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

Communications

A. Consent Agenda
   Proposed Meeting Minutes – November 22, 2016
   Community College Skilled Trade Equipment Program Amendments – Tangie Jones
   SSBCI – Amendment Ratification – Chris Cook
   216/220 W. Michigan, LLC – City of Kalamazoo – MCRP Re-Approval – Lisa Edmonds
   Invenergy Thermal Development, LLC – Grant Amendment – Christin Armstrong & Valerie Brader
   Marada Industries Inc. DBA Cosma Body Assembly Michigan – MBDP Amendment – Mike Gietzen
   International Trade Pilot Exception Program (PEP) – Extension – Emily Tucker
   Lawrence Technological University – Grant Extension – Fred Molnar
   Techtown DTX Program – Contract Extension – Fred Molnar
   Automation Alley 7Cs Program – Contract Extension – Fred Molnar
   NextEnergy 2014 Entrepreneurial Support Specialized Services – MATch Energy Grant Extension – Fred Molnar

B. Business Investment
   a. Entrepreneurship
      First Capital Fund – Award Recommendation – Fred Molnar
      Michigan Business Incubator “Gatekeeper” Grants – Grant Extensions – Fred Molnar

   b. Business Growth
      Lipari Foods, Inc. – City of Warren – Act 381 Work Plan – Marcia Gebarowski
      Stryker Corporation – MBDP Grant – Mike Gietzen
      Amazon – MBDP Grant – Trevor Friedeberg

   Business Growth/Community Vitality:
      Ford Motor Land Development Corporation – City of Dearborn – 21CJF Activity/Act 381 Work Plan – Stacy Bowerman & Stacy Esbrook

   c. Capital Access
      Michigan Supplier Diversification Fund CSP & LPP – Program Guidelines Modification – Chris Cook

C. Community Vitality
   Flint Grocer Improvement Program – MSF Activity – Mark Morante
   Exchange Building, LLC/W. Michigan & Rose Development LLC – City of Kalamazoo – MCRP/Act 381 Work Plan/MBDP Amendment – Emily Petz
   Queen Lillian II, LLC – City of Detroit – MCRP/Act 381 Work Plan – Brittney Hoszkiw
   1001 Monroe LLC – City of Grand Rapids – Act 381 Work Plan – Ryan Kilpatrick
   225 Ludington Limited Dividend Housing Association LLC & City of Ludington – Act 381 Work Plan – Sue DeVries
D. **Image/State Branding**
   - Brand USA Letter of Agreement – David Lorenz
   - Detroit Tigers Sponsorship – David Lorenz
   - Meredith Corporation – FY17 Allocation – David Lorenz
   - Miles Media – FY17 Allocation – David Lorenz
   - Michigan International Speedway Sponsorship – David Lorenz
WHEREAS, the Michigan Strategic Fund ("MSF"), at its February 2014 board meeting, approved the use of consent agendas at future board meetings pursuant to defined guidelines.

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

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

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

Consent Agenda Items:

- Proposed Meeting Minutes – November 22, 2016
- Community College Skilled Trade Equipment Program Amendments
- SSBCI – Amendment Ratification
- 216/220 W. Michigan, LLC – City of Kalamazoo – MCRP Re-Approval
- Invenergy Thermal Development, LLC – Grant Amendment
- Marada Industries Inc. DBA Cosma Body Assembly Michigan – MBDP Amendment
- International Trade Pilot Exception Program (PEP) – Extension
- Lawrence Technological University – Grant Extension
- Techtown DTX Program – Contract Extension
- Automation Alley 7Cs Program – Contract Extension
- NextEnergy 2014 Entrepreneurial Support Specialized Services – MATch Energy Grant Extension

Ayes:

Nays:

Recused:

Lansing, Michigan
December 20, 2016
Members Present
Steve Arwood
Dan Boge
Shelly Edgerton
Larry Koops
Andrew Lockwood (on behalf of Treasurer Khouri)
Terri Jo Umlor
Wayne Wood

Members Absent
Paul Anderson
Jody DePree Vanderwel
Shaun Wilson

Mr. Arwood called the meeting to order at 10:00 am.

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

Communications: Jennifer Tebedo, MSF Administrator, advised the Board that they received updated documents at the table for the ArcelorMittal Tailored Blanks Americas Corporation agenda item. Mark Morante, MSF Fund Manager, requested a roll call to identify all Board members participating in person and on the phone to confirm a quorum.

A. CONSENT AGENDA
Resolution 2016-218 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, Dan Boge motioned for approval of the following:

Proposed Meeting Minutes – October 25, 2016
KTM Industries, Inc. – Loan Settlement – 2016-219
S & K Tool & Die – Tool & Die RZ Revocation – 2016-221
PCD Carbide Tool Company (DBA Precorp, Inc.) – Tool & Die RZ Revocation – 2016-222
AueroGen Biosciences – 2016 Loan Restructure – 2016-223
Recovery Park – 21st CJF Activity Amendment – 2016-224
Cosworth – MBDP Amendment – 2016-225
HA Automotive – MBDP Amendment – 2016-226
Great Lakes Tissue – Loan Subordination Request – 2016-227
Michigan Supplier Diversification Fund (MSDF) – Request for Public Hearing – 2016-228

Wayne Wood seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.
B. BUSINESS INVESTMENT

B1. Entrepreneurship

Fred Molnar, Vice President Entrepreneurship & Innovation, provided the Board with an overview of MSF Entrepreneurship and Innovation programs and led a subsequent discussion. A copy of the presentation is attached.

Resolution 2016-229 University Early Stage Proof of Concept Fund RFP – Award Recommendation

Denise Graves, University and Service Manager, provided the Board with information regarding this action item. Following brief discussion, Wayne Wood motioned for the approval of Resolution 2016-229. Larry Koops seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Resolution 2016-230 Tech Transfer Talent Network (T3N) – Grant Extension

Denise Graves, University and Service Manager, provided the Board with information regarding this action item. Following brief discussion, Dan Boge motioned for the approval of Resolution 2016-230. Shelly Edgerton seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Resolution 2016-231 Michigan Corporate Relations Network (MCRN) – Grant Extension

Denise Graves, University and Service Manager, provided the Board with information regarding this action item. Following brief discussion, Wayne Wood motioned for the approval of Resolution 2016-231. Andrew Lockwood seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

B2. Business Growth

Resolution 2016-232 Michigan Manufacturing Technology Center (MMTC) – 21st Century Jobs Fund Grant

Jacob Schroeder, International Trade Development Manager, provided the Board with information regarding this action item. Following brief discussion, Dan Boge motioned for the approval of Resolution 2016-232. Wayne Wood seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Resolution 2016-233 American Center for Mobility/Willow Run – Ypsilanti Township/Washtenaw County – Renaissance Zone Designation

Josh Hundt, Vice President Business Development Projects, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-233. Wayne Wood seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Resolution 2016-234 ArcelorMittal Tailored Blanks Americas Corporation – Detroit – MBDP Grant

Marcia Gebarowski, Business Development Project Manager, provided the Board with information regarding this action item. Following brief discussion, Dan Boge motioned for the approval of Resolution 2016-234. Shelly Edgerton seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Resolution 2016-235 Adient US, LLC – Detroit – MBDP Grant

Jeremy Webb, Business Development Project Manager, provided the Board with information regarding this action item. Following brief discussion, Shelly Edgerton motioned for the approval of Resolution 2016-235. Larry Koops seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Resolution 2016-236 ZFS Ithaca, LLC – Ithaca/Gratiot County – Agricultural Processing Renaissance Zone

Jeremy Webb, Business Development Project Manager, provided the Board with information regarding this action item. Jamie Clover Adams, Director of the Michigan Department of Agriculture and Rural Development, spoke in support of this project and of Michigan’s agriculture industry in general. Following brief discussion, Dan Boge motioned for the approval of Resolution 2016-236. Wayne Wood seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.
Resolution 2016-237 East Jordan Foundry LLC – Warner Township/Antrim County – Alternative SESA Exemption
David Kurtycz, Business Development Project Manager, provided the Board with information regarding this action item. Following brief discussion, Wayne Wood motioned for the approval of Resolution 2016-237. Andrew Lockwood seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

C. COMMUNITY VITALITY
Resolution 2016-238 CDBG Infrastructure Capacity Enhancement (ICE) Grants – Funding Round Christine Whitz, Director CDBG, provided the Board with information regarding this action item. Following brief discussion, Wayne Wood motioned for the approval of Resolution 2016-238. Shelly Edgerton seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Resolution 2016-239 The Metropolitan Hotel Partners LLC/City of Detroit – MCRP Loan Brittney Hoszkiw, Community Assistance Team, provided the Board with information regarding this action item. Following brief discussion, Dan Boge motioned for the approval of Resolution 2016-239. Wayne Wood seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused

Mr. Arwood adjourned the meeting at 11:42 am.
Entrepreneurship and Innovation

An entrepreneur is an individual who, rather than working as an employee, runs a business and assumes all the risks and rewards of a given business venture, idea, or goods or service offered for sale.
Entrepreneurship and Innovation – Why?

In the past 25 years....
Over 90% of net new jobs created in private sector
...by new companies that are <5 years old

Source: (1) SeedStage Financing Report by Clark Jenkins
(2) R&D Tax Credit Paper No. 12008 by Arts & Business Partnership and Paul G. Allen Family Foundation

Three (3) Entry Points and Areas of Entrepreneurial Focus at the MEDC

<table>
<thead>
<tr>
<th>MEDC Entrepreneurship and Innovation Team</th>
<th>MEDC Business Development Team</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Tech Entrepreneurial Services</td>
<td>Traditional (non-high tech) Entrepreneurial Services</td>
</tr>
<tr>
<td>University Programs</td>
<td>SBDC Core</td>
</tr>
</tbody>
</table>

SmartZones (Gatekeepers) Office of Technology Transfer
Entrepreneurship and Innovation

Focuses on high-tech start-ups:

- Advanced Automotive
- Advanced Manufacturing
- Advanced Materials
- Information Technology
- Agricultural Processing Technology
- Alternative Energy
- Homeland Security and Defense Technology
- Life Sciences
- Other Innovative Technologies

Section 125.2088a of the MSF Act, as amended, and as approved by the MSF Board

Entrepreneurship and Innovation – What do we do?

The MEDC supports the entrepreneur through 3rd party service providers:

> Business Plan Development
> Raising Capital
> Federal Grant Writing Support
> Technology Commercialization
> Business Incubator Space
> Customer Acquisition

> Market Research
> Financial Management
> Strategic Planning
> Business Acceleration Services

Entrepreneurial Services
Entrepreneurship and Innovation – What do we do?

Programs to support the commercialization of technology from the universities into the commercial market by way of startups and/or licenses to industry

Support ranges from:

- Very Early Stage Proof of Concept Funds
- Funding Opportunities for Commercialization of Research Projects to Industry
- Customer Discovery Training
- Business Mentors
- First Customer Acquisition
- Industry Collaboration

University Programs

Entrepreneurship and Innovation – “Subway Map”

University Entry Station

SmartZone Entry Station

Startup

Seed $ Venture $ Exit

Existing Company

Corporate $ Investment

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION
Entrepreneurship and Innovation – How are we doing?

According to a recent independent study by Battelle/Techonomy –

- 1400 Companies Received Services
- 11,000 workers in 2014
- 77% 1073 still active
- $879.5 million Wages and Benefits

The direct effect of the workers is estimated to generate –

- $3.2 Billion in Output
- $48.4 Million in State and Local Tax Revenue in 2014
- $6.33 for every $1.00 of annualized 21st CJF investment
Entrepreneurship and Innovation – Success Story Example

RetroSense: gene therapy to restore vision in patients suffering from blindness due to macular degeneration

Time Frame: Eight Years

Entrepreneurship and Innovation – RetroSense Success Story Example

- Idea originates Wayne State University
- $250K investment Ann Arbor SPARK of MSF/MEDC Pre-Seed 1.0 Fund
- MEDC awards $30K for market research and IP assessment
- Client of SPARK’s accelerator program funded by Ann Arbor LDFA SmartZone
- Completes market research through SPARK’s internship program
- RetroSense sold to Allergan for $60 Million
- $1.2M Return: 21CJF (MSF) had an initial gain of $896,184 and the MEDC had an initial gain of $281,965
- Ann Arbor SPARK SmartZone provided grants for pre-clinical and clinical trial planning, corporate identity, branding, website development, study design and validation
- Laboratory is at MLSIC, an MEDC supported life science incubator
- Midland based Blue Water Angels invest

Today
Entrepreneurship and Innovation – Success Story Example

**Delphinus:** Breast Cancer Detection System Without Radiation

**Time Frame:** Ten Years

**Pure Michigan Video**  [https://www.youtube.com/watch?v=CCqhJXzeAS8](https://www.youtube.com/watch?v=CCqhJXzeAS8)

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**Entrepreneurship and Innovation – Delphinus Success Story Example**

- *Idea originates Wayne State University*
- *Delphinus Company Formed*
- *Raise $8M Series A round*
- *Graduated from MLSIC with 25 employees*
- *Move to Novi, MI. 40 employees*
- *Raise $11M Series B round*
- *MEDC awards $30K for market research and IP assessment*
- *MLSIC Tenant - MEDC supported life science incubator*
- *MEDC awards $30K for market research and IP assessment*
- *Raise $19.5M Series C round*

---

*Today*
Entrepreneurship and Innovation – Where do you start?

Entrepreneurial Services:
• SmartZones!

University Services:
• Office of Technology Transfer

Traditional Startup Services:
• SBDC Regional Centers

More information can be found at www.Michiganbusiness.org

Entrepreneurship and Innovation – SmartZones (17 Across the State)

• SmartZones provide distinct geographical locations where technology-based firms, entrepreneurs and researchers are located regionally.

• SmartZone technology clusters promote resource collaborations between universities, industry, research organizations, government and other community institutions, growing technology-based businesses and jobs.

• New and emerging businesses in SmartZone technology clusters are primarily focused on commercializing ideas, patents and other opportunities surrounding corporate, university or private research institute R&D efforts.
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
Memorandum

DATE: December 20, 2016

TO: Michigan Strategic Fund Board (MSF)

FROM: Wanda M. Stokes, Director, Michigan Talent Investment Agency (TIA)

SUBJECT: Community Colleges Skilled Trades Equipment Program (CCSTEP) Awards – Consent to Increase Project Funding

Request
The TIA is requesting MSF Board consent to increase CCSTEP project funding for Washtenaw Community College (WCC) at their December 20, 2016 meeting. The total funding request increase is $75,092.95, leaving all fund reductions approved through MSF redistributed so that the full $50 million would be expended.

- **Washtenaw Community College**
  WCC is requesting an increase to their CCSTEP award in the amount of $75,092.95 to cover additional equipment purchases for their Automotive Service program. This increase will bring the total CCSTEP grant award for WCC to $4,474,727.12.

  WCC will use the additional funding to allow for an upgrade of their current course offerings in the Automotive Service Program; this would be an enhancement to their original awarded CCSTEP funding that focused on equipment to expand and replace existing degree and certificate programs to meet current automotive industry demand related to lightweight materials.

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

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

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

WHEREAS, MEDC and TIA staff determined that it is necessary to increase the CCSTEP grant awarded to Washtenaw Community College in the amount of $75,092.95 (the “CCSTEP Grant Amendment”);

WHEREAS, MEDC and TIA staff recommend that the MSF Board approve the CCSTEP Grant Amendment.

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

BE IT FURTHER RESOLVED, the MSF Board authorizes the MSF Fund Manager to execute all documents necessary to effectuate the CCSTEP Grant Amendment.

Ayes:

Nays:

Recused:

Lansing, Michigan
December 20, 2016
MEMORANDUM

Date: December 20, 2016

To: MSF Board

From: Chris Cook, Director – Capital Access

Subject: Ratification of Amendment to State Small Business Credit Initiative Allocation Agreement

Request
Staff recommends ratification of the amendment to the State Small Business Credit Initiative (“SSBCI”) Allocation Agreement which was executed by the Chairperson of the MSF Board on December 1, 2016.

Background
In September 2010 President Obama signed into law the Small Business Jobs Act which contained a $1.5 billion carve-out titled the State Small Business Credit Initiative (“SSBCI”). SSBCI was designed to allocate federal funds to strengthen state programs that support lending to small businesses. In a letter dated March 31, 2011, Governor Snyder designated the Michigan Strategic Fund (“MSF”) as the state agency to implement and participate in the SSBCI. Michigan received approximately $79.1 million in federal funds through the SSBCI in July 2011. Through various programs funded by SSBCI, the MSF has supported financing to more than 700 companies and leveraged more than $500 million in private sector investment.

A number of States and Territories did not fully draw the allocated portion of SSBCI funding. This unused funding was pooled by US Treasury and reallocated to States and Territories which had fully drawn on their allocations and were willing to amend their SSBCI allocation agreements. The portion of this funding which was allocated to Michigan was $358,035. US Treasury provided an amendment of Michigan’s allocation agreement to the MEDC on November 29, 2016 with instructions that the amendment must be executed and returned no later than December 9, 2016 in order for Michigan to be eligible to receive the additional funding. Steve Arwood, as Chairperson of the MSF Board, signed the amendment on December 1, 2016.

Recommendation
Staff recommends that the MSF Board ratify the execution of this amendment by the MSF Chairperson in accordance with the MSF Compiled Delegation of Authority.
WHEREAS, the State Small Business Credit Initiative Act of 2010, Public Law 111-240, Sections 3001-3011 (“SSBCI”) was signed into law on September 27, 2010 to strengthen state programs that support lending to small businesses and small manufacturers and to allow states to build on successful models for state small business programs including collateral support programs, capital access programs and loan guarantee programs;

WHEREAS, the State of Michigan submitted a Notice of Intent to Apply for the SSBCI on November 22, 2010 to the United States Department of Treasury (“U.S. Treasury”);

WHEREAS, the SSBCI requires the State to designate a department, agency or political subdivision of the State to implement and participate in the SSBCI;

WHEREAS, in accordance with MCL 125.2005 and MCL 125.2007, the Michigan Strategic Fund was created as a public body corporate and politic within the Department of Treasury and has the authority to solicit grants from the federal government or to participate in a federal government program;

WHEREAS, by letter dated March 31, 2011, Governor Snyder designated the MSF to the U.S Treasury as the state agency to apply for and receive funds under the SSBCI, and, to effectuate this designation, the MSF Board Chairperson submitted an application for SSBCI funding (“Application”);

WHEREAS, on July 11, 2011, the MSF President formally executed the SSBCI Allocation Agreement (“Agreement”);

WHEREAS, in accordance with Section 125.2007-2(3) of the MSF Compiled Resolutions, on December 1, 2016, the MSF President formally executed an amendment to the Agreement (“Amendment”) and submitted the Amendment to U.S. Treasury, as required by U.S. Treasury to apply for and receive the funds;

WHEREAS, the MSF Board desires to support, authorize and ratify the submission of the Amendment by the MSF President as required by Section 125.2007-2(3) of the MSF Compiled Resolutions;

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF for a variety of programs overseen by the MSF and has been active in supporting the Application and Amendment process; and

WHEREAS, the MEDC recommends that the MSF Board ratify the action of the MSF President to sign the Amendment to the Agreement with the U.S. Treasury to effectuate the application process and obtain the U.S. Treasury's approval and disbursement of SSBCI funding to the MSF.
NOW, THEREFORE, BE IT RESOLVED, that the MSF ratifies and approves the MSF President’s signature of the Amendment to the SSBCI Allocation Agreement to effectuate the application process and obtain the U.S. Treasury's approval and disbursement of SSBCI funding to the MSF.

Ayes:

Nays:

Recused:

December 20, 2016
Lansing, Michigan
State Small Business Credit Initiative

Allocation Agreement Amendment

In accordance with Section 8.3 of each Allocation Agreement entered into by and between the United States Department of the Treasury (Treasury) and each Participating State and consortium of Participating Municipalities listed in the Addendum, Treasury hereby proposes to reallocate $6,284,261 in Allocated Funds among the Participating States and the Participating Municipalities. This reallocation of Allocated Funds is authorized by Section 3003(b) of the State Small Business Credit Initiative Act of 2010 (title III of the Small Business Jobs Act of 2010, Public Law 111-240, 124 Stat. 2568, 2582) (the “Act”).

Section 3008(b) reads:
Deallocated Amounts To Be Reallocated- If, after 13 months, any portion of the amount of Federal funds allocated to a participating State is deemed by the Secretary to be no longer allocated to the State after actions taken by the Secretary under subsection (a)(1), the Secretary shall reallocate that portion among the participating States, excluding the State whose allocated funds were deemed to be no longer allocated, as provided in section 3003(b).

Accordingly, Treasury and each Participating State or consortium of Participating Municipalities agree to:

Amend the dollar amount of the Allocation Commitment in Section 2.1 of the Allocation Agreement to be the amount listed in the attached Addendum for each Participating State or consortium of Participating Municipalities.

Amend the end of paragraph 2 of Annex 2 of the Allocation Agreement to include the following sentences:

Treasury will disburse Allocated Funds that are reallocated to each Participating State or consortium of Participating Municipalities pursuant to this Allocation Agreement Amendment as part of the third one-third of Allocated Funds. If a Participating State or consortium of Participating Municipalities has received its third one-third of Allocated Funds, the reallocated Allocated Funds will be disbursed within 90 days of the execution of this Allocation Agreement Amendment.

Each Participating State or Participating Municipalities may use three percent (3%) of the amounts received pursuant to this amendment to pay both direct and indirect administrative costs as described in Annex 3.

Except as expressly amended hereby, the Allocation Agreement shall remain in full force and effect in accordance with its terms.
The Participating State or consortium of Participating Municipalities will undertake the following activities with the Allocated Funds under its Approved State Program:

<table>
<thead>
<tr>
<th>Approved State Program</th>
<th>Amount Reallocated</th>
<th>Total Amount of Allocated Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAP Program</td>
<td>$0</td>
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<tr>
<td>Michigan Business Growth Fund/ Collateral Support</td>
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<td>Michigan Loan Guarantee Program</td>
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</table>

Please countersign and return this amendment by December 9, 2016.

Once Treasury receives the counter-signed executed amendment, we will insert the effective date, and will send you a copy of the fully executed amendment.

Jessica Milano
Deputy Assistant Secretary for Small Business, Community Development and Housing Policy

Agreed:
State of Michigan
Michigan Strategic Fund

By: [Signature]
Authorized Representative: Steven Arwood
Title: Chairperson

Effective Date: December 12, 2016

[To be inserted by Treasury]

**ADDENDUM**

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<th>Participating State</th>
<th>Amount Reallocated</th>
<th>Revised Total Allocation</th>
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<tr>
<td>State</td>
<td>First Year</td>
<td>Second Year</td>
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<tr>
<td>---------------------------</td>
<td>------------</td>
<td>-------------</td>
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<tr>
<td>Alaska, Anchorage</td>
<td>$59,561</td>
<td>$13,227,911</td>
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<td>American Samoa</td>
<td>$0</td>
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MEMORANDUM

Date: December 20, 2016

To: Michigan Strategic Fund Board

From: Lisa Edmonds, MCRP and Brownfield Program Specialist
       Lisa Pung, Director, Community Development Incentives

Subject: 216/220 WM, LLC - Request for Ratification of previous Delegated Approval of Michigan Community Revitalization Program Grant

Request
Michigan Community Revitalization Program (MCRP) staff is requesting a waiver from the MCRP Incentive Parameters for the developer fee and a ratification of the previous Delegated Approval of the MCRP incentive for 216/220 WM, LLC.

Background
On October 21, 2016 the Delegates of the Michigan Strategic Fund board approved a $387,147 incentive under the MCRP. 216/220 WM, LLC will rehabilitate approximately 9,465 square feet creating new office space, residential units and retail centrally located within downtown Kalamazoo. The project will redevelop two parcels of property located at 216 and 220 West Michigan Avenue in the City of Kalamazoo.

The MCRP application was received March 29, 2016. The application evaluation which included a budget with a 5.19% deferred developer fee was completed prior to the May 2016 adoption of the MCRP Incentive Parameters. The MCRP Incentive Parameters allows for a preference of 4% fees associated with the project. The project included Brownfield tax increment reimbursement to make the project financially feasible. The project approval request was delayed while MCRP staff waited for additional information pertaining to the approval of the City of Kalamazoo’s anticipated $70.3 million gift to roll back the city’s millage rate which would impact the Brownfield tax increment reimbursement.

Due to the factor that the developer fees associated with this project are 1% more than the MCRP Incentive Parameters allow, MEDC legal staff has concluded that the MCRP Incentive Parameters must be met at the time of MSF approval. The MSF Board approval is required for projects deviating from the approved MCRP Incentive Parameters.

Recommendation
MEDC staff recommends the following:

A) Approval of a waiver of the Developer Fee Parameter and ratification of the previous Delegated Approval of the Company’s Award Request of the MCRP performance-based grant in the amount of $387,147 for 216/220 WM, LLC. The commitment will remain valid until 120 days after approval with approval for the MSF Fund Manager to extend the commitment an additional 30 days.
MEMORANDUM

Date: October 20, 2016

To: Delegates of the Michigan Strategic Fund

From: Emily Petz, Community Assistance Team Specialist
Lisa Edmonds, MCRP and Brownfield Program Specialist

Subject: City of Kalamazoo Brownfield Redevelopment Authority
Request for Approval of an Act 381 Work Plan
216/220 WM, LLC - Request for Approval Michigan Community
Revitalization Program Grant

Request
The proposed project will be undertaken by 216/220 WM, LLC and will rehabilitate approximately 9,465
square feet creating new office space, residential units and retail centrally located within downtown
Kalamazoo. The project will redevelop two parcels of property located at 216 and 220 West 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 functionally
obsolete.

