supports demand for these new residential condominium units within the City.

I. **Whether the project increases the density of the area:**
   Within this portion of the City of Manistee, the development pattern consists primarily of single-family housing. The proposed mixed-use building will greatly increase both residential foot traffic as well as those patrons of the new commercial spaces.

J. **Whether the project promotes mixed-use development and walkable communities:**
   As the first floor of the subject building will be included as two new commercial lease spaces, this project will be considered “mixed-use”. The site improvements planned for the project will also increase foot traffic, as well as add to the City of Manistee’s increased walkability.

K. **Whether the project converts abandoned public buildings to private use:**
This project is a perfect representation of the conversion of a private abandoned space into new taxable value for the community, as well as a reactivation of their public waterfront and streetscape.

L. **Whether the project promotes sustainable development:**
The subject project will include low-impact design elements for storm water management practices onsite, as well as promote the reuse of vacant buildings in downtown Manistee.

M. **Whether the project involves the rehabilitation of a historic resource:**
The subject property is not considered a historic structure.

N. **Whether the project addresses area-wide redevelopment:**
With redevelopment of this structure taking place, the city, DDA – Main street organization, and development community at large, have all noted that this project will benefit the region as a whole and promote additional private investment within downtown Manistee.

O. **Whether the project addresses underserved markets of commerce:**
The addition of new residential condo units within downtown Manistee are supported by both local and county wide market data assembled for purposes of this project and will provide new opportunities for downtown living in northern Michigan.

P. **The level and extent of environmental contamination:**
Several Phase 1 and Phase 2 Environmental Site Assessments ("ESAs") were conducted onsite by the City of Manistee’s Brownfield Redevelopment Authority. Soil and groundwater borings conducted both inside and outside of the subject building indicated the following materials were present above acceptable State guidelines: (i) Arsenic within the soils were above State of Michigan drinking water standards, (ii) Benzopyrene was found within soils above State of Michigan Direct Contact criterion, and (iii) Flouranthene and Phenanthrene both exceeded State GSIP criteria.

Q. **If the rehabilitation of the historic resource will meet the federal Secretary of the Interior's standards for rehabilitation and guidelines for rehabilitating historic buildings (36 CFR 67):**
This standard is not applicable to the subject redevelopment.

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

S. **Any other additional criteria approved by the board that are specific to each individual project and are consistent with the findings and intent of this chapter:**
Given the City of Manistee’s engagement within the MEDC’s Redevelopment Ready Community (RRC) program as well as positive action as a Mainstreet community, the city has and continues to show evidence of economic growth and reinvestment in both their social and physical assets.
This project is highly supported by the city, its BRA and DDA – Mainstreet groups, and will set another positive example for future private investment and new redevelopment within the City of Manistee.

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

A. **Reuse of functionally obsolete buildings and/or redevelopment of blighted property:**
   The subject building is considered “blighted” by the City of Manistee, and redevelopment of said property will remove all blighted conditions onsite.

B. **Cost gap that exists between the property and a similar greenfield property:**
   The Brownfield Tax Increment Financing is needed to both stabilize the existing blighted property, but furthermore provide a financing option for those additional costs related to physical deteriorated elements of the structure which have prevented its redevelopment for over ten years. With the proposed financial incentive package, the development team will both be able to support the traditional financing requirements required by their existing lenders, as well as justify the cost of redeveloping this blighted downtown asset.

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

**Tax Capture Breakdown**
There are 56.7295 non-homestead mills available for capture, with school millage equaling 24 mills (42.31%) and local millage equaling 32.7295 mills (57.69%). Tax increment capture will begin in 2016 and is estimated to continue for 30 years. The requested tax capture for MSF eligible activities breaks down as follows:

<table>
<thead>
<tr>
<th></th>
<th>(millage)</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>School tax capture</td>
<td>(42.31%)</td>
<td>$1,261,128</td>
</tr>
<tr>
<td>Local tax capture</td>
<td>(57.69%)</td>
<td>$1,719,557</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>$2,980,685</strong></td>
</tr>
</tbody>
</table>