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 $160,958.

216/220 WM, LLC is requesting approval of a MCRP incentive in the amount of $387,147 in the form of
a performance-based grant.

The development team has been able to secure bank financing for approximately 75% of the loan to value
of the property at approximately 53% of the total project costs. The developer is contributing
approximately $759,138, 27% of project costs, and the IRR is estimated at 7.29%. A DDA grant
contribution is .18% of the project cost. The remaining gap will be filled with a CRP award at
approximately 14% of the total project costs. There are significant costs present on the site related to
Brownfield conditions. Lead, asbestos and demolition work will be completed to bring the building back
into use. 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 support of Brownfield TIF and MCRP will allow the project to remain financially feasible
and achieve adequate cash flow to meet its debt service requirements once it reaches stabilization. MCRP
detailed structure is provided in Appendix A.
The Applicant anticipates that the project will result in total capital investment in the amount of $2,796,283 along with the creation of approximately 18 permanent full-time equivalent jobs with an average hourly wage of $15.

**Background**
This project will transform unused buildings located in the central downtown of Kalamazoo. The buildings located at 216 and 220 West Michigan Avenue were constructed in 1872 and contain approximately 11,852 square feet. The project will create a multi-use building with retail, office and residential uses. The project involves a partial interior renovation of the building’s first floor for commercial space, complete renovation of the vacant second floor and complete renovation of the vacant third floor for two market rate residential units. The current jewelry store plans to relocate back to one part of the retail space once work is completed. A total of approximately 9,465 square feet will be returned to productive use. The project will also remove a blighted one-story addition of approximately 2,387 square feet.

Lead and asbestos abatement will be necessary prior to demolition activities in order to protect human health. Demolition activities will be necessary to remove a blighted addition and complete a full gut rehabilitation of the second and third floors to address the extreme disrepair. Site preparation activities include grading and balancing after demolition. Infrastructure improvements including new curbing, gutter, landscaping and lighting are necessary to support the new development.

The City of Kalamazoo is anticipating a $70.3 million gift to roll back the city’s millage rate, reduce property taxes and eliminate a structural deficit. This proposal will result in the Kalamazoo Operating Millage being reduced from approximately 19.2705 mills to 12 mills. This project recommendation is based on the Kalamazoo Operating millage of 12 mills. There are 58,4634 non-homestead mills available for capture, with school millage equaling 24 mills (41.05%) and local millage equaling 34,4634 mills (58.95%). Tax increment capture will begin in 2017 and is estimated to continue for 10 years. If the gifted funds are not received as proposed, actual support will be based on the Kalamazoo Operating millage of 19.2705 mills. In that case, the millage will remain at 65.7339 non-homestead mills available for capture, with school millage equaling 24 mills (36.51%) and local millage equaling 41.7339 mills (63.49%) and overall local support will increase and MSF support will decrease (scenarios in Appendix B).

PlazaCorp Realty Advisors, Inc. (PlazaCorp), the principal company, develops and manages downtown mixed-use redevelopment and high-end residential condominium projects, and specializes in commercial property leasing. PlazaCorp and related entities have built or redeveloped several dozen properties in three states. Previously supported projects by the Michigan Strategic Fund or Michigan Economic Growth Authority include Neil’s Automotive building, the United building, Spearflex Block, and the Globe Building in Kalamazoo. Most recently, the GTW Depot project, a former railroad freight office in Kalamazoo was awarded a MCARP grant.

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 $160,958. Utilizing the state to local capture ratio when the Kalamazoo operating mileage is 12, the amount of school tax capture for this project is estimated at $66,073. If the Kalamazoo operating mileage remains at 19.2705, the amount of school tax capture for this project will be $58,766 but overall support will remain at $160,958 as the local contribution will be higher.

b) A MCRP performance-based grant in the amount of $387,147 for 216/220 WM, LLC. The commitment will remain valid until 120 days after approval with approval for the MSF Fund Manager to extend the commitment an additional 30 days.

Approval Authority – MCRP Support Memo

**Michigan Economic Development Corporation**

Signed by:

[Signature]

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| LaToya Pung |
| Director, Community Development Incentives |

The Recommendation is approved, subject to Available Funding and Completion of Due Diligence, and execution of all MCRP transaction documents, all in accordance with the MCRP and its guidelines.

Note: To utilize the delegation authority granted by the MSF Board, the approval of any two of the MSF President, the MSF Fund Manager and the State Treasurer, are required for this commitment under the MCRP.

**Michigan Strategic Fund**

Signed by:

[Signature]

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| Steven Atwood |
| President |

| Mark Morante |
| Fund Manager |

| Nick Khouri, State Treasurer |
| Director |
Summary of Terms

1. Company Name: 216/220 WM, LLC
2. Company Address: 200 West Michigan Avenue
   Kalamazoo, Michigan 49007
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 $387,147 (“MCRP Incentive Award”)
5. Project Description (“Project”): The project involves a partial interior renovation of the building’s first floor, complete renovation of the vacant second and third floors into commercial and residential use. The project will also remove the blighted one-story addition connected on the north side of the main building resulting in approximately 9,464 square feet.
6. Anticipated Minimum Eligible Investment: $1,563,168 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
   - Professional Fees
7. Start Date for Measurement of Eligible Investment: January 1, 2016
8. Project Qualifying As: Functionally Obsolete
9. Progress and Milestones & Disbursement: The final terms and conditions of each of the Progress Milestones shall be included in the final Agreement, including that before any disbursement is made to the Applicant, the Applicant must demonstrate timely completion of all Progress Milestones, as required,
and otherwise be in full compliance with all terms and conditions of the final Agreement. The MSF Fund Manager, in coordination with Michigan Economic Development Corporation (MEDC) Staff, is authorized to negotiate the final terms and conditions of the final Agreement to be used to memorialize MCRP awards on the MSF’s behalf in accordance with the Guidelines and are anticipated to include:

a. Pre-improvement Progress Milestone: Demonstration by the Company to the satisfaction of the MSF of completion of all pre-improvement requirements as applicable and required by the MSF, including: written certification from the lender 1st Source 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 $1,500,000; copy of the City of Kalamazoo site plan approval; copy of the executed agreement for the Downtown Development Authority (DDA) Interior Rehabilitation Grant in the amount of $5,000; each by no later than February 28, 2017.

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 is providing local tax increment financing support for up to 10 years of tax increment revenue reimbursements in the estimated amount of $160,958 ($94,885 Local; $66,073 State) when the Kalamazoo Operating millage is 12. If the Kalamazoo Operating millage remains at 19.2705 mills the local tax increment financing support for up to 10 years of tax increment revenue reimbursements in the estimated amount of $160,958 ($102,192 Local; $58,766 State) will be provided. Downtown Development Authority (DDA) is providing an Interior Rehabilitation Grant of $5,000.

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 Kalamazoo, which is a Qualified Local Governmental Unit, and has been deemed functionally obsolete as verified by a Michigan Master Assessing Officer (MMAO) assessor on July 15, 2015.

The property is the subject of a Brownfield Plan, duly approved by the City of Kalamazoo on December 7, 2015.

MCRP Program and its Guidelines
On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program (MCRP) and on September 22, 2015, the MSF Board approved its restated program guidelines. The primary intended objective of the MCRP is to provide incentives to persons that make eligible investments on eligible property in Michigan. The total eligible investment for this project is estimated to be $1,953,960.

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

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

A. The importance of the project to the community in which it is located:
   This project is located on Michigan Avenue in downtown Kalamazoo. A strategy within the Master Plan states "Encourage redevelopment of underutilized and vacant retail sites with mixed uses." This project is doing precisely that.

B. If the project will act as a catalyst for additional revitalization of the community in which it is located:
   The project is located in the heart of Kalamazoo’s DDA district and the central business District. It will build on previous investment and planned development in the area. The project will bring new housing and retail into the area adding to the vibrancy.
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 10 years of tax increment revenue reimbursement for eligible activities for eligible non-
environmental brownfield activities. Local support is estimated at $94,885.

D. The applicant’s financial need for a community revitalization incentive:
The developer has secured financing for approximately 53 percent of project costs and is
contributing significant equity of approximately 27 percent of project costs. Due to brownfield
conditions, there is a gap remaining. The remaining gap will be filled with the MCRP grant,
which will allow the project to remain financially feasible.

E. The extent of reuse of vacant buildings, reuse of historical buildings, and redevelopment of
blighted property:
The project involves partial interior renovation of the building’s first floor, complete renovation
of the vacant second and third floor. A total of approximately 9,465 square feet will be returned
to productive use.

F. Creation of jobs:
The project is expected to result in the creation of 18 full-time equivalent jobs. The average
hourly wage is estimated to be $15.

G. The level of private sector and other contributions, including, but not limited to, federal
funds and federal tax credits:
Private contributions include $384,138 in cash equity, $375,000 in land and building equity,
$1,500,000 in bank financing and $5,000 in a local DDA grant.

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 7.29% return to the developer.

I. Whether the project increases the density of the area:
This project is situated along a major east-west corridor (Michigan Avenue) and within the
business and DDA districts. The site is just Northwest of planned new development and previous
investment. It is close to the Radisson Hotel and Mall Street.

J. Whether the project promotes mixed-use development and walkable communities:
This project will create additional residential units, retail and office space located close to shops,
restaurants, and coffee shops to easily walk to.

K. Whether the project converts abandoned public buildings to private use:
The buildings are not publicly owned.
I. Whether the project promotes sustainable development:
   Sustainable elements include the installation of a reflective roof membrane, energy efficient
   HVAC systems and appliances, and the rehabilitation of an existing building.

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
   preserve the original look of this 1872 building.

N. Whether the project addresses area-wide redevelopment:
   Strategically located in the core downtown, it is envisioned as a vibrant area with mixed-use
   developments and urban character. The project is in close proximity to other key projects like
   Peregrine PNC.

O. Whether the project addresses underserved markets of commerce:
   The project is designed to make once vacant space vibrant by creating units in a market with a
   high demand and providing retail and office space.

P. The level and extent of environmental contamination:
   There is no known environmental contamination on the site.

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:
The property is eligible based upon functional obsolescence. Obsolescence was confirmed by the City of Kalamazoo Assessor on July 15, 2015.

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 by revitalizing vacant existing buildings. The development has been designed to work within the existing building and site constraints.

The Brownfield Tax Increment Financing is needed to cover the additional costs of rehabilitating a vacant and functionally obsolete space. Demolition will include removal of a blighted back building and complete gutting of the second and third floors to address the extreme disrepair. Lead and asbestos abatement were necessary to safely gut the interior. Infrastructure improvements include new curbing, gutter, landscaping and lighting. Site preparation activities will help grade and balance after demolition. These activities were necessary to make the project work and 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 @ 12 mills
There are 58,4634 non-homestead mills available for capture, with school millage equaling 24 mills (41.05%) and local millage equaling 34,4634 mills (58.95%). Tax increment capture will begin in 2017 and is estimated to continue for 10 years. The requested tax capture for MSF eligible activities breakdown as follows:

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Cost of MSF Eligible Activities

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**Tax Capture Breakdown @ 19.270 mills**

There are 65,723.9 non-homestead mills available for capture, with school millage equaling 24 mills (36.51%) and local millage equaling 41.7339 mills (63.49%). Tax increment capture will begin in 2017 and is estimated to continue for 10 years. The requested tax capture for MSF eligible activities breaks down as follows:

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**Cost of MSF Eligible Activities**

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APPENDIX C – Project Map and Renderings

Figure 2 - Site Plan - 216 and 220 W. Michigan Ave., Kalamazoo, MI
MICHIGAN STRATEGIC FUND

RESOLUTION 2016 -

WAIVER OF MCRP INCENTIVE PARAMETERS AND RATIFICATION OF PRIOR DELEGATION OF APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM

PERFORMANCE BASED GRANT AWARD TO 216/220 WM, LLC

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

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

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

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

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

WHEREAS, 216/220 WM, LLC (“Company”) has requested a performance based grant of up to $387,147 (“Award Request”), along with other general terms and conditions;

WHEREAS, on October 21, 2016 the Delegates of the Michigan Strategic Fund Board approved the Company’s Award Request (the “Delegated Approval”);

WHEREAS, the MCRP Incentive Parameters previously approved by the MSF Board were adopted after negotiation of the Company’s Award Request, but before the Delegated Approval;

WHEREAS, following Delegated Approval, it was noted there was a minor deviation from the MCRP Incentive Parameters outlining a preference for a limit on developer’s fees to only 4% (the “Developer Fee Parameter”), a waiver of which requires consent by the Michigan Strategic Fund Board;

WHEREAS, the MEDC has recommended that the MSF approve a waiver of the Developer Fee Parameter and ratification of the previous Delegated Approval of 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
December 20, 2016
MEMORANDUM

Date: December 20, 2016

To: Michigan Strategic Fund ("MSF") Board

From: Valerie Brader, Executive Director – Michigan Agency for Energy
Christin Armstrong, V.P., Compliance and Contract Services

Subject: Invenergy Thermal Development, LLC – MSF Incentive Grant Amendment Request

Request
The Michigan Agency for Energy (the “MAE”) and the Michigan Economic Development Corporation (“MEDC”) are requesting an amendment to the MSF Incentive Grant to Invenergy Thermal Development, LLC to 1) reduce the Required Investment from $1,385,745 to $567,200 and 2) remove the provision in Key Milestone Number Two that prohibits any portion of the Required Investment from being returned to the Company (the “Request”).

Background
On December 15, 2015 the MSF Board approved an MSF grant in the amount of $500,000 to Invenergy to support its required investment to advance the Upper Peninsula Cogeneration Project (“UP Cogen”) through the generator interconnection study process conducted by Midcontinent Independent System Operator, Inc. (“MISO”). Invenergy’s UP Cogen Project was developed as a generation solution to address the UP’s energy needs in light of the impending closure of the Presque Isle Power Plant (“PIPP”) in Marquette, Michigan. The State of Michigan supported the proposed generation solution as it would be less costly than the transmission upgrades recommended by MISO to address the PIPP closure.

In order to ensure that the UP Cogen project could be built in time to replace PIPP and forestall the MISO alternative solution of a massive transmission project, Invenergy entered MISO’s Generator Interconnection Queue (“GIQ”) and paid deposits in excess of $1.5 million for the Definitive Planning Phase (“DPP”) studies. The MSF Incentive Grant Agreement required Invenergy to invest $1,385,745. Invenergy’s agreement to proceed with the initial development of the UP Cogen Project despite not having an energy supply contract with the Cliffs Natural Resources Mining Complex in Palmer, Michigan was, in part, predicated on the commitment from the State of Michigan to follow-through with a $500,000 offset in the event the project did not materialize.

The MEDC was notified by Invenergy that the UP Cogen Project would not proceed and that they were in negotiations with MISO to refund a portion of the deposits paid by Invenergy. If Invenergy is successful in securing a portion of its deposits from MISO, its net investment in the UP Cogen Project will be $567,200 instead of the $1,385,745 required by the MSF Incentive Grant Agreement. The MEDC recommends that the MSF Incentive Grant be amended to 1) reduce the Required Investment amount to $567,200 and 2) remove the provision prohibiting any portion of the Required Investment from being returned to the Company so that the State of Michigan may follow through on its commitment to offset the investment costs now that it has been determined that the project will not move forward.

Recommendation
The MAE and the MEDC recommend approval of the Request.
WHEREAS, the Michigan legislature enacted the Michigan Strategic Fund Act, MCL 125.2001 et. seq., to enable the Michigan Strategic Fund (“MSF”) to provide incentives in the form of grants, loans and other economic assistance for the development and improvement of Michigan’s economy, including through the development of known sources of energy in Michigan;

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

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

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

WHEREAS, on December 15, 2015, the MSF Board authorized an MSF Incentive Grant in the amount of $500,000 to Invenergy Thermal Development, LLC (“Invenergy”) to support its investment for the Upper Peninsula Cogeneration (“UP Cogen”) Project and operation of a combined heat and power cogeneration facility to supply process steam and power of up to 280 MW at the Cliffs Natural Resources Mining Complex in Palmer, MI (the “Invenergy Grant”);

WHEREAS, the Invenergy Grant is intended to offset a portion of Invenergy’s risk of investment into the UP Cogen Project, in the event that the UP Cogen Project does not materialize;

WHEREAS, Invenergy has made its Required Investment but is negotiating a refund of a portion of its investment from the Midcontinent Independent System Operator, Inc. (“MISO”), thereby putting Invenergy’s actual investment below the Required Investment as stated in the Invenergy Grant agreement;

WHEREAS, the Michigan Agency for Energy (“MAE”) and the MEDC, in recognition of Invenergy’s significant investment and in fulfillment of the State of Michigan’s commitment to support the UP Cogen Project, recommend that the Invenergy Grant be amended to 1) reduce the Required Investment from $1,385,745 to $567,200 and 2) remove the provision in Key Milestone Number Two that prohibits any portion of the Required Investment from being returned to the Company (the “Grant Amendment Request”); and

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

BE IT FURTHER RESOLVED, the MSF Board authorizes the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate the Grant Amendment Request.

Ayes:

Nays:

Recused:

Lansing, Michigan
December 20, 2016
MEMORANDUM

Date: December 20, 2016

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

From: Mike Gietzen, Business Development Project Manager

Subject: Marada Industries Inc. dba Cosma Body Assembly Michigan

Amendment to the Michigan Business Development Program

Summary

The Company is requesting an amendment to their MBDP agreement to reduce the grant from $1.6 million for 250 QNJs to $1.44 million for 225 QNJs (same cost per job) and extend out Milestone 2 and Milestone 3 deadlines as outlined in the attached term sheet.

Background

On June 8, 2015 Marada Industries Inc. dba Cosma Body Assembly Michigan was awarded a Michigan Business Development Program Performance-based Grant of $1,600,000. This project included the creation of 250 Qualified New Jobs (“QNJs”) and a capital investment of up to $56,088,000 in the Charter Township of Lyon located in Oakland County.

Marada Industries Inc. currently employs 50 QNJs at the facility and is having a very difficult time finding individuals to hire. The Company met milestone 1 in June of 2016, but anticipates they will need additional time to meet Milestone 2 and Milestone 3. MEDC staff, along with Oakland County, Oakland Community College, Oakland County Economic Development, and MI Works! are actively discussing hiring and recruiting strategy.

Recommendation

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

a) Reduce MBDP grant from $1.6 million for 250 QNJs to $1.44 million for 225 QNJs.

b) Amend the MBDP Agreement by amending the Milestone requirement outlined in the attached term sheet.

c) Amend the term of the grant from execution to January 31, 2021.

d) 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, MSF approved a $1,600,000 Michigan Business Development Program performance based grant on June 8, 2015 for the creation of 250 Qualified New Jobs and a capital investment of $56,088,000 for the construction of new automotive underbody structural components facility in the Charter Township of Lyon (the “Project”);

WHEREAS, the Company requests that the Michigan Business Development Program performance based grant be amended and revised as follows: reduce Qualified New Jobs from 250 to 225, revised disbursement schedule based on the amended term sheet (“Amendment”);

WHEREAS, Marada Industries Inc. dba Cosma Body Assembly Michigan (“Company”) has requested an amendment to decrease its performance based MBDP grant from $1,600,000 to $1,440,000 for a total grant amount (“Grant 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 Amendment request subject to: execution of the Grant Agreement Amendment 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
December 20, 2016
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: 12/2/2016

Company Name: Marada Industries Inc. dba Cosma Body Assembly Michigan ("Company" or "Applicant")

Company Address: 750 Tower Drive
Troy, Michigan 48098

Project Address: 54725 Grand River Ave.
New Hudson, Michigan 48165

MBDP Incentive Type: Performance Based Grant

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

- Maximum Amount of MBDP Incentive: Up to $1,600,000 ("MBDP Incentive Award")

- Base Employment Level: 0

- Total Qualified New Job Creation: 250
  (above Base Employment Level)

- Company Investment: Up to $56,088,000 in land cost, new construction, leasehold improvements, annual lease cost, furniture and fixtures, computers, machinery and equipment and pollution control equipment or any combination thereof, for the Project.

- Municipality supporting the Project: Charter Township of Lyon.

- Disbursement Milestones: The terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award are outlined in Exhibit B of the Agreement, and include:
  
  o Disbursement Milestone 1: Up to $130,000
  Upon demonstrated creation of 20 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than June 30, 2016.
o Disbursement Milestone 2: Up to $830,000  Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 130 additional Qualified New Jobs (for a total of 150 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2016.

o Disbursement Milestone 3: Up to $640,000  Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 100 additional Qualified New Jobs (for a total of 250 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2017.

- Term of Agreement: Execution of Agreement to December 31, 2019.

Proposed MBDP Incentive Amendment:

- Maximum Amount of MBDP Incentive: Up to $1,440,000 ("MBDP Incentive Award")

- Total Qualified New Job Creation: 225
  (above Base Employment Level)

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

  o Disbursement Milestone 1: Up to $130,000  Upon demonstrated creation of 20 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than June 30, 2016.

  o Disbursement Milestone 2: Up to $830,000  Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 130 additional Qualified New Jobs (for a total of 150 Qualified New Jobs) above the Base Employment Level, by no later than June 30, 2017.

  o Disbursement Milestone 3: Up to $480,000  Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 75 additional Qualified New Jobs (for a total of 225 Qualified New Jobs) above the Base Employment Level, by no later than January 31, 2019.

- Term of Agreement: Execution of Agreement to January 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 December 6, 2016, the MEDC may not be able to proceed with any recommendation to the MSF.

Acknowledged as received by:

Marada Industries Inc. dba Cosmo Body Assembly Michigan  
By: [Signature]  
Printed Name: Michael Gietzen  
Its: General Manager  
Dated: Dec. 7, 2016

Michigan Economic Development Corporation  
By: [Signature]  
Printed Name: Michael Gietzen  
Its:  
Dated: December 7, 2016
MEMORANDUM
Date: December 20, 2016
To: Michigan Strategic Fund Board
From: Emily Tucker, Director, International Trade

Subject: International Trade Program – FY17 Allowance for Exceptions of Eligibility Criteria for State-funded State Trade Expansion Program (STEP) grants

Request
The Michigan Economic Development Corporation (MEDC) staff requests the MSF Board approve the allowance of exceptions to the STEP eligibility criteria for companies who show great export sales promise but due to extenuating circumstances do not meet the established criteria. This would apply only to the remaining FY2016 state STEP funds and not the Federally-funded portion, which is bound by the Small Business Administration (SBA) criteria. The SBA eligibility criteria is as follows:

- Be in accordance with the SBA guidelines and size standards (falling below the maximum global number of employees or below the annual revenue limit, based on industry) http://www.sba.gov/content/small-business-size-standards
- Demonstrates an understanding of the costs associated with exporting and doing business with foreign partners
- Has two years of domestic sales
- Represent significant potential impact to the regional economy
- Has an EIN linked to a Michigan address
- Is in good standing with the Michigan Department of Treasury and other regulatory agencies.

MEDC staff requests from the MSF Board the discretionary use of a maximum of $80,000.00 of remaining FY16 State-STEP funds for awards to such well–positioned companies as mentioned above and the authority to approve applications demonstrating reasonable justification for not meeting the following criteria:

- Has a global workforce of 500 or less employees
- Has two years of domestic sales

Last year, MSF approved this proposed Pilot Exception Program (PEP) allowing staff to make discretionary exceptions to the STEP eligibility, with remaining State-funded FY15 STEP dollars of $100,000. The Pilot Exception Program (PEP) ran through FY16, and benefited fourteen companies that did not meet the Small Business Administration’s eligibility criteria. These companies received a total of 20 grants with FY16 PEP funds.

Background
The SBA STEP funds assist small and medium-sized enterprises (SMEs) for export development activities. STEP began as a 3-year program to support President Obama’s call to jump start job growth by doubling U.S. exports in five years, and is now in its fifth funding year. Effective February 25, 2016 the SBA’s pilot STEP program was made permanent by the federal government.
For the current funding year, SBA dedicated $18.8 million to award to state entities. Michigan received the fifth highest award with $820,000. Along with the required 25% match and additional State support approved by MSF, the MEDC International Trade Program has over $1.5 million in STEP funding to award export development grants to Michigan SMEs.

The STEP program allows states to incentivize SMEs to begin to export, or to expand their current exports, by reimbursing 50% on allowable export-related activities, up to a maximum of $12,000. In alignment with SBA’s goal to maximize the use of existing federal and state export resources, Michigan will continue to integrate and expand services currently provided by the U. S. Department of Commerce (DOC), SBA, Michigan Department of Agriculture and Rural Development (MDARD) and Michigan Small Business Development Center (SBDC) with services delivered by regional and local service providers. SBA funds, along with public and private resources, will support the following goals:

- Increase the number of small business exporters in Michigan
- Increase the value and volume of exports from Michigan
- Expand Michigan exports to new markets, raising competitiveness in the global marketplace

Incentives are applied to business engaging in eligible export activities which include:

- Overseas trade mission participation
- International or domestic trade show participation
- Foreign market sales trips
- U.S. Department of Commerce services
- Website and/or marketing material translation services
- Agent, distributor and/or customer searches
- Foreign market research

**Recommendations**

In accordance with the above information, MEDC staff seeks permission from the MSF to suspend eligibility guidelines to assist well-positioned exporting companies who do not meet all the established criteria. MEDC staff proposes MSF approval to use up to $80,000 of remaining FY16 State STEP funds towards PEP for FY17.
WHEREAS, the Michigan Strategic Fund (“MSF”) desires to assist eligible Michigan-based small businesses, increase the number of small businesses that are exporting, increase the value of exports for those small businesses that are currently exporting, and to expand their customer base through a variety of international trade services that lead to international market expansion (the “International Trade Program”);

WHEREAS, under the Michigan Strategic Fund Act, MCL 125.2001 et seq. (“Act”), and in particular Section 88b of the Act, the MSF has the power to make grants, loans and investments, which includes business development and business marketing, creating or retaining jobs, and increasing capital investment activity;

WHEREAS, in Resolution 2015-191 dated December 15, 2015, the MSF approved the continuation of funding for the International Trade Program, including funds for the State Trade Expansion Program (“MI-STEP Program”), for fiscal year 2016 (the “FY 2016 State Funding Allocation”) and also approved the guidelines for the MI-STEP Program (the “MI-STEP Program Guidelines”);

WHEREAS, on July 28, 2015 via MSF Resolution 2015-094, the MSF Board approved an amendment to the MI-STEP Program Guidelines to create the Pilot Exception Program to assist businesses that do not meet the Small Business Administration eligibility guidelines, using state funds previously allocated to the MI-STEP Program budget (the “Pilot Program”);

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF for a variety of programs overseen by the MSF; and

WHEREAS, the MEDC recommends that the MSF approve the use of up to $80,000 of the FY 2016 State Funding Allocation previously approved to continue to fund the Pilot Program for fiscal year 2017.

NOW, THEREFORE, BE IT RESOLVED, the MSF hereby approves the continuance of the Pilot Program in fiscal year 2017 and authorizes for this use up to $80,000 of the FY 2016 State Funding Allocation previously approved for the MI-STEP Program.
MEMORANDUM
Date: December 20, 2016
To: MSF Board
From: Fred Molnar, VP Entrepreneurship and Innovation
Subject: Lawrence Technological University Grant Amendment One

ACTION
MEDC Staff recommends the MSF Board approve a grant in the amount of $75,000 to Lawrence Technological University (LTU) to fund a Gatekeeper Business Incubator grant through March 31, 2018.

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 24, 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. On June 28, 2016, the MSF selected LTU for an additional $100,000 grant to continue funding the gatekeeper position through June 30, 2017.
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. In the 18 months since the initial grant was awarded, LTU has helped 15 companies form, 2 companies expand, served 31 companies, helped create 19 jobs and raised over $2.4 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. Extending the grant for an additional nine months allows LTU’s gatekeeper grant to be in alignment with the majority of the other gatekeeper grants that have been awarded under the business incubator program.

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 $75,000, using funds appropriated to the MSF in FY2017 from the General Fund. The grant would be administered under an amended grant agreement with LTU with refined milestones and metrics. These milestones will be related to serving the companies and helping them navigate the entrepreneurial support (financial or otherwise) that is funded through grants approved by the MSF. The metrics will be, at a minimum, those that are required by the legislation, including number of companies created, number of jobs created, number of jobs retained, follow on funding raised, average salaries of new and retained jobs, and number of tech companies served.

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 LTU.
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, help diversify the economy of this state, 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, meet the growing competition for business enterprises, preserve existing jobs, create new jobs, and reduce the cost of business and production;

WHEREAS, on June 28, 2016, the MSF Board authorized a grant of up to $100,000 to Lawrence Technological University (“LTU”) 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 for an initial term of July 1, 2016 to June 30, 2017, with the option to extend the grant for up to three additional years and allocate additional funds (the “LTU Grant”); and

WHEREAS, the MEDC recommends that the MSF exercise its option to extend the LTU grant to March 31, 2018 and allocate $75,000 in additional funding (the “Grant Amendment Request”); and

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

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
December 20, 2016
MEMORANDUM

Date: December 20, 2016

To: MSF Board

From: Fred Molnar, VP Entrepreneurship and Innovation

Subject: Tech Town Detroit Business Incubator Grant Amendment Two to Case-135182

ACTION

MEDC Staff recommends the MSF Board approve a grant amendment in the amount of $250,000 to TechTown Detroit to fund the continuation of their Detroit Technology Exchange (DTX) Business Incubator grant through March 31, 2018.

BACKGROUND TO AWARD

Under the authorities created by the Michigan Strategic Fund Act (“Act”), MCL 125.2088k, and transferred to the Michigan Strategic Fund (“MSF”) by Executive Order 2010-8, the MSF is charged with awarding grants and loans for basic research, applied research, university technology transfer, and commercialization of products, processes and services to encourage the development of competitive edge technologies to create jobs within the State of Michigan.

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 24, 2015, the MSF selected TechTown Detroit to receive a grant in the amount of $500,000 over 12 months to continue their DTX program services in collaboration with it partners Invest Detroit, DC3 and TechStars. On February 23, 2016, the MSF refunded the grant to Techtown Detroit in the amount of $500,000 to continue the DTX programing through March 31, 2017. Both grants were matched 1 to 1 by Techtown Detroit and their partners.

PROGRAM RESULTS

The purpose of this program is to continue to administer the DTX program developed and administered by Techtown. This program includes DTX Launch Detroit, a startup accelerator for students; D-Venture, an entrepreneur-in-residence placement program; and integrated ecosystem services, including start-up company acceleration, incubation and portfolio sharing. The DTX Fellow program, a mid-level talent placement program, will also be continued. Techtown has
increased the number of organizations it collaborates with to also include Grand Circus, the Henry Ford Hospital and NextEnergy.

In the first 18 months of this grant the DTX programming has created 20 new companies, assisted 22 companies in expanding, created 68 new jobs, helped companies raise over $12 million in follow-on-funding and served 190 technology-based companies.

**BACKGROUND TO REFUNDING REQUEST**

The DTX program
1) Works to retain an energized student base in Detroit and create a pool of talent for the local entrepreneurial ecosystem.
2) Mines the vast amount of intellectual property (IP) generated by Detroit’s universities, corporations and institutions and evaluates the commercialization potential of this underutilized and/or underdeveloped IP.
3) Has developed a mid-level talent placement program as well as other programs for talent attraction and development.
4) Provides services to enhance the overall entrepreneurial ecosystem in Detroit including mentorship, acceleration and incubation services through all of its partners including DC3, Henry Ford Hospital, Grand Circus, NextEnergy and others.

The continuation of this programming in Detroit is instrumental in the success of early stage companies in the area and will help keep more of these companies in Detroit contributing to the resurgence of the city.

**RECOMMENDATION**
TechTown Detroit, through this grant, continues to provide significant economic impact for the state and for the city of Detroit. 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 amendment for the amount of $250,000, using funds allocated for the Fiscal Year 2017 21st Century Jobs Fund to support Entrepreneurship and Innovation. The grant would be administered under an amended grant agreement with TechTown Detroit with refined milestones and metrics. These milestones will be related to the execution of the DTX programming, specifically, *DTX Launch Detroit*- launching the third session; *D-Venture*- entrepreneur-in-residence activities regarding seeking technology for commercialization, mentoring and coaching clients on business plan, pitch development, etc. and preparing clients and connecting with appropriate investment source; *DTX Fellow*- program placement of the fellow; and integrated ecosystem services, including start-up company acceleration, incubation and
portfolio sharing. The metrics will be, at a minimum, those required by the legislation, including number of companies created, number of jobs created, number of jobs retained, follow on funding raised, average salaries of new and retained jobs, and number of tech companies served.

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 TechTown.
MICHIGAN STRATEGIC FUND

RESOLUTION
2016-

TECHTOWN GRANT AMENDMENT #2

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

WHEREAS, MCL 125.2088k created the Strategic Economic Investment and Commercialization Board (“SEIC Board”) for the purposes of awarding grants and loans for basic research, applied research, university technology transfer, and commercialization of products, processes and services to encourage the development of competitive edge technologies to create jobs within the State of Michigan;

WHEREAS, pursuant to Executive Order 2010-8, the Governor ordered the SEIC Board abolished and all powers, duties and functions of the SEIC Board transferred to the Michigan Strategic Fund (“MSF”), including those powers, duties and functions provided under MCL 125.2088k;

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

WHEREAS, on November 25, 2014, the MSF Board authorized the issuance of a request for proposals (“RFP”) for awarding grants to business incubators to stimulate the creation and continued growth of technology-based businesses and jobs (the “Business Incubators RFP”);

WHEREAS, on February 24, 2015, TechTown was awarded a grant of $500,000 under the Business Incubators RFP (the “TechTown Grant”) for a term of April 1, 2015 through March 31, 2016, with an option to extend the term of the grant for up to an additional three years and to increase the amount of the grant, subject to available funds;

WHEREAS, on February 23, 2016, the MSF Board exercised its first option to extend the TechTown Grant to March 31, 2017 (“Grant Amendment #1”);

WHEREAS, the MEDC recommends that the MSF Board exercise its second option to extend the TechTown Grant to March 31, 2018 and allocate $250,000 in additional funding (“Grant Amendment #2”); and

WHEREAS, the MSF Board wishes to approve the Grant Amendment #2.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the Grant Amendment #2;
BE IT FURTHER RESOLVED, the MSF Fund Manager is authorized to negotiate the final terms and conditions of the Grant Amendment #2 and to execute all documents necessary to effectuate the Grant Amendment #2 provided that the final terms and conditions are not materially adverse to the MSF.

Ayes:

Nays:

Recused:

Lansing, Michigan
December 20, 2016
MEMORANDUM

Date: December 20, 2016

To: Mark Morante, MSF Fund Manager

From: Fred Molnar, Vice President, Entrepreneurship and Innovation

Subject: Automation Alley Business Incubator 2015 Grant Amendment Three to PO 085P5500665

ACTION

MEDC Staff recommends that the MSF Board approves an extension to Automation Alley Business Incubator Grant 2015 and allocation of additional funding in the amount of $500,000, to be used to sustain and enhance the existing economic environment and implement components of its regional incubator program.

BACKGROUND

Under the authorities created by the Michigan Strategic Fund Act (“Act”), MCL 125.2088k, and transferred to the Michigan Strategic Fund (“MSF”) by Executive Order 2010-8, the MSF is charged with awarding grants and loans for basic research, applied research, university technology transfer, and commercialization of products, processes and services to encourage the development of competitive edge technologies to create jobs within the State of Michigan.

On February 14, 2015, the MSF approved a grant in the amount of $500,000 to support the launch of the Automation Alley’s 7Cs program. Further, at its April 26, 2016 meeting, the MSF amended and increased this Grant by an additional $500,000.

The original term of this grant began on January 1, 2015 and is scheduled to end on March 31, 2017. Automation Alley seeks approval to 1) extend this agreement through March 31, 2018 and 2) add funding in the amount of $500,000 to operate the 3rd year of the program and to accomplish milestones and metrics outlined below.

- Companies created*: 3/year
- Companies served: 10/year
- Jobs created: 20/year
- Follow-on funding (investment/revenue) earned by entrepreneurial clients: $8 million/year

*Because the Automation Alley 7Cs program targets companies that have advanced beyond the idea stage, supplemental entrepreneurial services will be the key driver for this metric.

Automation Alley’s 7Cs program is aimed at accelerating the growth of small businesses and startups across Southeast Michigan, with a specific emphasis on advanced manufacturing startups. Entrepreneurs are guided through a customized seven-step process that starts with the conception of their technology and leads to commercialization. Today, once-struggling companies are generating revenue with household names like Subaru, BMW, Ford and Schlage to name a few. The current 7Cs program invests in approximately ten ‘advanced manufacturing’ companies per year. The investment portion of the 7Cs program is anticipated to be sustainable from inception. Automation Alley also uses the Automation Alley PreSeed Fund returning proceeds to invest in their 7Cs clients. The investment strategy designed into the 7Cs Program is beneficial to both the 7Cs client and the longevity of the 7Cs Program. Automation Alley anticipates a 70% repayment rate and internal rate of return of 16%.
RESULTS
Since the beginning of the program in January 2015, Automation Alley has delivered on the following metrics (as of 12/2016):

- 4 companies created; Total target through 3/2017 – 6
- 20 companies served. Total target through 3/2017 – 20
- 32 new jobs created. Total target through 3/2017 – 40
- $10,342,322 in follow-on funding. Total target through 3/2017 – $4,000,000

RECOMMENDATION
MEDC Staff recommends the MSF Board approves to 1) extend this agreement through March 31, 2018 and 2) add funding in the amount of $500,000. The grant would be administered under an amended grant agreement with Automation Alley.

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 the awardee.

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

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

WHEREAS, MCL 125.2088k requires that the MSF Board establish a competitive process to award grants and make loans for competitive edge technologies;

WHEREAS, on November 25, 2014, the MSF issued a request for proposals to award grants to business incubators to stimulate the creation and continued growth of technology-based businesses and jobs (the "Business Incubators RFP"); and

WHEREAS, on February 24, 2015, Automation Alley received a business incubator grant in the amount of $500,000 for a term of January 1, 2015 to October 31, 2015, with the option to extend for up to an additional three years and to allocate additional funds (the "Automation Alley Grant");

WHEREAS, pursuant to Section 125.2088k-4 of the Michigan Strategic Fund Compiled Resolutions, the MSF Fund Manager authorized a no-cost extension of the Automation Alley Grant to April 30, 2016 ("Grant Amendment #1");

WHEREAS, on April 26, 2016, the MSF exercised its option to extend the grant to March 31, 2017 and allocated $500,000 in additional funding to the Automation Alley Grant ("Grant Amendment #2");

WHEREAS, the MEDC recommends that the MSF exercise its second option to extend the Automation Alley Grant for an additional one year term ending March 31, 2018 and allocate $500,000 in additional funding (the "Grant Amendment #3"); and

WHEREAS, the MSF wishes to approve the Grant Amendment #3.
NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the Grant Amendment #3; and

BE IT FURTHER RESOLVED, that MSF Fund Manager is authorized to negotiate final terms and conditions of the Grant Amendment #3 and to execute all documents necessary to effectuate the Grant Amendment #3.

Ayes:

Nays:

Recused:

Lansing, Michigan
December 20, 2016
MEMORANDUM

Date: December 20, 2016

To: MSF Board

From: Fred Molnar, VP Entrepreneurship and Innovation

Subject: NextEnergy Center Entrepreneurial Support Services Grant Amendment One to Case -107086

ACTION
MEDC Staff recommends the MSF Board approve a grant amendment in the amount of $300,000 to NextEnergy Center (NEC) to fund the continuation of their Entrepreneurial Support Services grant – Michigan Accelerating Technologies Energy (MATch) grant through March 31, 2018.

BACKGROUND TO AWARD
Under the authorities created by the Michigan Strategic Fund Act (“Act”), MCL 125.2088k, and transferred to the Michigan Strategic Fund (“MSF”) by Executive Order 2010-8, the MSF is charged with awarding grants and loans for basic research, applied research, university technology transfer, and commercialization of products, processes and services to encourage the development of competitive edge technologies to create jobs within the State of Michigan.

On June 24, 2014 the MSF selected NextEnergy Center to receive a grant in the amount of $800,000 over 2 years to continue and expand their MATch grant. MATch was launched in 2012 with funding from the MSF to provide matching funds to eligible Michigan businesses and universities applying for federal, non-SBIR, energy-related RD&D funding. The program leverages public and private resources as an incentive to drive increased federal support of Michigan advanced energy and transportation technology companies. The matching funds directly support the commercialization process for applied research projects and transform federal programs into Michigan job growth. In addition to matching funds through this program, NextEnergy provides federal funding application services, such as reviewing proposals and aligning partners, to companies and universities to better position them for success. For selected companies and universities who are successful in receiving federal funds through MATch support, NextEnergy leverages other funding to provide commercialization services such as technology-to-market intelligence, value chain analysis, supply chain matchmaking services, first customer introductions, assistance securing technology demonstrations, and support in securing follow-on investment.
PROGRAM RESULTS
The purpose of this program is to provide matching funds to eligible Michigan based high tech companies applying for federal, non-SBIR, energy-related funding. To date the program has awarded 10 grants to Michigan entities, for a total of $894,992, resulting in almost $19 million in federal awards. Furthermore, through the services provided through the grant, NEC has been able to help these companies raise an additional $17 million in follow on funding that would not have been possible without the federal awards. They also currently have over $200,000 in commitment letters to companies awaiting the announcements from the federal agencies on awards.

BACKGROUND TO REFUNDING REQUEST
Many early stage companies do not have the resources to raise the required cost share associated with this type of federal awards and are therefore unable to compete for this additional funding. This program helps these companies overcome the cost share hurdle and when coupled with the additional commercialization services that NEC provides increases their chances of success. The continuation of this programming is instrumental in the success of early stage companies in the advanced energy and transportation fields and will help keep more of these companies in Michigan.

RECOMMENDATION
NextEnergy Center, through this grant, continues to provide significant economic impact for the state of Michigan. 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 amendment for the amount of $300,000, using funds allocated for the Fiscal Year 2017 21st Century Jobs Fund to support Entrepreneurship and Innovation. The grant would be administered under an amended grant agreement with NextEnergy Center with refined milestones and metrics. The milestones will include generating summaries of MATch eligible federal funding programs, facilitating connections between possible project partners, training sessions for potential applicants, and consulting sessions with high potential applicants. The metrics will include at a minimum those required by the legislation and will include companies created, jobs created and amount of follow on funding (which will include the federal awards that are matched with funding from this program).

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 NextEnergy Center.
MICHIGAN STRATEGIC FUND
RESOLUTION

2016-

NEXTENERGY CENTER GRANT AMENDMENT


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

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

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

WHEREAS, on June 24, 2014, the MSF Board approved a grant of up to $800,000 to NextEnergy Center (“NextEnergy”) for an initial term of April 1, 2015 to March 31, 2017, with the option to extend for up to an additional three years and allocate additional funds (the “NextEnergy Grant”); and

WHEREAS, the MSF Board wishes to exercise its first option to extend the NextEnergy Grant to March 31, 2018 and allocate $300,000 in additional funding (the “Grant Amendment Request”).

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
December 20, 2016
MEMORANDUM

Date: December 20, 2016

To: Michigan Strategic Fund

From: Fred Molnar, Vice President, Entrepreneurship and Innovation

Subject: First Capital Fund – Award Recommendation

Action
The MEDC requests that the MSF Board approve total funding of $2,000,000 for 2 years for the First Capital Fund to be administered by Invest Detroit.

Background
Through the 21st Century Jobs Fund program, the Michigan Strategic Fund (“MSF”) provides funding for entrepreneurship and innovation projects. Pursuant to Section 88k(2) of the MSF Act, the MSF shall award grants and loans from the 21st Century Jobs Fund Trust for basic research, applied research, university technology transfer, and commercialization of products, processes, and services to encourage the development of competitive edge technologies to create jobs in this state. The key objectives of the First Capital Fund are to:

- Increase the amount of early stage capital being invested in Michigan technology-based companies in the earliest phases of commercialization;
- Create a capital climate that supports the development, retention, and attraction of venture-backed technology companies in Michigan;
- Build a pipeline of high-growth technology company deal flow for the subsequent stages of funding, attracting investments both within and outside of Michigan.

On September 27, 2016, the MSF Board approved the following:

1) Allocation of $2,000,000 from the 2017 Entrepreneurship and Innovation budget appropriation to the MSF for the First Capital Fund to solicit proposals from non-profit organizations to operate the Fund.
2) 2017 First Capital Fund RFP.
3) Joint Evaluation Committee (JEC) to review the submissions to the RFP and,
4) Scoring and evaluation criteria for the review of the First Capital Fund proposals.

Results
The MEDC received 4 proposals in response to the RFP. Initial written reviews were completed by the JEC, which subsequently met to discuss the proposals and agree on consensus Written Scores on a 100 point scale. Based on those scores, the JEC recommended oral interviews for proposals that scored 70 or higher. There were 3 proposals that went on to the oral interview stage as a result. One proposal that scored less than 70 did not sufficiently meet the criteria to move forward.

After oral interviews were conducted, the JEC determined consensus Oral Scores on a 100 point scale. The Final Score was then determined by averaging the consensus Written Scores and consensus Oral Scores.
<table>
<thead>
<tr>
<th>Organization</th>
<th>Requested Amount</th>
<th>Score</th>
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<td>Invest Michigan</td>
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<tr>
<td>BRCC</td>
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The JEC recommends funding the proposal received from Invest Detroit.

**Recommendation**

The MEDC requests that the MSF Board approve funding of $2,000,000 to Invest Detroit for an initial two year term, with the option to extend the grant for up to an additional three years and allocate additional funds, at the sole discretion of the MSF Board and subject to available funding (the “Invest Detroit Grant”). The MEDC also requests 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 for the grant agreement.
MICHIGAN STRATEGIC FUND
RESOLUTION

2016-

FIRST CAPITAL FUND AWARDS


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

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

WHEREAS, MCL 125.2088k requires that the MSF Board establish a competitive process to award grants and make loans for competitive edge technologies;

WHEREAS, on September 27, 2016, the MSF issued a Request for Proposals to award grants to one or more Michigan non-profit organizations to invest in pre-seed and start-up stage competitive edge technologies that require capital in the earliest stages of the commercialization process (the “First Capital Fund RFP”) and adopted scoring and evaluation criteria to be used by the joint evaluation committee (“JEC”) in evaluating proposals received in response to the First Capital Fund RFP;

WHEREAS, four proposals were received in response to the First Capital Fund RFP and evaluated by the JEC in accordance with the requirements of the scoring and evaluation criteria adopted by the MSF Board;

WHEREAS, the JEC determined that one proposal earned sufficient scores to warrant funding under the First Capital Fund RFP;

WHEREAS, the JEC recommends that the MSF Board approve a grant of up to $2,000,000 to Invest Detroit for an initial two year term, with the option to extend the grant for up to an additional three years and allocate additional funds, at the sole discretion of the MSF Board and subject to available funding (the “Invest Detroit Grant”); and

WHEREAS, the MSF Board wishes to approve the Invest Detroit Grant.

NOW, THEREFORE, BE IT RESOLVED, that the MSF approves the Invest Detroit Grant; and
BE IT FURTHER RESOLVED, that the MSF authorizes the MSF Fund Manager to negotiate the final terms and conditions and execute all final documents necessary to effectuate the Invest Detroit Grant.

Ayes:

Nays:

Recused:

Lansing, Michigan
December 20, 2016
MEMORANDUM

Date: December 20, 2016

To: MSF Board

From: Fred Molnar, VP Entrepreneurship and Innovation

Subject: Business Incubator Gatekeeper Grant Amendments

Action

The MEDC requests that the MSF Board approves awards in the amount of $658,213 to the following 7 nonprofit/university organizations to provide business incubator services to early stage technology companies and institutions for commercializing competitive-edge technologies:

- Ann Arbor SPARK East (SPARK East)
- Central Michigan University Research Corporation (CMURC)
- Lansing Economic Area Partnership (LEAP)
- Macomb-Oakland University Incubator (Mac OUInc)
- Muskegon Innovation Hub- formerly Michigan Alternative and Renewable Energy Center (MIH)
- Midland Tomorrow formerly MidMichigan Innovation Center
- Western Michigan University Homer Stryker M.D. School of Medicine – formerly Southwest Michigan Innovation Center (WMU Med)

Background

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

Results

On February 24, 2015, the MSF selected CMURC, SPARK East, LEAP, Mac OUInc, MIH, Midland Tomorrow, and WMU Med for business incubator grants.

- Ann Arbor SPARK East ($100,000 over 1 year to continue the existing gatekeeping activities at their incubator located in Ypsilanti, MI): SPARK East serves as an innovation hub with access to funding and business development support for start-up and mature stage technology based companies and is the center piece for economic development and re-vitalization in eastern Washtenaw County. SPARK East was initially awarded a 2 year (4/1/15-3/31/17), $350,000 grant to perform gatekeeping activities at their incubator located in Ypsilanti, MI, and to increase technology transfer activities and
collaboration with the Digital Engagement Center at Eastern Michigan University. The additional funds requested here will be used to continue only gatekeeping activities for an additional year starting 4/1/17. SPARK East will be providing the match.

Over the 18 months since of the award, SPARK East has helped create 3 companies, served 14 companies, created 9 jobs, retained 35 jobs and helped companies raise over $13 million in follow on funding.

- **Central Michigan University Research Corridor (CMURC) ($99,550 over one year for gatekeeper activities):** CMURC was initially awarded a 2 year (4/1/15-3/31/17) grant in the amount of $199,100. The funding has been used to cover the salary and expenses of the gatekeeper who assists technology companies with BAF applications and support of BAF activities, assistance with client pre-seed applications and support of pre-seed activities and other similar activities. The additional funding requested here will be used to continue funding the gatekeeper for an additional year starting 4/1/17. CMURC will be matching this funds at a minimum of 1-1.

  In the 18 months since the initial grant CMURC has helped create 49 new companies, helped 39 companies expand, served over 150 companies at which 130 jobs were created and 498 jobs were retained. The companies they served also raised over $14 million in follow on funding.

- **Lansing Economic Area Partnership (LEAP) ($100,000 over one year to support continued gatekeeping activities):** LEAP was initially awarded a 2 year (4/1/15-3/31/17), $200,000 grant to fund the gatekeeper position. The funds have gone towards the salary and expenses of the gatekeeper position. The gatekeeper is responsible for assisting technology based companies affiliated with the Technology Innovation Center and the MSU technology commercialization pipeline navigate the ecosystem and access the programs run by the various service providers including BAF, pre-seed. The additional funding requested here will go towards funding the gatekeeper position for an additional year starting 4/1/17. The match will be provided by LEAP general funds and membership fees.