**Cost of MSF Eligible Activities**

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demolition</td>
<td>$30,000</td>
</tr>
<tr>
<td>Lead and Asbestos Abatement</td>
<td>$75,000</td>
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<tr>
<td>Infrastructure Improvements</td>
<td>$2,115,195</td>
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<tr>
<td>Site Preparation</td>
<td>+ $240,000</td>
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<tr>
<td>Sub-Total</td>
<td>$2,460,195</td>
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<tr>
<td>Contingency (15%)</td>
<td>+ $369,029</td>
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<tr>
<td>Sub-Total</td>
<td>$2,829,224</td>
</tr>
<tr>
<td>Interest (5%)</td>
<td>+ $141,461</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>$2,970,685</td>
</tr>
<tr>
<td>Brownfield/Work Plan Preparation</td>
<td>+ $10,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$2,980,685</strong></td>
</tr>
</tbody>
</table>
APPENDIX C – Project Map and Renderings
WHEREAS, the Michigan legislature amended the Michigan Strategic Fund Act, MCL 125.2011 et. seq., to add Chapter 8C (being MCL 125.2090a – MCL 125.2090d) to enable the Michigan Strategic Fund (“MSF”) to create and operate the Michigan Community Revitalization Program (“MCRP”) to provide incentives in the form of grants, loans and other economic assistance for redevelopment of communities in Michigan;

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

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

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

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

WHEREAS, River Parc Place II, LLC (“Company”) has requested a performance based grant of up to $636,680 (“Award Request”), along with other general terms and conditions;

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
June 28, 2016
WHEREAS, the Michigan Economic Growth Authority ("MEGA") has been established by 1995 PA 24, as amended (the “Act”);  

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

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

WHEREAS, captured school operating tax revenues may be used under 1996 PA 381 as amended, for infrastructure improvements that directly benefit eligible property, for lead or asbestos abatement, and for structure demolition and site preparation that are not response activities under the Natural Resources and Environmental Protection Act, 1994 PA 451;  

WHEREAS, the City of Manistee Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 80 and 86 Washington Street and four surrounding parcels within the City of Manistee, known as River Parc Project (the “Project”);  

WHEREAS, the City of Manistee is a “qualified local governmental unit” and is eligible to provide for a) demolition; b) lead and asbestos abatement; c) public infrastructure improvements; d) site preparation; e) brownfield work plan preparation and f) interest as provided under 2007 PA 204 and;  

WHEREAS, the Authority is requesting MSF approval to capture additional taxes levied for school operating purposes to provide for the reimbursement of the cost of eligible activities on an eligible property; and  

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF, and has reviewed the application and recommends approval of the Brownfield Work Plan by the MSF Board.  

NOW, THEREFORE, BE IT RESOLVED, the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as 42.31% to 57.69% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, lead and asbestos abatement and infrastructure improvements as presented in the revised Work Plan dated May 23, 2016. Any change in millage that increases the capture percentage of school operating taxes by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on a maximum of $2,829,224 for the principal
activity costs of non-environmental activities and a contingency, a maximum of $141,461 in interest, and a maximum of $10,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of $1,261,128.

BE IT FURTHER RESOLVED, that the MSF Board authorizes the MSF Fund Manager, to provide written notification to the Authority, in the form of a letter which incorporates the terms set forth in this Resolution and consistent with the limitations of the Act, and that this approval is further conditioned upon the Authority, or the City, as appropriate, maintaining adequate records regarding: a) all taxes captured for the project; and b) receipts or other appropriate documentation of the cost of eligible activities. The records shall be made available for review upon request by MSF or MEDC staff. Eligible activities authorized by this resolution must be completed within three (3) years.

BE IT FURTHER RESOLVED, that they MSF Board is authorizing that capture of taxes levied for school operating purposes for the payment of interest, up to a maximum of $141,461 related to the eligible activities for the Project.

Ayes:

Nays:

Recused:

Lansing, Michigan
June 28, 2016