  In the 18 months since the initial grant was awarded LEAP has helped form 30 new companies, expand an additional 22 companies, create 35 jobs, served 174 companies and helped raise over $3.4 million in follow on funding.

- **Macomb-Oakland University Incubator ($98,663 over one year to support continued gatekeeping activities):** Mac OUInc was initially awarded a 27 month (4/1/15-6/30/17) grant in the amount of $197,326. They were given an additional 3 months compared to the other grants because they were to be hiring a new employee to fill the gatekeeper position. This funding has been used to cover the salary and expenses of the gatekeeper who is responsible for gatekeeping activities at the incubator. This gatekeeper is also responsible for Capital-raise Activities, Direct Consulting, Business Pipeline Development and Supporting the Technology-based Entrepreneurial Ecosystem.
The additional funding requested here will go towards funding the gatekeeper position for an additional year starting 7/1/17. This grant will be matched with funding from Oakland University and in-kind services from the Business Advisory Board.

In the 18 months since the initial award, Mac OUInc has helped create 15 new companies, expand 27 existing companies, served 114 companies, helped these companies create 42 new jobs and retain 347 jobs. They have also helped the companies raise over $23 million in follow on funding.

**Muskegon Innovation Hub ($60,000 over one year to support gatekeeping activities):** In June 2016 Michigan Alternative and Renewable Energy Center changed its name to better reflect its activities and the original agreement was amended to reflect this change. MIH was initially awarded a 27 month (4/1/15-6/30/17) grant in the amount of $111,980. They were given an additional 3 months compared to the other grants because they were to be hiring a new employee to fill the gatekeeper position. This funding has been used to cover the salary and expenses for the business incubator manager. The business incubator manager runs the day-to-day operations of the incubator and is the gatekeeper to guide clients moving through the accelerator, pre-seed, angel investor, SBDC, and other support programs. The additional funding requested here will be used to continue funding the gatekeeper position for an additional year. MIH will also be receiving a 3 month no cost extension on the original term of the grant since it took them much longer than anticipated to hire a gatekeeper. MIH-GVSU plans on providing the match to this grant.

In the 18 months since the initial grant was awarded, MIH has helped create 6 new companies, expand an additional 6 companies, served 49 companies, helped create 18 jobs and retain 96 jobs at those companies and help them raise over $4.8 million in follow on funding.

**Midland Tomorrow ($100,000 over one year to support gatekeeping activities):** On September 27th, 2016 the MSF reassigned the grant originally awarded to the MidMichigan Innovation Center (MMIC) to Midland Tomorrow following their acquisition of MMIC and transfer of all activities to Midland Tomorrow. Midland Tomorrow (MMIC) originally received a 2 year (4/1/15-3/31/17), $200,000 grant to funding the gatekeeper position. This funding covers the costs associated with maintaining a full-time staff person to manage gatekeeping activities and navigate technology based entrepreneurs through the State’s entrepreneurial ecosystem. The additional funding requested here will fund the gatekeeper position for an additional year starting 4/1/17. Midland Tomorrow will match this grant with funding from their partners.

In the 18 months since the initial award, Midland Tomorrow has helped create 7 new companies, served 112 companies, helped create 20 new jobs and retain 297 jobs. They have also helped the companies raise over $19 million in follow on funding.
• **Western Michigan University Homer Stryker M.D. School of Medicine ($100,000 over one year to support gatekeeping activities):** On February 23rd, 2016 the MSF approved reassigning the grant originally awarded to Southwest Michigan Innovation Center (SMIC) to the Western Michigan University Homer Stryker M.D. School of Medicine after they acquired SMIC. WMU Med/SMIC initially received a 2 year (4/1/15-3/31/17), $200,000 grant to fund the gatekeeper position. This funding has supported the salary and travel expenses for gatekeeping and looking for drug development related technologies for commercialization. The gatekeeper is responsible for helping clients navigate the entrepreneurial ecosystem within the State. The additional funding requested here will continue to fund the gatekeeper position for an additional year starting 4/1/17. WMU Med will be providing the match.

In the 18 months since the initial award, WMU Med has helped create 3 new companies, expand 4 existing companies, served 21 companies, create 21 jobs and retain 108 jobs at those companies. They have also helped those companies raise over $197 million in follow on funding.

**Recommendation**

MEDC staff requests that the MSF Board approve the following awards using funds allocated for the Fiscal Year 2017 21st Century Jobs Fund to support Entrepreneurship and Innovation:

- $100,000 - Ann Arbor Spark East
- $99,550 - Central Michigan University Research Corporation
- $100,000 - Lansing Economic Area Partnership
- $98,663 - Macomb-Oakland University Incubator
- $60,000 - Muskegon Innovation Hub
- $100,000 - Midland Tomorrow
- **$100,000** - Western Michigan University Homer Stryker M.D. School of Medicine

**$658,213** - Total

The grants will be administered under an amended grant agreements with each grantee with refined milestones and metrics. These milestones will be related to serving the companies and helping them navigate the entrepreneurial support (financial or otherwise) that is funded through grants approved by the MSF. The metrics will be, at a minimum, those that are required by the legislation, including number of companies created, number of jobs created, number of jobs retained, follow on funding raised, average salaries of new and retained jobs, and number of tech companies served.

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 awardees.

WHEREAS, MCL 125.2088k created the Strategic Economic Investment and Commercialization Board ("SEIC Board") for the purposes of awarding grants and loans for basic research, applied research, university technology transfer, and commercialization of products, processes and services to encourage the development of competitive edge technologies to create jobs within the State of Michigan;

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

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

WHEREAS, MCL 125.2088k requires that the MSF Board establish a competitive process to award grants and make loans for competitive edge technologies;

WHEREAS, on November 25, 2014, the MSF initiated a competitive proposal process to award grants to business incubators to stimulate the creation and continued growth of technology-based businesses and jobs (the "Business Incubators RFP") and allocated $6.435 million to the Business Incubators RFP;

WHEREAS, on February 24, 2015, the MSF Board authorized grants to the following entities for the initial terms and award amounts listed below, with the option to extend the grants for up to an additional three years and allocate additional funds:

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<thead>
<tr>
<th>Grantee</th>
<th>Initial Term</th>
<th>Initial Award Amount</th>
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<tbody>
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<td>Central Michigan University Research Corporation</td>
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<td>4/1/15-6/30/17</td>
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<tr>
<td>Mid-Michigan Innovation Center</td>
<td>4/1/15-3/31/17</td>
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<tr>
<td>Southwest Michigan Innovation Center</td>
<td>4/1/15-3/31/17</td>
<td>$200,000</td>
</tr>
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(where the aforementioned, collectively, the Business Incubator Awards);

WHEREAS, on February 23, 2016, the MSF Board authorized Southwest Michigan Innovation Center to assign its Business Incubator Award to Western Michigan University Homer Stryker, M.D. School of Medicine;

WHEREAS, on September 27, 2016, the MSF Board authorized Mid-Michigan Innovation Center to assign its Business Incubator Award to Midland Tomorrow;
WHEREAS, the MSF wishes to exercise its first option to extend and allocate additional funds to the Business Incubator Awards for the terms and amounts listed below:

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<tr>
<th>Grantee</th>
<th>Extension</th>
<th>Additional Funds</th>
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</tr>
</tbody>
</table>

(the aforementioned, collectively, the “Business Incubator Grant Amendments”).

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

BE IT FURTHER RESOLVED, that MSF Fund Manager or the MSF Chairperson, with only one required to act and in coordination with MEDC Staff, is authorized to the negotiate final terms and conditions of the Business Incubator Grant Amendments and to execute all documents necessary to effectuate the Business Incubator Grant Amendments.

Ayes:

Nays:

Recused:

Lansing, Michigan
December 20, 2016
MEMORANDUM

Date: December 20, 2016

To: Michigan Strategic Fund Board

From: Marcia Gebarowski, Senior Business Development Project Manager
Lori LaPerriere, MCRP and Brownfield Program Specialist

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

Request
Ashley Capital will construct a state-of-the-art 252,000 square foot freezer, warehouse, and truck terminal to be occupied by Lipari Foods, Inc. The project will redevelop six parcels totaling 17.95 acres of property located at 26200-26700 Bunert Road in the city of Warren. 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 Warren Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of $1,938,885.

Lipari is a wholesale food distributor which distributes food products to retailers and food service establishments within the Midwest. Lipari requires a new warehouse and production facility to be built near their existing facility in the city of Warren to support the company’s organic growth plans, planned expanded product offerings, and to support their acquisition strategy over the next few years. Lipari Foods is owned by a private equity firm, and has grown through acquisitions across the Midwest. The alternative to the proposed expansion in Michigan was Lipari’s option to continue to grow by retaining smaller satellite operations. This project represents a large consolidation of work to be brought into Michigan, which will result in the creation of 337 new jobs.

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.

Approximately 337 permanent full-time jobs are anticipated to be created by Lipari Foods at an average wage of $20.56/hour. The total capital investment will be approximately $39.4 million.
**Background**
Warren Business Center, LLC, a subsidiary of Ashley Capital, will remediate six parcels totaling 17.95 acres that housed multiple automotive salvage yards as early as the 1940’s. Warren Business Center will also construct a 252,000 square foot food freezer, warehouse, and truck terminal to be occupied by Lipari Foods, Inc. Lipari will enter into a 15 year lease at the facility once it is constructed. Lipari’s expansion into the new facility will increase their sales capability by an additional $500 million. The planned facility will include a full USDA-certified production space used for food processing including convenience store sandwiches, nut roasting, bulk nut and confection repackaging, and other light food manufacturing and processing.

Lead and asbestos abatement will be necessary prior to demolition activities in order to protect human health. Demolition activities will be necessary to remove existing structures on the property as well as remove utilities (water, sewer, storm water, and gas). There will be site preparation costs associated with two registered underground storage tanks (UST’s) that will be removed and properly disposed of. As a result of their removal, the additional costs will be required to support the foundation required for the building.

Lipari Foods has not received MSF assistance in the past.

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

**Recommendation**
MEDC staff recommends approval of the following:
   a) Local and school tax capture for the Act 381 eligible activities totaling $1,938,885. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $958,390.
Property Eligibility
The project is located within the boundaries of the city of Warren, 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 November 17, 2016.

The property is the subject of a Brownfield Plan, duly approved by the City of Warren on June 28, 2016.

In addition, the project is requesting from the DEQ $3,298,549 in TIF to assist with environmental eligible activities.

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

a) Overall Benefit to the Public: The property has historically operated as auto salvage yards which ceased operations in 2015. The proposed redevelopment will remove an eyesore to the community, remediate known brownfield contaminates at the property, greatly increase the taxable value of the property, and create over 330 jobs through the tenant operation on the project site.

b) Jobs Created (Excluding Construction and other Indirect Jobs): This project is expected to create approximately 337 new, full-time food warehousing and production jobs in the city of Warren.

c) Area of High Unemployment:
The city of Warren unadjusted jobless rate was 6.2% in October, 2016. This compares to the statewide seasonally adjusted average of 4.7% in October, 2016.

d) Level and Extent of Contamination Alleviated:
The project involves $3.6 million in DEQ eligible activities associated with the remediation costs required to redevelop the property. The properties were used as automotive salvage yards since the 1940’s. There are numerous soil and water remediation costs associated with the redevelopment of this site.

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 offset the extraordinary costs of redeveloping the property including environmental remediation and other site preparation costs associated with brownfield conditions that would not be incurred in a greenfield development.

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.

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**Tax Capture Breakdown**

There are 33.9775 non-homestead mills available for capture during years 2017 thru 2028 and 61.9549 non-homestead mills available for capture during years 2029 thru 2031, with school millage equaling 15 mills (44.15%) and local millage equaling 18.9775 mills (55.85%) during years 2017 thru 2028 and with school millage equaling 24 mills (38.74%) and local millage equaling 37.9549 (61.26%) during years 2029 thru 2031. Tax increment capture will begin in 2017 and is estimated to continue for 15 years. The school and local tax capture rates below are a blended ratio of capture for the entire 15 year period with the school millage equal to 49.43% and local millage equal to 50.57%. This blended rate is based on an Industrial Facilities Tax Abatement for a period of 12 years. In addition, of the overall tax capture, 70 percent will go to reimburse the developer and 30 percent will be distributed to the local taxing jurisdictions. The requested tax capture for MSF eligible activities breaks down as follows:

<table>
<thead>
<tr>
<th></th>
<th>(in %)</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>School tax capture</td>
<td>(49.43%)</td>
<td>$ 958,390</td>
</tr>
<tr>
<td>Local tax capture</td>
<td>(50.57%)</td>
<td>$ 980,495</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>$ 1,938,885</strong></td>
</tr>
</tbody>
</table>

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**Cost of MSF Eligible Activities**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Demolition</td>
<td></td>
<td>$ 216,106</td>
</tr>
<tr>
<td>Lead or Asbestos Abatement</td>
<td></td>
<td>35,000</td>
</tr>
<tr>
<td>Site Preparation</td>
<td></td>
<td>+ 1,426,186</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td></td>
<td>$ 1,677,292</td>
</tr>
<tr>
<td>Contingency (15%)</td>
<td></td>
<td>+ 251,593</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td></td>
<td>$ 1,928,885</td>
</tr>
<tr>
<td>Brownfield/Work Plan Preparation</td>
<td></td>
<td>+ 10,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>$ 1,938,885</strong></td>
</tr>
</tbody>
</table>
APPENDIX B – Project Map and Renderings
WHEREAS, the Michigan Economic Growth Authority (“MEGA”) has been established by 1995 PA 24, as amended (the “Act”);

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

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

WHEREAS, captured school operating tax revenues may be used under 1996 PA 381 as amended, for infrastructure improvements that directly benefit eligible property, for lead 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 Warren Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 26600 and 26440 Bunert Road within the City of Warren, known as Former Salvage Yards 26600 and 26400 Bunert Road (the “Project”);

WHEREAS, the City of Warren 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 49.43% to 50.57% 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 work plan preparation as presented in the revised Work Plan dated December 8, 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 $1,928,885 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 $958,390.

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 Warren, 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
December 20, 2016
MEMORANDUM

Date: December 20, 2016

To: Michigan Strategic Fund ("MSF") Board Members

From: Mike Gietzen, Business Development Project Manager

Subject: Stryker Corporation ("Company" or "Applicant")
Michigan Business Development Program Performance-based Grant Request

Summary
This is a request from Stryker Corporation for a $1,000,000 performance-based grant. This project involves
the creation of 105 Qualified New Jobs and a capital investment of up to $130,120,000 in the City of Portage
within Kalamazoo County. In addition, staff anticipates bringing a Brownfield Work Plan forward for MSF
approval in the coming months in support of this project.

Stryker’s medical instruments division is poised for expansion to support its continued growth. To
accommodate one of the Company’s fastest growing divisions an expansion is needed to support a new
corporate campus, which will feature a customer experience center, a functioning showroom, a state of the
art R&D test lab, and a bio-skills lab for research and new product development. The proposed facility will
also provide required office space for their sales, marketing and support functions. This new facility will
be approximately 485,000 square feet with total anticipated capital investment estimated at $130 million
with anticipated job creation of 105 new jobs over three years.

The Company does have other facilities located in higher populated areas in the U.S under consideration
for the Project that would allow more access to talent with expertise in their expanding markets. The
proposed Michigan Business Development Program Performance-based Grant incentive package will help
offset recruiting cost and training cost along with continue to strengthen the long-term relationship with the
Kalamazoo region and Stryker Corporation.

Background
Stryker Corporation was incorporated in Michigan in 1941 and is a global leader in medical technology.
Their products are sold in over 100 countries through company-owned sales subsidiaries and branches as
well as third-party dealers and distributors. Stryker's products include implants used in joint replacement
and trauma surgeries; surgical equipment and surgical navigation systems; endoscopic and communications
systems; patient handling and emergency medical equipment; neurological, neurovascular and spinal
devices; as well as other medical device products used in a variety of medical specialties.

The Applicant has received incentives from the MSF in the past. In 2001 and 2004 the Company received
EDJT Workforce Training Fund dollars that it has successfully closed-out.

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 the City of Portage within Kalamazoo County. The City of Portage has offered a “staff, financial, or economic commitment to the project” in the form of a property tax abatement. Kalamazoo County has offered “staff, financial, or economic commitment to the project in the form of a Brownfield Redevelopment Incentive related to the project.

c) The Applicant has demonstrated a need for the funding. The Company has indicated that assistance for training cost and recruiting cost needed to compete with other locations facilities located in higher populated areas in the U.S that are under consideration for the Project that have more access to talent with expertise in their expanding markets.

d) The Applicant plans to create 105 Qualified New Jobs above a statewide base employment level of 966.

e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: involves out-of-state competition from other states that the Company has facilities located at, the project is shovel ready with the support of the MSF, the project diversifies Michigan economy, above average wages in Ottawa County, strong links to Michigan suppliers and customers, 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 the 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, Stryker Corporation (“Company”) has requested a performance based MBDP grant of up to $1,000,000 (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”); and

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
December 20, 2016
MICHIGAN BUSINESS DEVELOPMENT PROGRAM
Performance Based Grant - Term Sheet

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

Date: 12/7/2016

1. Company Name: Stryker Corporation ("Company” or “Applicant”)

2. Company Address: 2825 Airview Road
Kalamazoo, Michigan 49002

3. Project Address ("Project"): 4100 E Milham Ave
Portage, Michigan 49001
6201 Sprinkle Road
Portage, Michigan 49002
1901 Romence Parkway
Portage, Michigan 49024
6300 S Sprinkle Road
Portage, Michigan 49002
6901 Portage Road
Portage, Michigan 49002
6100 Portage Road
Portage, Michigan 49002

4. MBDP Incentive Type: Performance Based Grant

5. Maximum Amount of MBDP Incentive: Up to $1,000,000 ("MBDP Incentive Award")

6. Base Employment Level 966 The number of jobs currently maintained in Michigan by the Company based on data submitted by the Company to the MEDC reflecting the Company’s statewide employment level in Michigan prior to the proposed project. The Base Employment Level, including
identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement (“Agreement”) between the MSF and the Company.

7. **Total Qualified New Job Creation:** (above Base Employment Level) 105

The minimum number of total Qualified New Jobs the Company shall be required to create in Michigan (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required), and each Qualified New Job must be in excess of the Base Employment Level. The final terms and conditions of the requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.

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

   December 8, 2016 (Date of the accepted Offer Letter)

8. **Company Investment:** $130,120,000 in land cost, site prep, new construction, machinery and equipment, and computers.

9. **Municipality supporting the Project:**

   City of Portage and or Kalamazoo County

   a. **Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipalities shall have committed to provide: a property tax abatement or a Brownfield Redevelopment Incentive related to the Project. The final terms and conditions demonstrating this support shall be included in the final Agreement.

10. **Disbursement Milestones:** The final terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award shall be included in the final Agreement, including that before any disbursement is made to the Company, the Company must have maintained: (i) the Base Employment Level (exclusive of the number of Qualified New Jobs then created) and (ii) any Qualified New Jobs created for which disbursements by the MSF have been made, and must otherwise be in compliance with all terms and conditions of the final Agreement, and further shall include:

   a. **Disbursement Milestone 1:** Up to $300,000 Upon demonstrated creation of 35 Qualified New Jobs above the Base Employment Level and verification of final approval of
municipality support by no later than December 31, 2017.

b. Disbursement Milestone 2: Up to $300,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 35 additional Qualified New Jobs (for a total of 70 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2018.

c. Disbursement Milestone 3: Up to $400,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 35 additional Qualified New Jobs (for a total of 105 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2019.

11. Term of Agreement: Execution of Agreement to June 31, 2020

12. Repayment Provisions: Repayment provisions are required by law. The Repayment terms and conditions will be effective through the Term of the Agreement and shall be defined in the final Agreement. The final repayment provisions may require repayment of some or all of the disbursements made by the MSF, including if the Company moves 25% or more of their employees out of Michigan, if the Company fails to maintain the Base Employment Level in Michigan, if the Company fails to maintain the Qualified New Jobs incented by this Award.

13. Reporting Requirements: Periodic reporting will be required with this program. The detailed information needed from the Company will be included in the final Agreement, but will include Project reporting for such things as: amount of proposed incentive, amount of actual incentive received by Company; amount of proposed and actual investment made by Company for Project; the committed number of new jobs and the actual number of new jobs created as a result of the Project.

14. Public Announcements: The Company shall not make, or cause, any announcement of the proposed MBDP Incentive Award parameters outlined in this letter before the date of approval by the MSF of the MBDP Incentive Award, unless prior authorized and coordinated with the MEDC. At the request and expense of the MSF or the MEDC, the Company will cooperate with the MSF or the MEDC to promote the Project through one or more of the placement of a sign, plaque, media coverage or other public presentation at the Project or other location acceptable to the Parties.

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

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by December 9, 2016, the MEDC may not be able to proceed with any recommendation to the MSF.

Acknowledged as received by:

Stryker Corporation

By: [Signature]
Printed Name: Robert LaCourse
Its: Vice President, Community Relations
Dated: 12/8/2016

Michigan Economic Development Corporation

By: Michael Gietzen
Printed Name: Michael Gietzen
Its: DFM
Dated: 12/8/2016
MEMORANDUM

Date: December 20, 2016

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

From: Trevor Friedeberg, Business Development Project Manager

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

Summary
This is a request from the Applicant for a $7,500,000 performance-based grant. This project involves the creation of 1,000 Qualified New Jobs, with the potential for up to 1,500 total jobs as a result of the project, and a capital investment of up to $89,870,145 in the City of Livonia, Wayne County.

The Applicant has demonstrated a need for the funding. The Company was considering both Ohio and Indiana for this regional fulfillment center. The Company was searching for a location that would be within a 350 mile radius of Midwestern customers, putting Indiana and Ohio well within those search parameters. The low unemployment rate in Michigan has raised concern for the Company’s ability to hire the appropriate workforce. The funding will help the Company with recruiting and ensure this project occurs in Michigan.

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

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

The Applicant plans to open a new large volume product fulfillment center in the City of Livonia, make investments and create jobs related to general warehousing and storage.

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 will locate and operate in Michigan.
b) The project will be located in the City of Livonia. The City of Livonia has offered a “staff, financial, or economic commitment to the project” in the form of a tax abatement on real and/or personal property.

c) The Applicant has demonstrated a need for the funding. The Company was considering both Ohio and Indiana for this regional fulfillment center. The low unemployment rate in Michigan has raised concern for the Company’s ability to hire the appropriate workforce. Incentive assistance will help the Company cover some of these costs and allow them to make the decision to move forward in Michigan.

d) The Applicant plans to create 1,000 Qualified New Jobs above a statewide base employment level of 277.

e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: the project is not a retention project; involves out-of-state competition; has a net positive return to Michigan; has a strong level of investment; has a prospect of near-term job creation with most of the jobs occurring within 3 years; and the projected employer benefits.

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

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

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

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

RESOLUTION 2016-

APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
AMAZON.COM.DEDC, 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, Amazon.com.dedc, LLC (“Company”) has requested a performance based MBDP grant of up to $7,500,000 (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”); and

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
December 20, 2016
MICHIGAN BUSINESS DEVELOPMENT PROGRAM
Performance Based Grant - Term Sheet

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

Date: December 5, 2016

1. Company Name: Amazon.com.describe, LLC ("Company" or "Applicant")

2. Company Address: 410 Terry Avenue
Seattle, WA 98109

3. Project Address ("Project"): 13000 Eckles Road
Livonia, MI 48150

4. MBDP Incentive Type: Performance Based Grant

5. Maximum Amount of MBDP Incentive: Up to $7,500,000 ("MBDP Incentive Award")

6. Base Employment Level 277
The number of jobs currently maintained in Michigan by the Company and Brilliance Audio, Inc, or any combination ("Company Group") based on
data submitted by the Company to the MEDC reflecting the Company Group’s statewide employment level in Michigan prior to the proposed
project. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP
Incentive Award agreement ("Agreement") between the MSF and the Company.

7. Total Qualified New Job Creation: 1,000
(above Base Employment Level)
The minimum number of total Qualified New Jobs the Company shall be required to create in Michigan (above the Base Employment Level), in addition to
satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each Qualified New Job
must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required), and each Qualified New Job must be in
excess of the Base Employment Level. The final terms and conditions of the requirements for the minimum number of Qualified New Jobs that must
be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.

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

8. Company Investment: $89,870,145 in machinery and equipment, new building construction, leasehold improvements, and other personal property or any combination thereof, for the Project.

9. Municipality supporting the Project: City of Livonia

a. Municipality Support. One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide: a tax abatement on real and/or personal property. The final terms and conditions demonstrating this support shall be included in the final Agreement.

b. 10. Disbursement Milestones: The final terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award shall be included in the final Agreement, including that before any disbursement is made to the Company, the Company Group must have maintained: (i) the Base Employment Level (exclusive of the number of Qualified New Jobs then created) and (ii) any Qualified New Jobs created for which disbursements by the MSF have been made, and the Company must otherwise be in compliance with all terms and conditions of the final Agreement, and further shall include:

a. Disbursement Milestone 1: Up to $2,625,000 Upon demonstrated creation of 350 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than December 31, 2018.

b. Disbursement Milestone 2: Up to $2,625,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 350 additional Qualified New Jobs (for a total of 700 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2019.

c. Disbursement Milestone 3: Up to $2,250,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 300 additional Qualified New Jobs (for a total of 1,000 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2020.

11. Term of Agreement: Execution of Agreement to June 30, 2021

12. Repayment Provisions:

Repayment provisions are required by law. The Repayment terms and conditions will be effective through the Term of the Agreement and shall be defined in the final Agreement. The final repayment provisions may require repayment of some or all of the disbursements made by the MSF, including if the Company Group moves 25% or
more of their employees out of Michigan, if the Company Group fails to maintain the Base Employment Level in Michigan, if the Company fails to maintain the Qualified New Jobs incented by this Award.

13. Reporting Requirements:
Periodic reporting will be required with this program. The detailed information needed from the Company will be included in the final Agreement, but will include Project reporting for such things as: amount of proposed incentive, amount of actual incentive received by Company; amount of proposed and actual investment made by Company for Project; the committed number of new jobs and the actual number of new jobs created as a result of the Project.

14. Public Announcements:
The Company shall not make, or cause, any announcement of the proposed MBDP Incentive Award parameters outlined in this letter before the date of approval by the MSF of the MBDP Incentive Award, unless prior authorized and coordinated with the MEDC. At the request and expense of the MSF or the MEDC, the Company will cooperate with the MSF or the MEDC to promote the Project through one or more of the placement of a sign, plaque, media coverage or other public presentation at the Project or other location acceptable to the Parties.

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

On behalf of the Company, the undersigned is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters outlined in this Term Sheet. However, the Company will not be bound to any agreement unless and until it reviews, approves, and executes a final and definitive written agreement with MEDC containing terms and conditions which are acceptable to the Company.

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by Friday, December 13th the MEDC may not be able to proceed with any recommendation to the MSF.

Acknowledged as received by:

Amazon.com.deal, LLC
By: Braden Cox
Printed Name: Braden Cox
Its: Vice President
Dated: 12/14/16

Michigan Economic Development Corporation
By: 
Printed Name: Trever Friedberg
Dated: 12/19/2016
MEMORANDUM

Date: December 20, 2016

To: Michigan Strategic Fund Board

From: Stacy Bowerman, Senior Project Manager
Stacy Esbrook, Regional Director – Community Assistance Team
Rob Garza, Brownfield, CRP, and SmartZone Program Specialist

Subject: City of Dearborn Brownfield Redevelopment Authority
Request for Approval of an Act 381 Work Plan
City of Dearborn - Request for Approval of a Michigan Strategic Fund (MSF)
Performance-Based Grant

Request
The proposed project will redevelop 12 parcels of property encompassing three blocks in the City of Dearborn. The proposed project will be undertaken by the City of Dearborn (“Applicant”) and Ford Motor Land Development Corporation (“Ford Land”) and will include the construction of two, three-story, mixed use buildings and a four-story parking structure. The project is located in a downtown and qualifies for an Act 381 work plan because it is a facility and functionally obsolete.

In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the City of Dearborn Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of $31,418,232.

The Applicant is requesting approval of a $3 million performance-based grant from funds appropriated to the MSF for purpose of carrying out the MSF Act (“MSF Grant” or “Grant”). Grant proceeds will be used for the construction of a parking deck in support of the Wagner Hotel Block Redevelopment Project. The MSF Grant will be funded by using $1.5 million from the Business Development Program (BDP) and $1.5 million from the Community Revitalization Program (CRP) programs under MCL 125.2088b(2)(c).

The Applicant has demonstrated a need for funding based on its inability to secure 100 percent of the financing needed for the construction of the parking deck. The city owned and operated parking deck is necessary to support the need for additional parking as result of Ford Land’s multi-story, mixed-used development. The Applicant will pursue bond financing for the parking deck and utility improvements associated with the project, utilizing tax increment revenue generated as a result of the Ford Land Wagner Hotel Block Redevelopment to repay the bond obligations. The City of Dearborn’s Brownfield Redevelopment Authority is unable to capture sufficient tax increment revenues to fund the entire parking structure. MSF Grant assistance is necessary to fund the tax increment revenue shortfall. Without Brownfield tax increment reimbursement and MSF Grant assistance, the cost burden related to Brownfield conditions would make the project financially unfeasible.
The Applicant will invest approximately $20 million to construct the parking structure and improve the adjacent public utility infrastructure. Ford Land anticipates making a capital investment of approximately $60 million into the mixed-use redevelopment. The project will result in the consolidation and relocation of up to 600 Ford Motor Company ("Ford") and Ford supplier employees and could create as many as 200 jobs. In addition, the project is expected to create approximately 50 permanent full-time non-Ford retail jobs at the site. The blended average wage for all the full-time jobs at the site is estimated to be $20 per hour.

**Background**

The project will be a public-private partnership between the City of Dearborn and Ford Land. In addition to the Wagner Hotel redevelopment, Ford is making significant, multi-year investments into their existing Dearborn campus. However, they also recognize a need to offer space in an urban and walkable setting in order to attract talent. Ford Land is opting to help meet that need with the construction of this mixed-use development that contributes to the walkable, urban environment. The Applicant and Ford Land will redevelop 12 parcels encompassing 3.95 acres and approximately three blocks that are currently underutilized and deteriorating in the City’s West Downtown District.

The redevelopment includes the demolition of existing structures while preserving the façade of the former Wagner Hotel, one of the most historic structures in the city. The façade will be integrated with a new, three-story mixed-use building that will include first floor commercial space and office space for Ford Motor Company on the upper floors. An additional three-story mixed use building with a similar configuration will be constructed as well. The newly constructed buildings will be slightly set back from the existing Wagner Hotel building to allow for wider sidewalks. The larger sidewalks are in concert with existing buildings in the downtown and will further the city’s mission to make the downtown area along Michigan Avenue more pedestrian friendly. The office space will be designed using innovative office concepts to help attract new talent to Ford Motor Company.

In addition, a parking structure will be constructed on what is currently a surface parking lot. The parking structure will be owned and operated by the city and will support the mixed-use development. Public green space will be created between the new parking deck and the back of the Wagner Hotel building and will visually connect with a pocket park on the other side of Michigan Avenue. The existing public utilities will be buried in order to make the space more pedestrian friendly and to encourage public engagement. It is envisioned that potential retail tenants can use some of this space to offer outdoor experiences and the city is likely going to utilize the space for public events.

The Applicant is requesting MSF Grant assistance in the amount of $3 Million to offset the cost of parking deck construction. **Appendix A** outlines the terms associated with the Grant.

Lead and asbestos abatement will be necessary prior to demolition activities in order to protect human health. Demolition activities will be necessary to remove the existing buildings and existing asphalt pavement in order to prepare the site for redevelopment. Site preparation activities include staking for site grading; temporary traffic control; temporary erosion control; temporary site control (security, lighting and fencing); site clearing and grubbing; excavation of unstable fill material; and site grading and land balancing. Infrastructure improvements include parking deck construction costs, public utility relocation and street improvements that are necessary to support the new development.
Ford Land is a wholly-owned subsidiary of Ford Motor Company. Ford Land owns and operates approximately 5 million square feet of commercial office space in Dearborn and Allen Park, Michigan including multi-story office building business parks with research and development space, and individual offices and move-in ready suites. Ford Land has not previously received incentives from the MSF.

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 $31,418,232. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $12,008,048.

b) Approval of the transfer of $1.5 million from the BDP and $1.5 million from the CRP programs to be used as a $3 million performance-based grant for the parking deck portion of the project for the City of Dearborn under MCL.125.2088b(2)(c).
APPENDIX A – MSF Grant

Awardee Name: City of Dearborn

Awardee Address: 16901 Michigan Avenue, Suite 15
Dearborn, Michigan 48123

Project Site: The property is anticipated to include approximately twelve tax parcels encompassing approximately three blocks in downtown Dearborn, Michigan. The entire project includes the construction of parking deck and buildings and other improvements for the multi-story, mixed-use redevelopment by Ford Motor Land Development Corporation, in collaboration with the City of Dearborn.

MSF Grant for the Project: The MSF Grant will be used for the construction of a parking deck to support the project.

Award Amount: $3,000,000

Award Type: Performance-Based Grant
APPENDIX B – Programmatic Requirements & Screening Guidelines

Property Eligibility
The project is located within the boundaries of the City of Dearborn, 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 December 2, 2016 and deemed functionally obsolete as verified by a Michigan Master Assessing Officer (MMAO) assessor on June 24, 2016.

The property is the subject of a Brownfield Plan, duly approved by the City of Dearborn on July 14, 2016 and amended on October 26, 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:
   This project is going to have a significant impact on West Downtown Dearborn. In addition to this project reactivating a significant amount of square footage in the downtown and creating vertical parking to maximize land use, this project is going to infuse 650 new people into one intersection of the downtown.

b) Jobs Created (Excluding Construction and other Indirect Jobs):
The project will result in the consolidation and relocation of up to 600 Ford and Ford supplier employees and could create as many as 200 jobs. In addition, the project is expected to create approximately 50 permanent full-time non-Ford retail jobs at the site. The blended average wage for all the full-time jobs at the site is estimated to be $20 per hour.

c) Area of High Unemployment:
The City of Dearborn unadjusted jobless rate was 4.8% in July 2016.

d) Level and Extent of Contamination Alleviated:
   Soil levels are contaminated above the residential Part 201 direct contact, drinking water protections and/or GSI protection cleanup criteria. Known containments include: benzo(a)pyrene, fluoroanthene, phenanthrene, arsenic, mercury and zinc. The project will either clean up or cap the soil, based on the location as it relates to the development.

e) Reuse of Functionally Obsolete Buildings and/or Redevelopment of Blighted Property:
The building known as the Wagner Hotel is functionally obsolete. The exterior of the building will be restored and will respect the historic characteristics of the building and the downtown. The interior will be totally renovated and reconfigured for office and retail use.

f) Cost Gap that Exists between the Property and a Similar Greenfield Property:
The Brownfield TIF is needed to mitigate the costs of constructing the parking deck and other eligible activity costs not found on 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 Wagner Hotel Redevelopment Project is a transformational project for the City of Dearborn. Not only will it redevelop three city blocks in the City’s West Downtown District, the project will also increase the positive impact of Ford Motor Company’s presence in the greater Detroit area by offering its employees an urban working experience. The project will offer additional modernized office space for Ford which will help them attract talent.

**Tax Capture Breakdown**
There are 62,8009 non-homestead mills available for capture, with school millage equaling 24 mills (38.22%) and local millage equaling 38,8009 mills (61.78%). Tax increment capture will begin in 2019 and is estimated to continue for 30 years. The requested tax capture for MSF eligible activities breaks down as follows:

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>School tax capture</td>
<td>(38.22%)</td>
<td>$12,008,048</td>
</tr>
<tr>
<td>Local tax capture</td>
<td>(61.78%)</td>
<td>$19,410,184</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>$31,418,232</td>
</tr>
</tbody>
</table>

**Cost of MSF Eligible Activities**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demolition</td>
<td>$838,000</td>
</tr>
<tr>
<td>Lead or Asbestos Abatement</td>
<td>$140,000</td>
</tr>
<tr>
<td>Infrastructure Improvements (non-bonded)</td>
<td>$7,000,000</td>
</tr>
<tr>
<td>Infrastructure Improvements (bonded)</td>
<td>$21,357,120</td>
</tr>
<tr>
<td>Site Preparation</td>
<td>$770,793</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td>$30,105,913</td>
</tr>
<tr>
<td>Contingency (15% of non-bonded activities)</td>
<td>$1,312,319</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$31,418,232</td>
</tr>
</tbody>
</table>
APPENDIX C – Project Map and Renderings
MICHIGAN STRATEGIC FUND
RESOLUTION 2016-

APPROVAL OF AN MSF GRANT TO THE CITY OF DEARBORN

WHEREAS, the Michigan legislature enacted the Michigan Strategic Fund Act, MCL 125.2001 et. seq., (“MSF Act”) to enable the Michigan Strategic Fund (“MSF”) to provide incentives in the form of grants, loans and other economic assistance for the development and improvement of Michigan’s economy;

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

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

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

WHEREAS, pursuant to, 2015 PA 84, Article VIII, Part 1 Section 109, Subsection 3, the legislature appropriated funds for business attraction and community revitalization;

WHEREAS, by resolution 2015-124, the MSF Board allocated the annual appropriation from the 21st Century Job Fund to the CRP and BDP;

WHEREAS, the City of Dearborn, in collaboration with Ford Land Motor Land Development, intends to pursue mixed-use and multi-story redevelopment of approximately twelve parcels of property covering approximately three blocks of downtown Dearborn, Michigan (“Project”);

WHEREAS, the City of Dearborn has requested a grant of up to $3,000,000 to facilitate the construction of a parking deck portion of the Project (“Award Request”);

WHEREAS, the MEDC recommends that $1.5 million be transferred from each of the CRP and BDP programs to fund the Award Request; and

WHEREAS, the MEDC recommends that the MSF approve the Award Request, subject to: (i) available funding and (ii) final due diligence performed to the satisfaction of the MEDC (“Award Recommendation”);

NOW THEREFORE, BE IT RESOLVED, the MSF Board approves the Award Recommendation from the funds appropriated in 2015 PA 84 of 2015, Article VIII, Part 1 Section 109, Subsection 3, for business attraction and community revitalization;

BE IT FURTHER RESOLVED, the MSF Board approves the transfer of BDP and CRP Funds in the amount of the Award Request to be used for the construction a parking deck portion of the Project under MCL.125.2088b(2)(c); and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
December 20, 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 Dearborn Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 22057, 22065, 22053, 22041, 22035, 22037, 22001, 22015, 21024, 21026, 21931 Michigan Avenue and a City Parking lot Bounded by Mason Street, West Village Drive, and Monroe Street within the City of Dearborn, known as the Wagner Place Project (the “Project”);

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

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

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

NOW, THEREFORE, BE IT RESOLVED, the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as 38.22% to 61.78% 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 November 21, 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 $31,418,232 for the principal activity costs of non-environmental activities with the capture of taxes levied for school operating purposes being limited to a maximum of $12,008,048.

**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

December 20, 2016
MEMORANDUM

Date: December 20, 2016

To: MSF Board

From: Chris Cook, Director – Capital Access

Subject: Michigan Supplier Diversification MSDF– Request for Modification to Program Guidelines for Collateral Support Program & Loan Participation Program

Request
Staff recommends that the MSF Board approve a request to modify program guidelines for the Collateral Support Program and Loan Participation Program operating under the Michigan Supplier Diversification Fund (“MSDF”) and issue a decision document as required by Section 88c(5) of the MSF Act.

Background
On May 20, 2009, the MSF Board authorized the creation of the MSDF as a loan enhancement program. Programs operating through MSDF include the Collateral Support Program (“CSP”) and Loan Participation Program (“LPP”). The MSDF seeks to increase the availability of senior debt to companies operating in industries that would have been eligible for the MEGA tax credit, specifically mining, manufacturing, research and development, wholesale and trade, film and digital media production, office operations, or a business that is qualified high technology business as defined by MCL 207.803(n), as amended. CSP seeks to bridge a gap between the discounted value of the borrower collateral and the amount of financing needed by pledging cash to serve as additional collateral for the project. LPP seeks to limit senior lender borrowing exposure by allowing the MSF to partner in new extensions of credit provided by a senior lender. In some cases payments may be deferred on the portion of the note held by the MSF for up to 36 months to support cash flow of the borrower. Since its inception, the MSDF has supported financing for 91 companies with total associated private investment of nearly $162 million. The MSDF has recorded no losses through its operations of CSP and LPP and has generated program income of more than $2.5 million.

Based on the strong economic growth in Michigan since 2012, the MEDC has received feedback from local economic partners and banks that the supply of existing manufacturing and office space has become limited. Feedback from firms considering locating operations in Michigan has indicated that these firms either require or strongly prefer existing building space. MEDC Staff has concluded that the lack of availability of existing space could limit additional economic growth in the State.

While the MSDF has traditionally supported financing specific to operating companies while utilizing rules for owner occupancy adopted from SBA, the lack of existing manufacturing and office space has led MEDC Staff to recommend modifying the program guidelines for the MSDF in order to consider lessors of commercial buildings to be eligible borrowers for projects that would involve the construction or significant renovation of commercial space that would be used primarily for manufacturing, warehousing, corporate office, research and development, and/or technical centers.

Recommendation
MEDC staff recommends that the MSF Board approve the requested modification to the MSDF guidelines for CSP and LPP and issue a decision document as required by Section 88c(5) of the MSF Act.
MICHIGAN STRATEGIC FUND
RESOLUTION 2016-

APPROVAL OF AMENDMENT TO THE
MICHIGAN COLLATERAL SUPPORT PROGRAM GUIDELINES

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

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

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

WHEREAS, on May 20, 2009, the MSF created the Michigan Supplier Diversification Fund (“MSDF”) as a loan enhancement program;

WHEREAS, on May 20, 2009, the MSF Board approved the creation and operation of the Michigan Collateral Support Program (“MCSP”) under the MSDF, and (ii) adopted guidelines for the Michigan Collateral Support Program (“MCSP Guidelines”), as later amended;

WHEREAS, the MEDC recommends the MCSP Guidelines be amended to expand eligibility under the MCSP in accordance with the proposed Exhibit A (“MCSP Amendment”)

WHEREAS, on December 5, 2016, a public hearing was held to allow public comment on the proposed MCSP Amendment and no public comments were received; and

WHEREAS, the MSF Board has reviewed and desires to approve the MCSP Amendment.

NOW, THEREFORE, BE IT RESOLVED, the MSF approves the MCSP Amendment.

Ayes:

Nays:

Recused:

Lansing, Michigan
December 20, 2016
Program Guidelines

- To be eligible for the Program a company must fall under the definition of a firm which may be eligible to receive a MEGA tax credit. More specifically, a company must have a unique Federal Employer Identification number and participate in one or more of the following: mining, manufacturing, research and development, wholesale and trade, film and digital media production, office operations, or a business that is a qualified high technology business as described in MCL 207.803(n), as amended. The Project must also be an owner occupied facility. Occupancy of a project property is defined as not less than 51% of the usable space, including common areas, for existing buildings and not less than 60% of the usable space, including common areas, for new construction.

  o Provided however, projects involving the acquisition and/or improvement of real estate, the Program will consider a lessor of a nonresidential building to be an eligible borrower so long as a closely affiliated entity of the borrower will occupy the project property and that affiliated entity otherwise meets the definition of a firm which is eligible to receive a MEGA tax credit.

  o Provided however, a lessor of a nonresidential building may be considered eligible for the Program if the occupant of the project property will not be a closely affiliated entity of the borrower so long as the project property will provide for not less than 80% of usable space for the purpose of corporate office, warehousing, research & development, technical center and/or manufacturing and provides substantial economic benefit to the community as determined by the Program.

  o Provided however, any commercial borrower that has been affected by natural disaster in Michigan may be eligible for the Program at the discretion of the Program.

- The participating lending institution must execute a Deposit Agreement under which the terms of the deposit, interest accrual, and pledge restrictions will be described.

- The participating lender must be a depository institution regulated by the FDIC, OCC, NCUA or Federal Reserve or a certified Non-Profit Community Development Finance Institution or a depository institution regulated by the State of Michigan’s Office of Insurance and Financial Regulation.

- The Program shall collect at its determination from the lead lending institution its credit analysis, borrower financial statements, risk rating justification, cash flows and other documents which the Program deems necessary in order to determine both 1) that the opportunity meets the economic development criteria established by the Program and 2) that the bank has performed a sufficient and acceptable analysis of the borrower’s project and financial condition. This analysis should indicate that participation in the Program will result in an extension of commercial credit by the bank.
• The Program shall enhance the collateral position of the borrowers by depositing cash into accounts at participating lending institutions which will then be pledged as collateral on behalf of the borrower on a transaction by transaction basis.

• The Program shall be obligated to support no more than 49.9% of the extension of commercial credit in any individual transaction.

• Participating lending institutions will be required to collect and supply such information as may be required in order to determine the number of jobs created at the project, the return on investment, and the relative level of risk which each transaction is rated in the bank’s risk rating structure. Such information will be reported to the MSF in a program-wide summary format periodically.

• The Program balance shall be reduced proportionately with the principal reduction of the loan as to eliminate over-reliance on Program deposits as part of the collateral commitment on the loan.

• All reductions to account balances, interest, fees & charges, and recaptured balances shall be returned to the Michigan Supplier Diversification Fund for recapitalization.

• Program deposits shall not exceed $5,000,000 per project. The fee structure used will be determined based on an evaluation of the percentage of reliance on deposits vs. balance of collateral value on the extension of commercial credit as well as the potential economic development value of the project. In no case can the deposit represent more than 49.9% of the total loan amount of the individual extension of commercial credit in any single Deposit Agreement.

• Agreement under the Program shall include a fee which will reduce the claim made against cash collateral on deposit which is calculated based on the effectiveness of the liquidation of borrower’s collateral by the participating lending institution.

Effective December 20, 2016
MICHIGAN STRATEGIC FUND
RESOLUTION 2016-

APPROVAL OF AMENDMENT TO THE
MICHIGAN LOAN PARTICIPATION PROGRAM GUIDELINES

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

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

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

WHEREAS, on May 20, 2009, the MSF created the Michigan Supplier Diversification Fund (“MSDF”) as a loan enhancement program;

WHEREAS, on May 20, 2009, the MSF Board approved the creation and operation of the Michigan Loan Participation Program (“MLPP”) under the MSDF, and (ii) adopted guidelines for the Michigan Loan Participation Program (“MLPP Guidelines”), as later amended;

WHEREAS, the MEDC recommends the MLPP Guidelines be amended to expand eligibility under the MLPP in accordance with the proposed Exhibit A (“MLPP Amendment”).

WHEREAS, on December 5, 2016, a public hearing was held to allow public comment on the proposed MLPP Amendment and no public comments were received;

WHEREAS, the MSF Board has reviewed and desires to approve the MLPP Amendment.

NOW, THEREFORE, BE IT RESOLVED, the MSF approves the MLPP Amendment.

Ayes:

Nays:

Recused:

Lansing, Michigan
December 20, 2016
Program Guidelines

To be eligible for the Program a company must fall under the definition of a firm which may be eligible to receive a MEGA tax credit. More specifically, a company must have a unique Federal Employer Identification number and participate in one or more of the following: mining, manufacturing, research and development, wholesale and trade, film and digital media production, office operations, or a business that is a qualified high technology business as described in MCL 207.803(n), as amended. The Project must also be an owner occupied facility. Occupancy of a project property is defined as not less than 51% of the usable space, including common areas, for existing buildings and not less than 60% of the usable space, including common areas, for new construction.

- Provided however, projects involving the acquisition and/or improvement of real estate, the Program will consider a lessor of a nonresidential building to be an eligible borrower so long as a closely affiliated entity of the borrower will occupy the project property and that affiliated entity otherwise meets the definition of a firm which is eligible to receive a MEGA tax credit.

- Provided however, a lessor of a nonresidential building may be considered eligible for the Program if the occupant of the project property will not be a closely affiliated entity of the borrower so long as the project property will provide for not less than 80% of usable space for the purpose of corporate office, warehousing, research & development, technical center and/or manufacturing and provides substantial economic benefit to the community as determined by the Program.

- Provided however, any commercial borrower that has been affected by natural disaster in Michigan may be eligible for the Program at the discretion of the Program.

- The borrower and/or lead lending institution shall apply to the Program.

- The Program shall participate in funding extensions of commercial credit with partner participating lending institutions or Michigan Business Development Corporations or subsidiaries.

- The participating lender must be a depository institution regulated by the FDIC, OCC, NCUA or Federal Reserve or a certified Non-Profit Community Development Finance Institution or a depository institution regulated by the State of Michigan’s Office of Insurance and Financial Regulation.

- The participating lending institution shall be considered the “lead lender” and shall retain no less than 50.1% of the total loan balance at all times. The lead lender shall, under the terms of the Loan Participation and Servicing Agreement, service, document, perfect liens, collect interest, fees and principal; and in all other respects manage the loan.

- The Program shall collect at its determination from the lead lending institution its credit analysis, borrower financial statements, risk rating justification, cash flows and other documents which the Program deems necessary in order to determine both 1) that the opportunity meets the economic development criteria established by the Program and 2) that the bank has performed a sufficient
and acceptable analysis of the borrowers project and financial condition. This analysis should indicate that participation in the Program will result in an extension of commercial credit by the bank.

- Reductions in principal, partial losses and total losses, if any, will be taken proportionate to the percent of loan participation.

- All repayments including principal, interest, fees & charges, and recoveries shall be returned to the Michigan Supplier Diversification Fund for recapitalization.

- The Program may provide for the purchase of no more than 49.9% of an eligible extension of commercial credit.

- The Program portion of a participation loan, or Program “advance”, shall require principal repayment begin no later than 36 months after the closing of the loan agreement and in such repayment shall be concurrent with any provision for interest repayment such that if interest is being collected a principal payment must also be collected.

- A prepayment fee may be charged to borrowers that pay off Program advances within 12 months of interest accrual.

- Program advances shall not exceed $5,000,000 per project.

- The Program will charge a onetime loan closing fee to the borrower that may be deducted from the loan proceeds. The closing fee will be negotiated per deal. All other fees assessed by the lead bank shall apply to the Program advance and the bank advance and shall be received by both parties proportionate to their percentage of participation.

- The Program will charge a fee not less than 1% and not more than 4% annually at such time as the participation agreement establishes the payment of interest. If the participation agreement provides for an interest free period, no annual fee is charged during that period.

- Participating lending institutions will be required to collect and supply such information as may be required in order to determine the number of jobs created at the project, the return on investment, and the relative level of risk which each transaction is rated in the bank’s risk rating structure. Such information will be reported to the MSF in a Program-wide summary format periodically.

- Any agreement under this Program shall provide, among other things, affirmative representations of the Borrower that there exists no occurrence of criminal or civil activity prohibited under MCL 125.2088c(4), non-discrimination warranties, reporting requirements and that the Borrower shall provide access to its books and records related to the loan. In addition, the agreement shall provide direct rights against the Borrower for certain events of default, including as of the time determined by the MSF: (i) when the Borrower ceases to have substantially all of its employees (exclusive of sales staff) or operations located within the State of Michigan, or (ii) the occurrence of an event listed in MCL 125.2088(c)(4).

Effective December 20, 2016
MICHIGAN STRATEGIC FUND

RESOLUTION

2016-

APPROVAL OF THE DECISION DOCUMENT FOR THE
MICHIGAN SUPPLIER DIVERSIFICATION FUND

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

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

WHEREAS, pursuant to MCL 125.2088d(1) the MSF created the Michigan Supplier Diversification Fund (“MSDF”) as a loan enhancement program;

WHEREAS, at its November 22, 2016 meeting, the MSF Board authorized the notice of a public hearing to be held regarding revisions to the guidelines under the MSDF (the “MSDF Guideline Revisions”);

WHEREAS, pursuant to the public notice, a public hearing was held on December 5, 2016 as required by MCL 125.2088c(5), and the MSF Board offered the public an opportunity to present data, views, questions and arguments regarding the MSDF Guideline Revisions;

WHEREAS, on December 20, 2016, the MSF approved the MSDF Guideline Revisions; and

WHEREAS, consistent with the requirements of MCL 125.2088c(5), the MSF Board desires to produce a final decision document which describes the basis for its decision approving the MSDF Guideline Revisions (the “Decision Document”).

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the attached Decision Document and authorizes the MSF President to sign it.

Ayes:

Nays:

Recused:

Lansing, Michigan
December 20, 2016
MSF Decision Document

Issue
Approval of the revisions to the Michigan Supplier Diversification Fund (“MSDF”) Guidelines

Background
As provided for in MCL 125.2088d, the Michigan Strategic Fund (“MSF”) shall create and operation a loan enhancement program. On May 20, 2009 the MSF approved the Michigan Supplier Diversification Fund (“MSDF”). On May 20, 2009, the MSF Board also approved the creation and operation of the Michigan Loan Participation Program (“MLPP”) under the MSDF and adopted guidelines for the Michigan Loan Participation Program (“MLPP Guidelines”). The MSF Board subsequently approved the Loan Participation and Servicing Agreement (“Lender Agreement”) and the Supplemental Agreement (“Supplemental Agreement”) for the MLPP (collectively the “MLPP Agreements”). On June 24, 2009, the MSF Board approved the (i) creation and operation of the Michigan Collateral Support Program (“MCSP”) under the MSDF, (ii) adopted guidelines for the MCSP (“MCSP Guidelines”); (iii) approved the Authority of the Chairperson, subject to the MCSP Guidelines; and (iv) approved the Cash Collateral Deposit Agreement (“Deposit Agreement”) for the MCSP. The purpose of the MSDF is to promote access to capital for commercial borrowers who are base job creating companies and who, through the increased capital, will provide for employment opportunities and produce added tax revenue benefits in Michigan. The current revisions to the MSDF Guidelines would allow the MSF to consider lessors of commercial buildings to be eligible borrowers for projects that would involve the construction or significant renovation of commercial space that will be primarily used for manufacturing, warehousing, corporate office, research and development and/or technical centers.

Public Hearing
A public hearing was held on December 5, 2016 at 300 N. Washington Square, Lansing, Michigan to allow interested persons the opportunity to express data, views, questions, and arguments regarding the proposed revisions to the MSDF Guidelines. There were no participants at the public hearing and no comments on the proposed and posted guidelines were received via phone or e-mail.

Decision
At its December 20, 2016 meeting, the MSF Board agreed that there was a need to revise the MSDF Guidelines and approved revisions to the MSDF Guidelines.

Steve Arwood, President
Michigan Strategic Fund Board
MEMORANDUM
Date: December 20, 2016
To: Michigan Strategic Fund Board
From: Nate Scramlin, Senior Community Assistance Specialist
Subject: Flint & Genesee Chamber of Commerce (“Applicant”) Request for Approval of an MSF Performance-based Grant

Request
This is a request from the Applicant for a MSF Grant award for the Flint Grocer Improvement Program located in the City of Flint, Genesee County. The proposed initiative will be undertaken and administered by the Flint & Genesee Chamber of Commerce. The effort will assist existing grocery stores on the north side of Flint to implement capital and operational improvements ensuring a higher quality of food offerings and the sustainability of grocery store functions in this underserved area.

The Applicant is requesting approval of $550,000 Performance-based Grant from funds appropriated to the MSF for purpose of carrying out the MSF Act (“MSF Grant” or “Grant”). Grant proceeds will be used for capital improvements of up to four existing grocery stores. This initiative is being developed and funded in response to an MEDC supported grocery store study of the City of Flint’s north end. The MSF Grant will be funded by using $550,000 from funds appropriated to the MSF for community and business development purposes and authorized under MCL.125.2088b(2)(c) as an activity.

The Applicant has demonstrated a need for funding identified for four (4) grocery stores in the city of Flint through a professional market study and store-specific audits performed by national retail market consultant Streetsense. The store-specific audits have identified both high-priority and secondary improvements that are expected to heighten the customer population’s access to quality food, while improving operations, profitability, and community connection for each store in order to help sustain the stores continued operation in this area. Through the Flint Grocer Improvement Program, created and administered by the Flint & Genesee Chamber of Commerce, existing grocers serving neighborhoods with high rates of poverty within the area’s “food desert,” are eligible to receive financial support to make prescribed improvements to their operations, facilities, and grounds. Only grocers that were involved with the MEDC supported Streetsense evaluation will be eligible to apply for this program. These stores are Hutchinson Food & Drug, Landmark Foods, The Local Grocer, and Mr. B’s Foodland.

Through the existing store audits it is estimated that there are roughly $1.1 Million of high-priority and secondary improvements prescribed for the four stores identified in the study. Prescribed improvements include but are not limited to store expansion, storefront reconstruction, equipment upgrades, aisle reconfiguration, lighting and signage upgrades, parking lot repairs, and other general improvements. The Chamber is seeking MSF funds to assist in creating a $1.1 million fund to assist the stores. They are
requesting the MSF match other philanthropic giving on a 1:1 match basis up to $550,000 for a total of $1.1 Million.

**Background**

Since Kroger ceased business operations at their Pierson Road location on the north end of Flint in 2014, this area has been deemed a “food desert”. In the spring of 2016, the MEDC provided funds to the Chamber to commission retail market & grocery store industry expert Streetsense to study the best method to improve access to full-service grocery stores on the north end while also reinforcing residents’ sense of pride, hope, and community. Through the study, it was determined that in Flint’s north end there was market demand significant enough to create two new smaller-scale grocery stores (~20,000 square feet per store), while upgrading and sustaining existing solvent grocery stores operating in the north Flint market. Thus, according to the study, there is market demand significant enough to sustain six (6) full service grocery stores. In an effort to help sustain the current operations of existing stores as they continue to work toward the development of two new stores, invitations were extended to existing stores to participate in the market study, including one-on-one audits of their stores. Four stores in the study area came forward as willing participants. Equipped with the study and audit results the Flint/Genesee Chamber of Commerce, in cooperation with the MEDC, has developed the Flint Grocer Improvement Program to assist the four (4) identified existing stores.

Through the existing store audits, it is estimated The Flint Grocer Improvement program will need to be funded by the MEDC, non-profits, and private foundations. The Flint & Genesee Chamber of Commerce is requesting MSF Grant assistance in the amount of up to $550,000 to assist in the revitalization of up to four (4) existing grocery stores. Appendix A outlines the Flint Grocer Improvement Program guidelines and application.

**Recommendation**

MEDC staff recommends approval of the following:

A) Approval of the transfer of $550,000 set aside for the CRP program to be used as a Performance-based Grant for the Flint Grocer Improvement Program for the Flint & Genesee Chamber of Commerce under MCL.125.2088b(2)(c).
APPENDIX A

Flint Grocer Improvement Grant Program

Program Goals:
Through the Flint Grocer Improvement program, existing grocers serving neighborhoods with high rates of poverty within the area’s “food desert,” are eligible to receive financial support to make prescribed improvements to their operations, facilities, and grounds.

Improvement projects should:
• increase accessibility to healthy and affordable foods
• improve aesthetics or infrastructure in blighted areas to encourage economic growth
• make stores more accessible, affordable, and inviting for local low-income shoppers especially those with limited mobility options

Eligible Applicants
The only eligible applicants for these sources of funding are those grocers that participated in the Flint Grocery Store Market Analysis and Audit processes. These include: Hutchinson’s, Landmark, Mr. B’s, and The Local Grocer.

Project Qualifications
The Genesee Chamber Foundation will award funds based on the needs, quality of application, ability of applicant to carry out activities, matching funds committed, and type and potential impact of projects. Proposed projects must be cited as “Essential Actions” in the Streetsense audits completed for each store and should have undergone a competitive bid process prior to submission. Priority will be given for projects that improve the customer experience, diversify/expanding product selection, interior and exterior improvements, and improve access/visibility. If another property holder is involved, they must be a party to the application and notarized Lease Improvement Agreements must be in place, to receive funds.

Awards
Award amounts will depend on the total amount of funds available, with considerations for store scale and need, as well as the types of projects proposed. Matching funds are preferred and should be secured by the applicant. All applications will be reviewed and scored by an independent review committee. Partial awards may be given. If a project cannot be fully funded, The Genesee Chamber Foundation Staff will negotiate support options. All projects should be completed by December 31, 2017.

Awardees will be required to host site visits, provide “after” photos, and provide a final grant report including receipts for all grant expenditures. Participation in interviews by grant administrators,
technical assistance workshops, shared service and collaborative conversations, and communications and marketing for the grocery initiative, is required. Additional documentation may be required.

**Application Process**
The enclosed application and required documents should be submitted to Tracy Joseph at tjoseph@flintandgenesee.org, in person or mail at the Flint & Genesee Chamber of Commerce at 519 S. Saginaw Street, Suite 200, Flint MI 48502. If you have questions, contact Tracy at (810) 600-1406.

Applications can be received on a rolling basis. Awards may be made incrementally as funds become available.

**Grant Requirements**
All applicants need to provide the following (see attached form):

- Grant Application Cover Page
- Narrative description of proposed use of funds
- Proposed project budget
- Budget narrative
- “Before” photos

Three bids are required for all projects. Documentation of bids, along with selected contractors’ certificate of insurance/liability and contractor license are required prior to funding.
### Application COVER PAGE

#### BUSINESS CONTACT INFORMATION

| Contact Name: |  |
| Company Name: |  |
| Phone: | Fax: | E-mail: |
| Registered Company Address: |  |
| City: | State: | ZIP Code: |
| Date business commenced: |  |
| Sole proprietorship: | Partnership: | Corporation: | Other: |

#### REQUEST INFORMATION

| Total Amount Requested: | Total Match Committed: |
| Total Project Budget (equals amount request + match committed): |  |
| Project Start Date: | Project End Date: |
| Brief Project Description: |  |

#### Proposed Improvement Areas (check all that apply):

<table>
<thead>
<tr>
<th>Project Areas:</th>
<th>Amount Requested for each project area:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building Improvements - Interior Improvements</td>
<td>$</td>
</tr>
<tr>
<td>Building Improvements - Exterior Improvements</td>
<td>$</td>
</tr>
</tbody>
</table>
☐ Improve Access/Visibility $ 

☐ Diversify/expand product selection to include more, healthy food options $ 

☐ Improve customer experience $ 

☐ Other (describe): $ 

**AGREEMENT**

1. By submitting this application, we agree all program guidelines will be fulfilled

2. By submitting this application, you authorize to make inquiries into the banking and business/trade references that you have supplied, and your personal information will be collected only for qualification purposes.

**SIGNATURES**

Title: 
Date: 

Title: 
Date:
Grocery Improvement Program
NARRATIVE

Provide a brief description of your proposed project for the project areas you plan to address.

**Building Improvement**
- Interior Improvements

**Exterior Improvements**

**Improve Access/Visibility**

- Diversify/expand product selection to include more, healthy food options

**Improve customer experience**

**Other (describe):**

How did you select this/these project(s) from the Streetsense recommendations?

What other Streetsense-prescribed projects are you planning to implement outside of this grant project?

How does your proposed project benefit residents and the neighborhood?
How does your store currently support access to healthy foods? How will your proposed project improve access to healthy foods?
**Grocery Improvement Program**  
**PROPOSED BUDGET**

<table>
<thead>
<tr>
<th>Line Item</th>
<th>Grant Amount</th>
<th>Match Amount</th>
<th>Match Source (status: pending/committed)</th>
<th>Line-Item Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>i.e. Produce Coolers</td>
<td>$5,000</td>
<td>$5,000</td>
<td>Applicant Cash (committed)</td>
<td>$10,000</td>
</tr>
</tbody>
</table>

**TOTAL:**

Describe the bid process used to determine project expenses. (Note: three estimates per project are required; bids must include certificate of insurance/liability and contractor license)
Describe match sources and status of funds. What is the funding source and when do you expect to have committed resources secured?

Describe other improvement investments already underway, or anticipated during the next year, and include the value of those projects. (i.e. parking lot improvements, neighboring property improvements, marketing and outreach efforts, etc.)

If partially funded, what is your plan to secure additional dollars?

How will this investment improve your store’s sustainability over time?
WHEREAS, the Michigan legislature enacted the Michigan Strategic Fund Act, MCL 125.2001 et. seq., (“MSF Act”) to enable the Michigan Strategic Fund (“MSF”) to provide incentives in the form of grants, loans and other economic assistance for the development and improvement of Michigan’s economy;

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

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

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

WHEREAS, pursuant to, 2015 PA 84, Article VIII, Part 1 Section 109, Subsection 3, the legislature appropriated funds for business attraction and community revitalization;

WHEREAS, by resolution 2015-124, the MSF Board allocated the annual appropriation from the 21st Century Job Fund to the Michigan Community Revitalization Program (“MCRP”);

WHEREAS, the Flint & Genesee Chamber of Commerce intends to pursue approximately $1.1 million in total financing to assist up to four (4) grocery stores in Flint, Michigan with their respective capital improvements (“Project”);

WHEREAS, the Flint & Genesee Chamber of Commerce has requested a grant of up to $550,000 to facilitate the financing of the Project (“Award Request”);

WHEREAS, the MEDC recommends that $550,000 be transferred from the MCRP program to fund the Award Request; and

WHEREAS, the MEDC recommends that the MSF approve the Award Request, subject to: (i) available funding and (ii) final due diligence performed to the satisfaction of the MEDC (“Award Recommendation”);

NOW THEREFORE, BE IT RESOLVED, the MSF Board approves the Award Recommendation from the funds appropriated in 2015 PA 84 of 2015, Article VIII, Part 1 Section 109, Subsection 3, for business attraction and community revitalization;

BE IT FURTHER RESOLVED, the MSF Board approves the transfer of MCRP Funds in the amount of the Award Request to be used for the Project under MCL.125.2088b(2)(c); and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
December 20, 2016
MEMORANDUM

Date:         December 20, 2016

To:           Michigan Strategic Fund Board

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

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

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

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

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

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

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

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

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

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

The principals of Phoenix Properties, LLC, PlazaCorp Realty Advisors, Inc. are partnering on the proposed project. The companies are responsible for the construction or redevelopment of several dozen properties in three states. Redevelopment ventures (incentivized by MSF and municipal partners) undertaken by Plazacorp and related entities include Neil's Automotive building, the United building, the Spearflex Block, the Globe Building, GTW Depot and 216-220 W. Michigan Avenue in Kalamazoo, Michigan.
Appendix B addresses the programmatic requirements and Appendix C includes a project map and renderings.

**Recommendation**
MEDC staff recommends approval of the following:
  a) Local and school tax capture for the Act 381 eligible activities totaling $7,664,828. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $3,146,412.
  b) A MCRP Other Economic Assistance Performance-Based Loan Participation in the amount of $6,400,000 for Exchange Building, LLC.
  c) The Brownfield MBT credit amendment request to add a Qualified Taxpayer, Exchange Building, LLC; extend the project completion date three years to December 13, 2019; and revise the scope of the project to increase the size of the building from 8 to 15 stories to include residential and commercial uses as well as integrated parking.
APPENDIX A

FINANCING OPPORTUNITY – MCRP OTHER ECONOMIC ASSISTANCE PERFORMANCE-BASED LOAN PARTICIPATION

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

SUMMARY OF DEVELOPMENT SOURCES:

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

LOAN FACILITY

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

Borrower: Exchange Building, LLC

Lender: Chemical Bank

Total Loan Amount: Currently estimated at $42,976,000

Lender Share: Currently estimated at $6,400,000

MSF Share: Up to the lesser of 20% of “Eligible Investment” or $6,400,000

Term: To match that of the Lender, not to exceed 96 months with an interest only period of up to 36 months.

Amortization: Up to 300 months following the interest only period.

Interest Rate: On the MSF share anticipated to be 2.00% per annum.
**Repayment Terms:** Up to 36 months of monthly interest only payments followed by monthly principal and interest payments. Balance is due at maturity.

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

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

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

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

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

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

Property Eligibility
The project is located within the boundaries of the City of Kalamazoo, which is a Qualified Local Governmental Unit, and has been determined to be a facility as verified by Michigan Department of Environmental Quality (DEQ) on October 14, 2011.

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

In addition, the project is requesting from the DEQ $35,172 to assist with environmental eligible activities.

MCRP Program and its Guidelines
On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program (MCRP) and on September 22, 2015, the MSF Board approved its restated program guidelines. The primary intended objective of the MCRP is to provide incentives to persons that make eligible investments on eligible property in Michigan. The total eligible investment for this project is estimated to be $37,063,371.

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

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

A. The importance of the project to the community in which it is located:
   The site exists on a prominent downtown corner lot with Bronson Park to the southwest, the Radisson Hotel to the north, West Michigan Avenue in both east and west directions, and surrounding access to the Kalamazoo Mall.

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

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

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

F. Creation of jobs:
The project is estimated to create 83 full-time equivalent jobs. The average hourly wage is estimated to be $16.83.

G. The level of private sector and other contributions, including, but not limited to, federal funds and federal tax credits:
Private contributions include traditional bank financing of $36,576,000 and cash owner equity of $6,000,000.

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

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

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

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

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

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

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

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

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

Q. **If the rehabilitation of the historic resource will meet the federal Secretary of the Interior's standards for rehabilitation and guidelines for rehabilitating historic buildings (36 CFR 67):**
This is not a historic resource.
R. Whether the project will compete with or affect existing Michigan businesses within the same industry:
   The project will not compete with or affect an existing Michigan business.

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

Brownfield Act 381 Program Additional Project Information:

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

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

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

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

<table>
<thead>
<tr>
<th></th>
<th>School tax capture</th>
<th>Local tax capture</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(41.05%)</td>
<td>(58.95%)</td>
<td>$7,664,828</td>
</tr>
<tr>
<td>School tax capture</td>
<td>$3,146,412</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local tax capture</td>
<td>$4,518,416</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>$7,664,828</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Cost of MSF Eligible Activities

<table>
<thead>
<tr>
<th>Activity</th>
<th>Cost</th>
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</thead>
<tbody>
<tr>
<td>Demolition</td>
<td>$100,000</td>
</tr>
<tr>
<td>Infrastructure Improvements</td>
<td>6,311,336</td>
</tr>
<tr>
<td>Site Preparation</td>
<td>$1,253,492</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$7,664,828</td>
</tr>
</tbody>
</table>
Brownfield MBT Credit Amendment Request By:
W. Michigan and Rose Development, LLC
2725 Airview Blvd., Suite 205
Kalamazoo, MI 49002
Contact: Gregory A. Taylor, Principal

Previous Approval | Amendment
---|---
Project Eligible Investment: | $25,469,965 | $33,241,548
Requested Credit Amount: | $3,183,746 | $3,183,746 capped
Requested Credit Percentage: | 12.5% | 12.5%

ELIGIBLE INVESTMENT BREAKDOWN

<table>
<thead>
<tr>
<th></th>
<th>Previous Approval</th>
<th>Amendment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Site Improvements</td>
<td>$</td>
<td>17,500</td>
</tr>
<tr>
<td>New Construction</td>
<td>+</td>
<td>33,224,048</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$</td>
<td><strong>33,241,548</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 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, Chemical Bank (“Lender”) will be providing financing to Exchange Building, LLC and or related entities (“Proposed Borrower”) of approximately $42,976,000 toward the construction activities and infrastructure improvements to real property (“Project”);

WHEREAS, the Lender and the Proposed Borrower have requested an Other Economic Assistance Performance Based Loan Participation award from the MSF under the MCRP for the Project in an amount not to exceed $6,400,000 (“Award Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
December 20, 2016
Exhibit A

“Term Sheet”

LOAN FACILITY

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

Borrower: Exchange Building, LLC

Lender: Chemical Bank

Total Loan Amount: Currently estimated at $42,976,000

Lender Share: Currently estimated at $36,576,000

MSF Share: Up to the lesser of 20% of “Eligible Investment” or $6,400,000

Term: To match that of the Lender, not to exceed 96 months with an interest only period of up to 36 months.

Amortization: Up to 300 months following the interest only period.

Interest Rate: On the MSF share anticipated to be 2.00% per annum.

Repayment Terms: Up to 36 months of monthly interest only payments followed by monthly principal and interest payments. Balance is due at maturity.

Subordination of Payments

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

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

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

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

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

Other Conditions: The MSF’s investment will be contingent upon the following:
- A minimum owner equity contribution of $6,000,000 to the project.
- Receipt of a “Guaranteed Maximum Price” construction contract.
WHEREAS, the Michigan Economic Growth Authority (“MEGA”) has been established by 1995 PA 24, as amended (the “Act”);
environmental activities, and with the capture of taxes levied for school operating purposes being limited to a maximum of $3,146,412.

**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
December 20, 2016
At the meeting of the Michigan Strategic Fund (“MSF”) held on November 22, 2016 in Lansing, Michigan;

WHEREAS, the Michigan Economic Growth Authority (“MEGA”) is authorized by 1995 PA 24, as amended, to approve and amend projects for brownfield redevelopment tax credits authorized by Section 437 of the Michigan Business Tax Act, PA 36 of 2007, as amended (the “Act”), or by former section 38(g) of the Michigan Single Business Tax Act, PA 228 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, by Resolution 2011-126 on November 15, 2011, the MEGA Board awarded a Brownfield MBT Tax Credit to W. Michigan & Rose Development, LLC (the “Applicant”) to make eligible investment up to $25,469,965 at an eligible property in the City of Kalamazoo (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, Exchange Building, LLC; extend the project completion date three years to December 13, 2019; and revise the scope of the project; and

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

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF, and recommends approval of the amendment by the MSF Board, provided that the maximum credit amount does not exceed $3,183,746;

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board amends the Project by adding a qualified taxpayer, Exchange Building, LLC; extending the project completion date three years to December 13, 2019; and approved the revised scope of the project, provided that the maximum credit does not exceed $3,183,746.

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2011-126 are reaffirmed and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.
Ayes:
Nays:
Recused:

Lansing, Michigan
December 20, 2016
MEMORANDUM

Date:   December 20, 2016

To:   Michigan Strategic Fund Board

From:   Brittny Hoszkwiw, Community Assistance Team Specialist
         Jim Davis, Underwriting and Incentive Structuring Specialist
         Rob Garza, Brownfield, MCRP, and SmartZone Program Specialist

Subject:   City of Detroit Brownfield Redevelopment Authority
           Request for Approval of an Act 381 Work Plan
           Queen Lillian II, LLC - Request for Approval Michigan Community Revitalization Program
           Other Economic Assistance - Equity Investment

**Request**

The Mondrian at Midtown will be a newly constructed five-story mixed-use building containing first floor commercial space and residential space on floors two through five. A three-story parking deck will also be erected to serve the residents of the building. The proposed project will be undertaken by Queen Lillian II, LLC and will redevelop 1.85 acres of property located at 3439-3455 Woodward Avenue in the City of Detroit. The project is located in a traditional commercial district and qualifies for a Michigan Community Revitalization Program (MCRP) award and Act 381 work plan because the property is a facility.

In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the City of Detroit Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of $4,040,104.

Queen Lillian II, LLC (Applicant) is requesting approval of a MCRP incentive in the amount of $3,500,000 in MCRP Other Economic Assistance in the form of an equity investment.

The project sponsors are planning to invest approximately 15% ($4.7 million) of the overall project costs. It is anticipated that NorthPoint Capital, LLC will be providing a HUD 221(d)(4) loan of $21.3 million which is 69% of the overall project. The developers have also been able to secure a $1.4 million in HOME funds from the City of Detroit for the project. To fill the remaining $3.5 million gap the development team is requesting an MCRP equity investment and reimbursement of up to $4,040,104 eligible activities to help offset the costs associated with the brownfield conditions that exist on the site and erection of the parking deck. The development is maximizing the available senior debt on the project and additional equity would not garner sufficient returns given the significant costs present on the site related to the Brownfield conditions. The eligible activities will alleviate Brownfield conditions across the site and make it suitable for redevelopment, and protect human health and the environment. Without Brownfield tax increment reimbursement, the cost burden related to Brownfield conditions would make the project financially unfeasible. CRP detailed structure is provided in Appendix A.

The Applicant anticipates that the project will result in total capital investment in the amount of $30,900,000, along with the creation of approximately 53 permanent full-time equivalent jobs with an average hourly wage of $12.34.
**Background**
The Mondrian at Midtown will consist of construction of a five-story mixed-use building that will contain approximately 14,657 square feet of first floor commercial space and approximately 74,660 square feet of residential space on floors two through five. The residential space will be composed of approximately 104 one and two-bedroom apartments that include a mixture of affordable and market rate. A three-story parking deck will also be constructed to serve the residents of The Mondrian. The project is located in Midtown on Woodward Avenue and is on the light rail public transit system route (QLINE) being constructed. The project is located three blocks north of the new Detroit Red Wing's sports arena and just south of the main core of the Wayne State University campus.

Demolition activities will be necessary to remove abandoned utilities and concrete. Site preparation activities include clearing and grubbing, excavation of unstable materials and fill of clean material, foundation work to address special soil concerns, dewatering, temporary site controls, and relocation of existing utilities. Infrastructure improvements including public utility improvements, road improvements in the public right-of-way, and a multi-level parking deck that serves retail and residential parking needs that are necessary to support the new development.

Queen Lillian II, LLC has not received any Michigan Strategic Fund (MSF) incentives in the past. The project is being sponsored by James B. Jenkins and Christopher T. Jackson who both have extensive development experience.

**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 $4,040,104. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $1,531,199.

b) An MCRP Other Economic Assistance-Equity Investment in the amount of up to the lesser of 20% of “Eligible Investment” or $3,500,000 for Queen Lillian II, LLC or Related Entities.
APPENDIX A

FINANCING OPPORTUNITY – MCRP EQUITY INVESTMENT

DEAL STRUCTURE
The proposed project provides new construction infill in a dense commercial area in lower Midtown, adding density that is currently lacking. MEDC is recommending the MCRP incentive for the project be structured as an equity investment in the project to allow financial flexibility for the development team and to maximize the potential financial returns on the MSF’s investment.

It is anticipated that the project will be utilizing HUD insured 1st mortgage, and construction financing from NorthPoint Capital, LLC in the amount of $21,300,000, City of Detroit HOME funds in the amount of $1,400,000 and Owner Equity at $4,700,000. The remaining gap will be filled by a $3,500,000 MCRP equity investment.

SUMMARY OF DEVELOPMENT SOURCES:

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>NorthPoint Capital</td>
<td>$21,300,000</td>
<td>68.93%</td>
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<tr>
<td>HOME</td>
<td>$1,400,000</td>
<td>4.53%</td>
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<tr>
<td>Owner Equity</td>
<td>$4,700,000</td>
<td>15.21%</td>
</tr>
<tr>
<td>MSF Equity Investment</td>
<td>$3,500,000</td>
<td>11.33%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$30,900,000</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

MCRP EQUITY INVESTMENT

**Applicant(s):** Queen Lillian II, LLC (“Company” or “Applicant”)

**Investor Investment Amount:** Owner equity investment of not less than $4,700,000 (“Investor Equity”)

**MSF Investment Amount:** Up to the lessor of 20% of “Eligible Investment” or $3,500,000. The structure of the MSF Investment will be subject to the HUD insured loan structure. (“MSF Equity”)

**Interest Purchased:** MSF will acquire an equity interest in Queen Lillian II, LLC or related entity to be determined. The MSF will provide no guarantees on the debt or accept any recourse obligation.

**“Put” Right:** The MSF will receive a “Put” right for among other things failure to adhere to MSF statutory requirements. If exercised, Queen Lillian II, LLC or another entity or individual to be determined shall repay in full the entire contribution provided to the partnership and any earned but unpaid profits available at the time if the Put on terms and conditions acceptable to the MSF. The owners of the project will be required to guarantee the “Put” right obligation.

**“Exit” Right:** The MSF will have the option to exit the project after 480 months following disbursement of its proceeds. At time of exit the MSF will be due any remaining unpaid returns and the remaining balance of its principal equity investment.
**Investor “Call” Options:**
Following construction completion the Investor will have the option to call the MSF’s ownership interest for a value equal to the greater of any accrued and unpaid returns plus the MSF’s original principal investment or an amount necessary to assure a 6% IRR to the MSF.

**Net Cash Flows:**
To be determined at a later date that will include the following considerations:
1. Senior debt service requirements;
2. Annual escrowed replacement reserves;
3. Capital expenditures above and beyond what has been escrowed for replacement reserves;
4. Other restrictions placed on the property by the Senior Lender.

**Split of Net Cash Flows:**
1. MSF to receive 100% of available distributable cash flow until a 3% annual cash-on-cash return has been received on its original investment. This return will be cumulative but non-compounding.
2. Investors to receive 100% of remaining available cash flow until a 10% annual cash-on-cash return has been received on its original investment.
3. Thereafter, a 30/70 split of remaining available cash flow with 30% going to the MSF and 70% going to the Investors. Proceeds to be applied towards payment of the MSF and Investors equity investments.

**Split of Proceeds from Sale or Refinance:**
1. 100% of remaining proceeds to the MSF until any accumulated unpaid returns have been paid.
2. 100% of remaining proceeds to the Investors until any accumulated unpaid returns have been paid.
3. Pro Rata split of proceeds until the remaining original principal equity investments have been repaid to the MSF and the Investors.
4. Thereafter, a 30/70 split of remaining available cash flow with 30% going to the MSF and 70% going to the Investors.

**Membership Change:**
The MSF will have certain rights to block or consent to any material change in the membership of the project owner entity, except with respect to changes made for estate planning purposes.

**Sale/Liquidation:**
The MSF will have certain rights to block or consent to any material liquidation or sale event (e.g. sale to a non-qualified third party).

**Timing of Funding:**
The MSF investment would be made after (a) all of the Investors equity has been contributed to and to fund approved and budgeted for project expenses and (b) the Senior Lender has waived all conditions precedent to funding (but for any conditions or obligations required of the Fund to
make the Investment). For the avoidance of doubt, the MSF investment will be funded prior to the Senior Lender advancing any amounts under its loan.

Other Conditions: Approval will be contingent upon receipt of the following:

- Evidence of site plan approval from the City of Detroit (if applicable).
- A copy of an executed Guaranteed Maximum Price (GMP) construction contract between the Applicant and its contractor.
- Copies of final construction documents.
- Copies of all executed loan agreements, notes and mortgages, evidencing that the Applicant has financing in place in the minimum amount of $21,300,000 in Senior Debt, or evidence of other sources available to make up the difference. The Senior Debt must have a term of not less than 48 months.
- Final agreements related to the City of Detroit’s $1,400,000 HUD/HOME investment.
- Evidence of a minimum owner equity investment of $4,700,000.
- Final organizational and flow of funds chart.
- Final executed Development Agreement.
- Other documents may be required for review.
APPENDIX B – Programmatic Requirements & Screening Guidelines

Property Eligibility
The project is located within the boundaries of the City of Detroit, which is a Qualified Local Governmental Unit, and has been determined to be a facility as verified by Michigan Department of Environmental Quality (DEQ) on November 23, 2016.

The property is the subject of a Brownfield Plan, duly approved by the City of Detroit on June 30, 2014.

In addition, the project is requesting from the DEQ $679,094 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 $25,339,295.

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

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

A. The importance of the project to the community in which it is located:
The redevelopment of the Mondrian Building site is critically important to the City of Detroit. The site has long been vacant and is located along the Light Rail public transit route (QLINE). Its activation is a significant milestone for this transportation corridor and will increase both density and walkability with mixed-income housing options.

B. If the project will act as a catalyst for additional revitalization of the community in which it is located:
This success of this project is expected to spur additional investment in the Woodward corridor. The combination of health care employment and Wayne State University, as well as the drawing power of the new arena, have helped to create a fairly affluent and growing population base in the neighborhood as compared to the declining trends found in most other parts of Detroit.

C. The amount of local community and financial support for the project:
The City of Detroit is supporting the project with $1,400,000 of HOME Funds and the Detroit Brownfield Redevelopment Authority has committed to contributing up to $2,508,905 in local tax capture for non-environmental eligible activities and up to $421,705 in environmental activities.

D. The applicant's financial need for a community revitalization incentive:
The development is in the process of securing a $21,300,000 HUD 221(d)(4) insured 1st mortgage, $4,700,000 in Owner Equity, $1,400,000 City of Detroit HOME funding and the developer is not taking a developer fee. The $3,500,000 gap cannot be met with more debt or traditional equity therefore the equity gap will be filled by a Michigan Community Revitalization Program (MCRP) Other Economic
Assistance-Equity Investment. The MCRP investment will allow the development to achieve acceptable returns based on operational cash flow generated by the project (less than 10%).

E. The extent of reuse of vacant buildings, reuse of historical buildings, and redevelopment of blighted property:
The site of the project has been vacant for many years and will be activated as a result of this project.

F. Creation of jobs:
The project will create approximately 53 new full-time equivalent jobs to the area with an average hourly wage of $12.34.

G. The level of private sector and other contributions, including, but not limited to, federal funds and federal tax credits:
NorthPoint Capital, LLC is providing a loan of $21,300,000 which is 69% loan-to-cost, in traditional debt financing. HOME funds totaling $1,400,000 have been secured. The development team is providing $4,700,000, which is approximately 15% of the total project cost.

H. Whether the project is financially and economically sound:
It is anticipated that following achievement of stabilization, the development will generate adequate cash flow to service debt over 1.20 to 1.00 on average. Additionally, the MCRP investment will be structured as an equity investment providing additional financial flexibility and cushion for the project. The risk will be mitigated by the project’s smaller debt load and the flexibility provided by the MCRP equity investment. The project is strongly supported by the local community and will carry the financial support of the lenders, investors and MSF as well.

I. Whether the project increases the density of the area:
This project will activate 1.85 acres of space that has been vacant for many years and it will increase the density of the neighborhood by adding approximately 89,317 square feet for multi-story commercial and residential space.

J. Whether the project promotes mixed-use development and walkable communities:
Once complete, it is anticipated that the project will host a full service restaurant, financial institution, and approximately 104 residential units. The project will increase the walkability by activating a vacant lot and providing a destination for residents and non-residents alike.

K. Whether the project converts abandoned public buildings to private use:
Not applicable.

L. Whether the project promotes sustainable development:
The project will feature aluminum insulated windows. Each apartment will have self-contained high efficiency HVAC systems and water heating and utilize natural ventilation. The developers have committed to using low VOC materials in the construction of the interiors and will pursue LEED certification.

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

N. Whether the project addresses area-wide redevelopment:
The project will increase residential density and add more affordable housing units to the City. The project increases walkability of lower Midtown to the entertainment district and is expected to spur additional development.
O. Whether the project addresses underserved markets of commerce:
This project will address the lack of supply and on-going demand for affordable rental housing in the Primary Market Area. This project will provide 11 units of affordable housing, 8 units to residents at 60% of Area Median Income (AMI) and 3 units for residents at 50% of AMI.

P. The level and extent of environmental contamination:
Selenium, chromium, volatile organic compounds, poly nuclear aromatics and/or Michigan-10 chemicals have been found in the soil and/or water on site and will be remediated in order to make the development safe for the inhabitants.

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

R. Whether the project will compete with or affect existing Michigan businesses within the same industry:
The project will provide available space for commercial and residential tenants. 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:
None.

Brownfield Act 381 Program Additional Project Information:

A. Reuse of functionally obsolete buildings and/or redevelopment of blighted property:
Not Applicable.

B. Cost gap that exists between the property and a similar greenfield property:
The Brownfield Tax Increment Financing is needed to offset the demolition, site preparation and infrastructure costs that would not be required on a greenfield property.

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 63.3244 non-homestead mills available for capture, with school millage equaling 24 mills (37.90%) and local millage equaling 39.3244 mills (62.10%). Tax increment capture will begin in 2018 and is estimated to continue for 14 years. The requested tax capture for MSF eligible activities breaks down as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>Millage</th>
<th>Captured Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>School tax capture</td>
<td>(37.90%)</td>
<td>$1,531,199</td>
</tr>
<tr>
<td>Local tax capture</td>
<td>(62.10%)</td>
<td>$2,508,905</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>$4,040,104</strong></td>
</tr>
</tbody>
</table>

Cost of MSF Eligible Activities

<table>
<thead>
<tr>
<th>Activity</th>
<th>Cost</th>
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</thead>
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<tr>
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<tr>
<td>Infrastructure Improvements</td>
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<td>Description</td>
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<td>--------------------------------------------------</td>
<td>---------</td>
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<tr>
<td>Contingency (15%)</td>
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<tr>
<td>Sub-Total</td>
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<td>Brownfield/Work Plan Preparation</td>
<td>+ 12,500</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$ 4,040,104</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, as later amended) to enable the MSF to create and operate the Michigan Community Revitalization Program (“MCRP”) to provide incentives in the form of grants, loans and other economic assistance for redevelopment of communities in Michigan;

WHEREAS, 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, Queen Lillian II, LLC or such entities formed or to be formed in the furtherance of the Mondrian at Midtown Project (“Applicant” or “Co-Applicants”) have requested an Other Economic Assistance Performance-Based Equity Investment Award from the MSF under the MCRP for the project in an amount not to exceed up to $3,500,000 (“Award Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC recommends that the MSF approve the MCRP Award Request in accordance with the Term Sheet, subject to: (i) available Funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of transaction documents within 240 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 120 days (the foregoing, collectively, the “MCRP Award Recommendation”);

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

Nays:

Recused:

Lansing, Michigan
December 20, 2016
EXHIBIT A

“TERM SHEET”

MCRP EQUITY INVESTMENT

Applicant(s): Queen Lillian II, LLC (“Company” or “Applicant”)

Investor Investment Amount: Owner equity investment of not less than $4,700,000 (“Investor Equity”)

MSF Investment Amount: Up to the lesser of 20% of “Eligible Investment” or $3,500,000. The structure of the MSF Investment will be subject to the HUD insured loan structure. (“MSF Equity”)

Interest Purchased: MSF will acquire an equity interest in Queen Lillian II, LLC or related entity to be determined. The MSF will provide no guarantees on the debt or accept any recourse obligation.

“Put” Right: The MSF will receive a “Put” right for among other things failure to adhere to MSF statutory requirements. If exercised, Queen Lillian II, LLC or another entity or individual to be determined shall repay in full the entire contribution provided to the partnership and any earned but unpaid profits available at the time if the Put on terms and conditions acceptable to the MSF. The owners of the project will be required to guarantee the “Put” right obligation.

“Exit” Right: The MSF will have the option to exit the project after 480 months following disbursement of its proceeds. At time of exit the MSF will be due any remaining unpaid returns and the remaining balance of its principal equity investment.

Investor “Call” Options: Following construction completion the Investor will have the option to call the MSF’s ownership interest for a value equal to the greater of any accrued and unpaid returns plus the MSF’s original principal investment or an amount necessary to assure a 6% IRR to the MSF.

Net Cash Flows: To be determined at a later date that will include the following considerations:
1. Senior debt service requirements;
2. Annual escrowed replacement reserves;
3. Capital expenditures above and beyond what has been escrowed for replacement reserves;
4. Other restrictions placed on the property by the Senior Lender.
Split of Net Cash Flows:

1. MSF to receive 100% of available distributable cash flow until a 3% annual cash-on-cash return has been received on its original investment. This return will be cumulative but non-compounding.
2. Investors to receive 100% of remaining available cash flow until a 10% annual cash-on-cash return has been received on its original investment.
3. Thereafter, a 30/70 split of remaining available cash flow with 30% going to the MSF and 70% going to the Investors. Proceeds to be applied towards payment of the MSF and Investors equity investments.

Split of Proceeds from Sale or Refinance:

1. 100% of remaining proceeds to the MSF until any accumulated unpaid returns have been paid.
2. 100% of remaining proceeds to the Investors until any accumulated unpaid returns have been paid.
3. Pro Rata split of proceeds until the remaining original principal equity investments have been repaid to the MSF and the Investors.
4. Thereafter, a 30/70 split of remaining available cash flow with 30% going to the MSF and 70% going to the Investors.

Membership Change: The MSF will have certain rights to block or consent to any material change in the membership of the project owner entity, except with respect to changes made for estate planning purposes.

Sale/Liquidation: The MSF will have certain rights to block or consent to any material liquidation or sale event (e.g. sale to a non-qualified third party).

Timing of Funding: The MSF investment would be made after (a) all of the Investors equity has been contributed to and to fund approved and budgeted for project expenses and (b) the Senior Lender has waived all conditions precedent to funding (but for any conditions or obligations required of the Fund to make the Investment). For the avoidance of doubt, the MSF investment will be funded prior to the Senior Lender advancing any amounts under its loan.

Other Conditions: Approval will be contingent upon receipt of the following:
- Evidence of site plan approval from the City of Detroit (if applicable).
- A copy of an executed Guaranteed Maximum Price (GMP) construction contract between the Applicant and its contractor.
- Copies of final construction documents.
- Copies of all executed loan agreements, notes and mortgages, evidencing that the Applicant has financing in place in the minimum amount of $21,300,000 in Senior Debt, or evidence of other sources available to make up the difference. The Senior Debt must have a term of not less than 48 months.
- Final agreements related to the City of Detroit’s $1,400,000 HUD/HOME investment.
- Evidence of a minimum owner equity investment of $4,700,000.
- Final organizational and flow of funds chart.
- Final executed Development Agreement.
- Other documents may be required for review.
**WHEREAS**, the Michigan Economic Growth Authority ("MEGA") has been established by 1995 PA 24, as amended (the “Act”);

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

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

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

**WHEREAS**, the City of Detroit Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 3439-3455 Woodward Avenue and 13 Stimson Street within the City of Detroit, known as the Mondrian at Midtown Redevelopment Project (the “Project”);

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

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

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

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as 37.90% to 62.10% 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 November 30, 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 $4,027,604 for the principal activity costs of non-environmental activities and a contingency and a maximum of $12,500 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of $1,531,199.

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
December 20, 2016
MEMORANDUM
Date: December 20, 2016
To: Michigan Strategic Fund
From: Ryan Kilpatrick, Senior Community Assistance Team Specialist
       Rob Garza, Brownfield, MCRP, and SmartZone Program Specialist
Subject: City of Grand Rapids Brownfield Redevelopment Authority
         Request for Approval of an Act 381 Work Plan

Request
1001 Monroe, LLC is proposing to redevelop one parcel of property located at 1001 Monroe Avenue NW in the City of Grand Rapids. The development will consist of a new five-story mixed-use building which will include, first floor restaurant space, residential units on floors two through five, and integrated parking. The project is located in a downtown and qualifies for an Act 381 Work Plan because it is a facility.

In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the City of Grand Rapids Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities for a period of up to 12 years with a maximum amount of $1,015,450 although the anticipated amount to be reimbursed at the end of the 12 years is approximately $665,330.

The proposed project is immediately adjacent to the Grand River in an urban area and will require public infrastructure and site preparation activities to stabilize the land, remove contaminated soils and ensure all stormwater is properly filtered and detained prior to entering the river. In addition, an integrated parking structure to accommodate the additional density makes the project financially unfeasible without brownfield reimbursement support. The developer has maximized senior lending and is anticipating a return of approximately 12% while contributing 10% equity into the project. The project also has a debt service coverage ratio of 1.28. The eligible activities will alleviate Brownfield conditions across the site and make it suitable for redevelopment, and protect human health and the environment.

The Applicant anticipates that the project will result in total capital investment in the amount of $9,605,625, along with the creation of approximately 35 permanent full-time equivalent (FTE) jobs with an average hourly wage of $18.

Background
The proposed project will include the demolition of a vacant office building and the construction of a five-story mixed-use building. The development will include approximately 3,755 square feet of first floor commercial space and approximately 32 one and two bedroom residential units on floors two through five. The building will also include integrated parking containing approximately 32 spaces in
order to accommodate residents. The project will also include public infrastructure to enhance pedestrian connections from the Monroe North downtown neighborhood to the Grand River’s edge.

Demolition activities will be necessary to remove the existing structures on the property. Site preparation activities include temporary soil erosion controls, temporary site security and fencing, excavation and removal of soils, mass grading and land balancing, and staking for MSF eligible activities. Infrastructure improvements include public stormwater line relocation, integrated parking construction, and pedestrian improvements necessary to support the new development.

1001 Monroe, LLC is sponsored by Orion Construction. Orion is a full service construction management firm based in Grand Rapids. They have previously sponsored the Arena Place development in downtown Grand Rapids which resulted in an 11-story mixed use building with 108,000 square feet of new office space and 76 residential apartments. This project was completed in early 2016 with a total private investment of $44 million and a CRP loan amount of $4.5 million. Orion has also participated in several other Michigan Strategic Fund supported projects including the Blue Water convention center and Double Tree hotel in downtown Port Huron, the Gateway at Belknap in Grand Rapids and the Fulton Square project in Grand Rapids.

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 up to a total of $1,015,450. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated to be a maximum of $510,771. However, the period of eligible reimbursement shall be terminated following the final year of the Neighborhood Enterprise Zone (NEZ), which will not exceed 12 years, and is anticipated to be in the year 2029.
APPENDIX A – Programmatic Requirements & Screening Guidelines

Property Eligibility
The project is located within the boundaries of the City of Grand Rapids, which is a Qualified Local Governmental Unit, and has been determined to be a facility as verified by Michigan Department of Environmental Quality (DEQ) on November 16, 2016.

The property is the subject of a Brownfield Plan, duly approved by the City of Grand Rapids on July 26, 2016.

In addition, the project is requesting from the DEQ $6,650 in TIF to assist with environmental eligible activities.

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

a) Overall Benefit to the Public:
   The public will benefit from the proposed investment in this area of the North Monroe Business District and Belknap area as it will increase density, promote a vibrant neighborhood, and encourage additional investment in the neighborhood. The project will also provide a new restaurant to serve the neighborhood and new residents occupying the development.

b) Jobs Created (Excluding Construction and other Indirect Jobs):
   The project is expected to generate an estimated 35 FTE jobs with an average hourly wage of $18.

c) Area of High Unemployment:
   The unadjusted unemployment rate for the City of Grand Rapids as of August 2016 was 4.3%. This compares to an unadjusted unemployment rate of 4.9% for both the State of Michigan and nationally for the same period.

d) Level and Extent of Contamination Alleviated:
   The property contains mercury, selenium and phenanthrene in soil, and the concentrations of arsenic, benzo(a)anthracene, chrysene, fluorathene, naphthalene, phenanthrene, benzene and ethylbenzene in the groundwater exceeding Michigan's Generic Residential Cleanup Criteria. 1001 Monroe, LLC will undertake due care and additional response activities, as necessary, to address the existing contamination during the construction process.

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 alleviate brownfield conditions associated with contaminated soils, site preparation and infrastructure that would not be necessary in a greenfield.

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 City of Grand Rapids is supporting the project with a Neighborhood Enterprise Zone (NEZ) that will begin in 2018 and conclude in 2029.

**Tax Capture Breakdown**
There are 47.7179 non-homestead mills available for capture, with school millage equaling 24 mills (50.30%) and local millage equaling 23.7179 mills (49.70%). Tax increment capture will begin in 2018 and will be capped at 12 years, ending capture in 2029. The requested tax capture for MSF eligible activities breaks down as follows:

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<thead>
<tr>
<th>Description</th>
<th>Percentage</th>
<th>Amount</th>
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<td>School tax capture</td>
<td>(50.30%)</td>
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</tr>
<tr>
<td>Local tax capture</td>
<td>(49.70%)</td>
<td>$504,679</td>
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<td><strong>TOTAL</strong></td>
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<td><strong>$1,015,450</strong></td>
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**Cost of MSF Eligible Activities**

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<tr>
<th>Description</th>
<th>Amount</th>
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<tr>
<td>Demolition</td>
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<tr>
<td>Infrastructure Improvements</td>
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<td>Site Preparation</td>
<td>$99,500</td>
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<td><strong>Sub-Total</strong></td>
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<td>Brownfield/Work Plan Preparation</td>
<td>$10,000</td>
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<td><strong>TOTAL</strong></td>
<td><strong>$1,015,450</strong></td>
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</table>
APPENDIX B – Project Map and Renderings
WHEREAS, the Michigan Economic Growth Authority ("MEGA") has been established by 1995 PA 24, as amended (the "Act");

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

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

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

WHEREAS, the City of Grand Rapids Brownfield Redevelopment Authority (the "Authority") has submitted a work plan for property located at 1001 Monroe Avenue NW within the City of Grand Rapids, known as the River’s Edge Project (the "Project");

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

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

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

NOW, THEREFORE, BE IT RESOLVED, the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as 50.30% to 49.70% 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 October 27, 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 $1,005,450 for the principal activity costs of non-
environmental activities and a maximum of $10,000 for Brownfield/Work Plan reparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of $510,771.

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
December 20, 2016
MEMORANDUM

Date: December 20, 2016

To: Michigan Strategic Fund Board

From: Sue DeVries, Community Assistance Team Specialist
Lisa Edmonds, MCRP and Brownfield Program Specialist

Subject: County of Mason Brownfield Redevelopment Authority
Request for Approval of an Act 381 Work Plan

Request

The proposed project will be undertaken by 225 Ludington Limited Dividend Housing Association, LLC. The project will redevelop four parcels of property located at 200 W. Loomis Street, 210 W. Loomis Street, and 225-227 W. Ludington Avenue in the City of Ludington. The project is located in a downtown and qualifies for an Act 381 work plan because it is a facility.

In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the County of Mason Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of $2,307,350.

The proposed project includes the relocation of a public facility, the city fire station, for economic development purposes to provide the space for the private redevelopment. The cost to relocate the public fire station, including interest on public bonds, is driving the financial gap for this project in downtown Ludington. No other eligible activities are requested for reimbursement. Without this incentive, the City could not afford to give up the property needed for development.

The Applicant anticipates that the project will result in an estimated total capital investment of $16 million with the creation of 30 permanent full-time equivalent jobs with an average hourly wage of $18.

Background

225 Ludington Limited Dividend Housing Association, LLC is proposing to relocate a public fire station and construct two new four-story, 40,000 square foot mixed use buildings, with first floor commercial and three floors of affordable housing. The development will include new construction in a vacant parcel, a parking lot, a former NAPA building, as well as the vacated fire station location. The development will create 60 additional affordable housing units. The City has found there is a significant lack of affordable housing and this project will help to alleviate that problem.

The City of Ludington’s Master Plan calls for mixed use, dense urban infill in this area of the downtown. The Ludington Housing Task Force has also determined, through a target market analysis, that mixed
income and affordable units are an important priority for the community. This project will add density, increase active ground floor retail, and it fills in previously dead space on downtown’s main corridor.

The brownfield eligible activities of relocation of a public facility will be financed through a bond issued by the City of Ludington. Reimbursement for interest will be based on actual interest costs not to exceed a 5% rate.

225 Ludington Limited Dividend Housing Association, LLC is owned by Robert Jacobson (50%) and Michael Jacobson (50%). The developer has developed numerous projects in urban areas of Michigan primarily using the Low Income Housing Tax Credit through the Michigan State Housing Development Authority. The Michigan Strategic Fund awarded a Brownfield Michigan Business Tax Small Credit in the amount of $1,230,000 for a successful project, Traverse City Commons Brownfield (Building 630) in 2010.

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

Recommendation
MEDC staff recommends approval of the following:
Local and school tax capture for the Act 381 eligible activities totaling $2,307,350. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $1,006,466.
APPENDIX A – Programmatic Requirements & Screening Guidelines

**Property Eligibility**
The project is located within the boundaries of the City of Ludington, 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 November 2, 2016.

The property is the subject of a Brownfield Plan, duly approved by the County of Mason on March 4, 2016 and concurred with by the City of Ludington on March 7, 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:**
   There will be several benefits to the community as a result of this project. Vacant land and under-utilized buildings will be converted to commercial space and affordable housing in downtown Ludington. The community has identified housing as a strong need. Ground floor commercial space on this site will enhance the downtown. The project will significantly add to the state and local tax base. When completed, property taxes are estimated to total over $192,853 per year following the retirement of the Brownfield obligations. Currently the project area for building and land generates approximately $23,412 per year in property taxes.

b) **Jobs Created (Excluding Construction and other Indirect Jobs):**
   This project is expected to create approximately 30 new, full-time jobs in the community.

c) **Area of High Unemployment:**
   The Mason County unadjusted jobless rate was 4.2% in October 2016.

d) **Level and Extent of Contamination Alleviated:**
   The project is qualifying as a facility and the presence of contamination has been determined. Phase II Environmental Site Assessments have identified metals and tetrachloroethylene in the soils, and lead, chromium, and volatile organic compounds in the groundwater in excess of DEQ Generic Residential Cleanup Criteria.

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 developer is addressing the Brownfield eligible expenses. The costs associated with this Brownfield tax increment financing request are for the relocation of the fire station. No DEQ Environmental Eligible Activities will take place under the Combined Brownfield Plan. A cost gap between the Property and a similar Greenfield property does not exist.
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 55.0185 non-homestead mills available for capture, with school millage equaling 24 mills (43.62%) and local millage equaling 31.0185 mills (56.38%). Tax increment capture will begin in 2017 and is estimated to continue for 29 years. The requested tax capture for MSF eligible activities breaks down as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Percentage</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>School tax capture</td>
<td>(43.62%)</td>
<td>$1,006,466</td>
</tr>
<tr>
<td>Local tax capture</td>
<td>(56.38%)</td>
<td>$1,300,884</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>$2,307,350</strong></td>
</tr>
</tbody>
</table>

### Cost of MSF Eligible Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relocation of Municipal Services Center</td>
<td>$1,510,000</td>
</tr>
</tbody>
</table>

Sub-Total                                   $1,510,000

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest (5%)</td>
<td>+ $787,350</td>
</tr>
</tbody>
</table>

Sub-Total                                               $2,297,350

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brownfield/Work Plan Preparation</td>
<td>+ $10,000</td>
</tr>
</tbody>
</table>

**TOTAL**                                                $2,307,350
APPENDIX B – Project Map and Renderings
Site Photos

Former NAPA Building

Former Bowling Alley Lot

City Fire Station

City Parking Lot
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 County of Mason Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 200 W. Loomis Street, 210 W. Loomis Street, 225 W. Ludington Avenue and 227 W. Ludington Avenue within the City of Ludington, known as Ludington Bowling Alley Block Redevelopment (the “Project”);

WHEREAS, the City of Ludington 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 43.62% to 56.38% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of relocation of municipal services center as presented in the revised Work Plan dated November 7, 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 $1,510,000 for the principal activity costs of non-environmental activities, a maximum of $787,350 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 $1,006,466.

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 $787,350 related to the eligible activities for the Project.

Ayes:

Nays:

Recused:

Lansing, Michigan
December 20, 2016
MEMORANDUM

Date: December 20, 2016
To: MSF Board Members
From: David Lorenz, Vice President Travel Michigan
Subject: Brand USA International Travel Marketing Letter of Agreement

REQUEST
This request is for the MSF Board to enter into an agreement with Brand USA for the purpose of establishing a co-branding campaign in the amount of $1,092,000 for the period of October 1, 2016 to September 30, 2017.

BACKGROUND
Brand USA is a public-private partnership created to market the U.S. as a tourism destination around the world. Brand USA offers buy in and other advertising opportunities to U.S. destinations, state tourism offices, city and regional convention and visitor bureaus and for-profit attractions. Our agreement with Brand USA allows us to use their national leveraged advertising buying services in Ontario, Canada, which in turn, provides Travel Michigan 15% more exposure than we would be able to negotiate on our own.

RECOMMENDATION
The MEDC recommends that the MSF Board allocate $1,092,000 Pure Michigan appropriations monies and approve the Letter of Agreement with Brand USA for the purpose of establishing a co-branding campaign in accordance with the federal Travel Promotion Act of 2009.
MICHIGAN STRATEGIC FUND
RESOLUTION 2016-

AUTHORIZATION OF ALLOCATION FOR INTERNATIONAL MARKETING
BRAND USA

WHEREAS, the State of Michigan initiated a travel marketing campaign to accelerate efforts to promote the State’s tourism industry;

WHEREAS, under Section 109 of 2015 PA 84, the Legislature made an appropriation of $33,000,000 to the Pure Michigan program under the 21st Century Jobs Fund;

WHEREAS, as a result of an extension of an existing partnership to market the states in the Great Lakes region, the MSF desires to allocate $1,092,000 to Brand USA to support additional international travel marketing activities;

WHEREAS, because of the existing membership, there is no other vendor that can provide the unique international travel marketing campaign because it is an extension of an existing multi-state marketing campaign which qualifies for federal matching funds; and

WHEREAS, the MSF desires to authorize the allocation of $1,092,000 to Brand USA and authorize the Fund Manager to enter into an agreement for the international marketing activities in accordance with the federal Travel Promotion Act of 2009.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board authorizes the allocation of $1,092,000 to Brand USA and authorizes the Fund Manager to enter into an agreement for the international marketing activities in accordance with the federal Travel Promotion Act of 2009;

Ayes:

Nays:

Recused:

Lansing, Michigan
December 20, 2016
November 14, 2016

Dave Lorenz  
Vice President  
Travel Michigan  
300 N. Washington Square  
Lansing, Michigan 48913

Dear Dave,

This letter is intended to memorialize the commitment of Travel Michigan ("Partner") to the Corporation for Travel Promotion d/b/a Brand USA.

Brand USA is a District of Columbia nonprofit corporation organized and operated to grow incrementally international visitation to the United States, increasing America’s share of the global travel market. Brand USA will engage in international marketing of travel to the United States by, among other things:

a. Promoting travel on the Brand USA website,
b. Public relations – messaging through Brand USA global PR network, including in market representation firms,
c. Participating in international trade shows to promote travel to U.S. destinations and to encourage traffic to the Brand USA website,
d. Undertaking consumer and trade advertising,
e. Developing publications, websites, and other media for use in priority feeder markets,
f. Undertaking strategic partnerships with companies in the travel business, trade associations representing companies in the travel industry, U.S. travel destinations for marketing activities to drive inbound business from international feeder markets to the USA, including participating in joint trade missions and other events to target potential travelers, travel agents and other travel companies.
g. Sponsoring of trade events or activities conducted or managed by companies in the travel business, trade associations representing companies in the travel industry and/or travel destinations, and by government offices or sponsored entities operated to promote travel to a U.S. destination.

Partner agrees to contribute One Million Ninety Two Thousand Dollars ($1,092,000) to Brand USA to support the international marketing activities of Brand USA. Brand USA agrees that the contribution will be used for the benefit of the parties to this agreement in a variety of advertising mediums, targeting travelers in Canada, the UK, and Germany in 2017 ("general limitations").

Any limitations on cash contributions must be consistent with the Travel Promotion Act of 2009 (P.L. 111-145), as amended, and any other applicable Federal statute. Brand USA will
consult with Partner regarding these recommendations, but Brand USA may, at its sole discretion, elect to not use the contribution in accordance with these recommendations.

The contributed funds are nonrefundable, unless they cannot be used for their intended purpose. Contributions to Brand USA are not tax deductible as charitable contributions. The Partner may provide additional funds in the future, but is not obligated to do so.

By signing below the Partner grants a limited, nonexclusive, nontransferable, nonassignable, and nonsublicensable license to Brand USA to use the Partner logos, trademarks, and service marks (collectively the “Marks”) in the Sponsored Marketing Program pursuant to the brand guidelines to be provided by Partner.

Brand USA acknowledges that it shall have no rights or interest in the Marks except as described in this letter. Brand USA may not use the Marks in any manner that is disparaging or that otherwise could reasonably be expected to have an adverse impact on the Partner goodwill, diminish its value, or the corporate image, business or reputation of the Partner. Brand USA will use the Marks in its international marketing of travel to the United States. The Partner shall have the right to terminate the license for violation of the brand guidelines.

This letter agreement is intended to constitute a binding agreement between the Partner and Brand USA. By signing below, the Partner affirms that, with regard to this contribution to the Corporation for Travel Promotion, there are no restrictions on how the Corporation may use the contribution, or any agreement or expectation of a specific benefit in return, except as stated herein.

Sincerely,

______________________________ Date: ______________
Christopher L. Thompson
President & CEO
Brand USA

ACKNOWLEDGED AND AGREED PARTNER

By __________________________
Travel Michigan

Title__________________________ Date: ______
MEMORANDUM

Date: December 20, 2016
To: MSF Board
From: David Lorenz, Vice President Travel Michigan
Subject: Detroit Tigers Partnership Contract Extension

REQUEST
This request is for the MSF Board to approve a one-year extension of an existing contract with the Detroit Tigers for a 2017 sponsorship in the amount of $325,000.

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

More than 2,400,000 fans attended a game at Comerica Park last year, with more than 29,000,000 television viewers (57% of which were out-of-state). Additionally, more than 300 visiting media come to Comerica Park each year to cover teams competing against the Tigers. In 2016, the media equivalency of the partnership was assessed at $5,859,000 by Repucom.

As part of Fiscal Year 2017 marketing efforts, Travel Michigan sought a sponsorship that would build on the successes of the previous partnership with the Detroit Tigers. It was determined there was only one entity within the state – the Detroit Tigers – that could offer the level of exposure and benefits to align with the needs of Pure Michigan’s national marketing efforts.

Requirements for this sponsorship are:
- Must be a Major League Baseball team based in Michigan.
- Must have more than 2.5 million attendees annually.
- Must offer the opportunity for Pure Michigan branding to be seen by out-state audiences in markets that align with the Pure Michigan advertising campaign.
- Must be able to provide prominent and high-visibility branding placement within stadium/arena.
- Must offer the opportunity for a game-specific promotion within the regular season.
- Must demonstrate ongoing collaboration within Michigan’s tourism industry and continued efforts to promote leisure-travel activities in Michigan.
SPONSORSHIP BACKGROUND
The 2017 season will be year two of a three-year sponsorship agreement with the Detroit Tigers, at $325,000 per year. MEDC/Pure Michigan is entitled to the following benefits during the regular season:

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

The 2017 season runs from April 3 to October 2.

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

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

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

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

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

WHEREAS, on December 15, 2015, the MSF authorized entering into a sponsorship agreement with the Detroit Tigers; and

WHEREAS, the MEDC recommends, and the MSF desires, to authorize the first, one-year extension with the Detroit Tigers for the promotion of tourism through an integrated travel marketing and promotional campaign and allocate $325,000 for tourism marketing and promotion purposes.

NOW, THEREFORE, BE IT RESOLVED, that the MSF authorizes the execution of the first, one-year extension of the sponsorship agreement with the Detroit Tigers for the promotion of tourism through an integrated travel marketing and promotional campaign for the period of October 1, 2016 to September 30, 2017, and allocates $325,000 for tourism marketing and promotion purposes.

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

Ayes:

Nays:

Recused:

Lansing, Michigan
December 20, 2016
MEMORANDUM

Date: December 20, 2016
To: MSF Board
From: David Lorenz, Vice President Travel Michigan
Subject: Meredith Corporation Contract

REQUEST
This request is for the MSF Board to approve $752,300 for year two of the Meredith Corporation contract.

BACKGROUND
On August 24, 2015, the MSF entered into a contract with Meredith Corporation to publish the official State of Michigan seasonal travel guides. Meredith was selected after a competitive bid process in which seven proposals were received and reviewed in accordance to the standard RFP process. The JEC evaluated all proposals and ranked the proposal from the Meredith Corporation/Midwest Living’s Custom Publishing division with the highest score.

The strengths of the Meredith proposal are noted below:

Advertising strategy & current customer base
- Proven results selling to the Michigan travel industry
- Well thought-out advertising strategy
- Experienced Michigan-based sales
- Guarantee delivery of $800,000 in annual ad sales to off-set the out-of-pocket costs to Travel Michigan.

Distribution strategy
- Strategically-targeted distribution that is consistent with Travel Michigan advertising markets
- Ability to execute an unparalleled pro-active distribution strategy at a fraction of traditional direct-mail costs
- Utilize research-driven distribution tactics to attract the best prospects for Michigan

Database Options and direct mail opportunities
- *Midwest Living*’s database opportunities best met the scope and scale alluded to in the RFP with the ability to proactively deliver up-to 650,000 copies to individual households that are consistent with Travel Michigan target audience demographics.
- Additionally, the Meredith Corporation owns 25 million active subscribers with some 100 million organic database names from across the U.S.
Innovative added-value components

• Ability to significantly extend the Pure Michigan brand via additional print, television and digital platforms as well as additional custom publishing opportunities.
• Readership survey
• Annual Pure Michigan Governor’s Conference on Tourism premiere sponsorship

Deliverables

• Turnkey editorial and creative services
• Ability to deliver content for use across michigan.org website and as well as all of Travel Michigan’s social media platforms.
• Free access to the Midwest Living’s extensive photography library for all of Travel Michigan’s print, advertising and digital uses.

Project staffing

• Michigan-based travel writers, photographers and editors who have an intimate understanding of Michigan and the state’s extensive travel product
• Bidder’s core teams have extensive first-hand knowledge of the Michigan tourism product.
• Entire team of writers, photographers and graphic designers assigned to this initiative are Michigan-based

Agency of Record

While headquartered in Iowa, the company’s custom publishing division has relocated to Troy, Michigan. Additionally, Meredith operates offices in Flint and Saginaw, Michigan. It should also be noted the Pure Michigan travel guides are printed at Quad Graphics in Midland, Michigan.

Meredith Corporation’s economic activity in the State of Michigan for 2014-2015:

• Employed 183 people in the state
• Paid $12,479,000 in total gross compensation to Meredith’s Michigan employees
• Paid $530,360 in employee income tax in the state
• Paid $134,926 in Michigan property taxes
• Paid $77,910 in corporate income taxes
• Paid $1,511,000 capital budget for new business projects
• Paid $77,910 annual rent

RECOMMENDATION

The MEDC recommends that the MSF Board allocate $752,300 Pure Michigan appropriations monies for year two of the three-year contract.
MICHIGAN STRATEGIC FUND

RESOLUTION 2016-

OFFICIAL STATE OF MICHIGAN TRAVEL GUIDE ALLOCATION


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

WHEREAS, on August 25, 2015, the Michigan Strategic Fund (“MSF”) authorized an agreement for three years, with two, one-year extensions to Meredith Corporation as the vendor for the official State of Michigan Travel Guide, and allocated $800,000 for the first year of the agreement;

WHEREAS, the MSF designated the Michigan Economic Development Corporation (“MEDC”) to provide administrative services for the MSF; and

WHEREAS, the MEDC recommends, and the MSF desires, to allocate $752,300 to Meredith Corporation as the vendor for the official State of Michigan Travel Guide for the second year of the agreement.

NOW, THEREFORE, BE IT RESOLVED, that the MSF authorizes an allocation of $752,300 to Meredith Corporation as the vendor of the official State of Michigan Travel Guide for the second year of the agreement.

Ayes:

Nays:

Recused:

Lansing, Michigan
December 20, 2016
MEMORANDUM

Date: December 20, 2016
To: MSF Board Members
From: David Lorenz, Vice President Travel Michigan
Subject: Tourism Website Services Contract Extension Recommendation

REQUEST
This request is for the MSF Board to approve a one-year extension of an existing contract with Miles Media Group for website services pertaining to Michigan.org for $141,200.00. The amount is inclusive of hosting and site maintenance.

BACKGROUND
On November 24, 2015, the MSF Board approved a Tourism Website Redesign RFP and authorized the MSF Fund Manager to appoint a Joint Evaluation Committee (“JEC”) to review the proposals. On February 23, 2016, the MSF subsequently awarded the website redesign with Miles Media Group, for the period of March 1, 2016 to February 28, 2017 with the option to extend the contract for four, one-year options.

During the initial contract term, Miles Media Group has developed an all-new tourism website, michigan.org, which will launch in early 2017. Overall project objectives and technical parameters are outlined below.

Scope of Work
Project objectives included:

1. Develop a dynamic design tying directly with the Pure Michigan brand; visually appealing, simple navigation and developed with an intuitive organizational structure (Information Architecture).
2. Site needs to be functional on all commonly used mobile and desktop platforms
3. The site should assist out-of-state travelers whom have little knowledge of Michigan to locate information and opportunities based on activity and provide results in either list, geo-spatial, or storytelling format.
4. Content for all four seasons must be available at all times through the search function with the user being able to switch the content between all four seasons.
5. Provide related results during a search, including lodging, events, etc.
   a. Example: Search for ‘Snowmobiling’ displays results for those items directly related to snowmobiling in addition to related content, integrated and highlighted, with the search results.
6. The site should provide custom, interactive mapping (state/regional view) to illustrate key points of interest by activity.
7. Provide the ability to add content from third party sites / traveler / Pure Michigan information on a specific activity or attraction, etc.
   a. Pull in social content / Trip Advisor (or other platforms) regarding an activity like biking, hunting, etc.
8. Provide integration of user-generated content from Travel Michigan’s social media channels and blog to increasing social media engagement and web traffic on Michigan.org
9. Provide the ability for content feeds from travel partners, automatically updating their content, properties, events, etc., on Michigan.org
10. Include a trip-planning tool that allows for planning/archiving multiple trips, sharing and collaboration between users of the site
11. Provide for ability to create Microsites within the site for beaches, beer trails and other areas of interest (to be determined).

**Technical Requirements**

The team also requested a complete end-to-end solution to support the site; technical requirements for the solution are below:

1. Complete hosting solution
2. Database management and maintenance
3. Operating system management and maintenance
   a. The goal of operating system management and maintenance is to keep active servers current with vendor updates and patch releases.
4. Server hardware management and maintenance
5. Firewall, load balancer and intrusion prevention services
   a. The end-to-end solution including intrusion prevention systems to identify malicious activity, log information about this activity, attempt to block/stop it, and report it.
6. Systems backup and recovery
7. Network connectivity
8. Physical infrastructure
   a. Minimum - Development, Testing, Beta, Production environments
9. CMS Interface with Role Based Permissions
10. Responsive Website Design
   a. The website uses the same URL on all mobile phones, tablets and desktop systems. The website serves the same content to any device changing the view and order depending on the size of the device
11. Support WordPress integration for the business blog

**RECOMMENDATION**

The MEDC recommends that the MSF Board allocate $141,200.00 Pure Michigan appropriations monies and enter into a one-year extension with Miles Media Group for ongoing maintenance and hosting of website.

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

WHEREAS, at its February 23, 2016 meeting, the MSF Board selected Miles Media Group as the vendor for the redesign, development and hosting of the Travel Michigan website and authorized an agreement for one-year, with up to four, one-year agreements; and

WHEREAS, the MEDC recommends, and the MSF desires, to exercise the first, one-year extension to the agreement and allocate $141,200 to Miles Media Group as the vendor for the redesign, development and hosting of the Travel Michigan website.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board exercises their option for the first, one-year extension to the agreement and allocate $141,200 to Miles Media Group as the vendor for the redesign, development and hosting of the Travel Michigan website.

Ayes:

Nays:

Recused:

Lansing, Michigan
December 20, 2016
REQUEST
This request is for the MSF Board to approve $725,000 for the Michigan International Speedway (MIS) contract.

BACKGROUND
Pure Michigan has partnered with MIS to sponsor the Pure Michigan 400 since 2011, with a focus on attracting new visitors to Michigan and showcasing Michigan’s leisure travel assets from car culture and outdoor recreation to destinations like MIS.

Each year nearly 385,000 people visit MIS, generating an economic impact of more than $414 million. In 2016, 73 percent of the guests on Pure Michigan weekend came from outside Michigan. The race sponsorship has been an effective way to bring the Pure Michigan message to an additional 75 million NASCAR fans nationwide, with further brand exposure resulting from working with nationally recognized grand marshals, including Desmond Howard, Kid Rock, Carter Oosterhouse, Olympic gold medalists Charlie White and Meryl Davis and Detroit Red Wings head coach Jeff Blashill.

Michigan International Speedway in Brooklyn, Michigan, a town of about 1,200, is one of only 23 facilities in the world to hold such an event. The racetrack seats more than 72,000 people in its grandstands, with tens of thousands of others in the infield, suites and campgrounds.

SPONSORSHIP BACKGROUND
In October 2014, MSF and MIS entered into a sponsorship agreement for the August 16, 2015 NASCAR Cup race at MIS, with the option to extend the contract for two additional one-year periods. The initial contract extension for race sponsorship was approved by the MSF Board in December 2015. MEDC/Pure Michigan is seeking approval for the second, one-year contract extension to serve as the title sponsor for the August 2017 NASCAR Cup Series races at Michigan International Speedway.

As the title sponsor of the August NASCAR Cup Series race, MEDC/Pure Michigan is entitled to benefits that include, but are not limited to:
- On site signage including one (1) highway billboard, five (5) grandstand billboards, six (6) trackside billboards and three (3) backstretch billboards.
- Pit road wall signage.
- Title event turf logo.
- Title event logo on media backdrops, pre-race stage backdrop, starter stand wrap and victory lane backdrop.
- A minimum of 10, 30 second promotional public address announcements read during each day of race weekend.
- One (1) full-page color advertisement in the Official Souvenir Event program; one (1) full page advertisement in the Guest Guide; and one (1) full-page advertisement in the Inside Track Newsletter.
- Title event logo on tickets, credentials and passes.
- Use of Pit Road Suite throughout both June and August race weekends, with opportunities to host.
- VIP experiences including pace car rides, garage tours, attendance and introductions at drivers meeting, and victory lane photo op.

In 2016, the total rights fee paid to MIS as title sponsor was $700,000 with total broadcast and PR exposure from the race, and efforts leading up to the race, valued at $16,107,339 for an estimated Return on Investment of $23.01 for the sponsorship.

The 2017 race will be held on Sunday, August 13.

**RECOMMENDATION**
The MEDC recommends the MSF approve $725,000 in funding for Fiscal Year 2017 in order to execute this one-year extension with Michigan International Speedway for the title sponsorship of the Pure Michigan 400.

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

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

WHEREAS, on December 15, 2015, the MSF authorized a two-year sponsorship agreement with Michigan International Speedway for advertising, social media promotion, and public relations activities and allocated $700,000 for the first year of the agreement; and

WHEREAS, the MEDC recommends, and the MSF desires, to allocate $750,000 to the Michigan International Speedway for the promotion of tourism through an integrated travel marketing and promotional campaign for the second year of the agreement.

NOW, THEREFORE, BE IT RESOLVED, that the MSF allocates $750,000 to the Michigan International Speedway for the promotion of tourism through an integrated travel marketing and promotional campaign for the second year of the agreement.

Ayes:

Nays:

Recused:

Lansing, Michigan
December 20, 2016