Public Comment (please limit public comment to three (3) minutes)

Communications – Information only

A. Consent Agenda -
   Proposed Meeting Minutes – June 8, 2015
   Aisin Technical Center of America, Inc. – MBDP Amendment – LeTasha Peebles
   Pi Optima, Inc. – Tool & Die Zone Revocation – Amy Lux
   Designation of MSF Treasurer – Mark Morante

B. Business Investment
   1. Entrepreneurship –
      Michigan eLab - LPA Amendment – Mike Flanagan
   2. Business Growth -
      ZF North America, Inc. – MBDP Grant – Jeremy Webb
   3. Access to Capital – Chris Cook
      KTab II, LLC – Bond Inducement
      Lutheran Social Services of Michigan – Bond Authorizing
      Master Automatic Machine Company, Inc. – Bond Authorizing

D. Community Vitality –
   Fulton and Seward, LLC – MCRP & Act 381 Work Plan – Ryan Kilpatrick
   M1 Concourse/City of Pontiac – Act 381 Work Plan – Stacy Esbrook
   Wright Opera House – CDBG Amendment – Deb Stuart
WHEREAS, the Michigan Strategic Fund (“MSF”), at its February 2014 board meeting, approved the use of consent agendas at future board meetings pursuant to defined guidelines.

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

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

NOW, THEREFORE, BE IT RESOLVED, the MSF approves the Consent Agenda items listed below and identified in the final Consent Agenda for this board meeting, for each of which supporting documentation is attached to this Resolution.

Consent Agenda Items:

- Proposed Meeting Minutes – June 8, 2015
- Aisin Technical Center of America, Inc. – MBDP Amendment
- Pi Optima, Inc. – Tool & Die Zone Revocation
- Designation of MSF Treasurer

Ayes:  
Nays:  
Recused:

Lansing, Michigan  
June 23, 2015
Members Present:

Paul Anderson
Steve Arwood
Andrew Lockwood (on behalf of Treasurer Khouri)
Terri Jo Umlor
Jim Walsh
Shaun Wilson (joined by phone at 1:55 pm)
Mike Zimmer

Members Absent:

Larry Koops
Jody DePree Vanderwel

Call to Order: Mr. Arwood called the meeting to order at 1:34 pm.

Public Comment: No public comment.

Communications: Andrea Robach, MSF Administrator, notified the Board that documents pertaining to Agenda item B, ProNAi Therapeutics, Inc., had been updated to reflect the confidential nature of certain proprietary information by the Fund Manager. The updated documents were provided to the Board members at the table.

CONSENT AGENDA

Resolutions 2015-051 through 2015-055 - June 8, 2015 Consent Agenda

Mr. Arwood asked if there were any questions from the Board on any of the items within the Consent Agenda. There being none, Mike Zimmer motioned for the approval of:

Master Automotive Machine Co. – Bond Inducement Amendment 2015-052
Appointment to DMI Board 2015-053
Liberty Way, LLC – MCRP Amendment 2015-054
Michigan Energy Agency – Transfer MOU 2015-055

Andrew Lockwoodseconded the motion. The motion carried: 6 ayes; 0 nays; 0 recused.

ADMINISTRATIVE

Approval of April 28, 2015 Meeting Minutes

Mr. Arwood asked if there were any questions from the Board. There being none, Andrew Lockwood motioned for the approval of the April 28th, 2015 MSF Board meeting minutes. Paul Anderson seconded the motion. The motion carried: 6 ayes; 0 nays; 0 recused.

Resolution 2015-056 ProNAi Therapeutics, Inc. – Loan Amendment

Christin Armstrong, Compliance Director, provided the Board with information regarding this action item. ProNAI is a clinical stage oncology company pioneering a novel class of therapeutics based on its proprietary DNAi technology platform. The MSF invested in ProNAI through three separate loans: On September 15, 2005, the MSF provided a loan in the amount of $1,735,520 (the “2005 Loan”).
The 2005 Loan was later converted in 1,735,520 shares of the Company’s Series B Preferred Stock. With the 2005 Loan, the MSF also received warrants to purchase an additional 77,588 shares of Series B Preferred Stock at an exercise price of $1.00 per shares, which warrants will expire upon the Company’s initial public offering. The MSF has not yet exercised these warrants. On October 19, 2006, the MSF provided a loan in the amount of $3,297,826 (the “2006 Loan”). The 2006 Loan was later converted into 3,297,826 shares of the Company’s Series B Preferred stock. On December 31, 2007, the MSF provided a loan in the amount of $400,000 (the “2007 Loan”). The 2007 Loan was later converted into 617,812 shares of the Company’s Series C Preferred stock.

Staff Recommendation
ProNAi Therapeutics, Inc. has requested, and MEDC staff recommends, that the MSF (1) exercise its warrant to purchase shares of the Company’s Series B Preferred stock; and (2) agree to suspend the exercisability of the Put Options. The MSF would retain its right to its Put Options if the Company has not resolved or eliminated the conditions giving rise to the Put Options by December 31, 2015. MSF would have the right to exercise the Put Options for a period of 120 days following such date. In light of the nature of these requests and the MFS’s longstanding support of the Company, the Company also proposes to reimburse the MEDC for its external legal expenses in connection with documenting and implementing these modifications in an amount not to exceed $25,000.

Board Discussion
Due to certain proprietary information of the company, discussion of this matter has been deemed confidential by the Fund Manager. At this time Andrew Lockwood motioned for the Board to go into closed session for further discussion. Paul Anderson seconded the motion. The motion carried with a roll call vote: 6 ayes; 0 nays; 0 recused. Following discussion and deliberation, the Board returned to the room. There being no further discussion, Mike Zimmer motioned for the approval of Resolution 2015-056. Terri Jo Umlor seconded the motion. **The motion carried: 6 ayes; 0 nays; 0 recused.**

*Shaun Wilson joined the meeting by phone at 1:55 pm*

During the Board’s closed session discussion, Representative Cochran, from House District 67, joined the audience in support of the Dart Bank project, listed under Community Vitality. Mr. Arwood invited him to address the Board at this time, rather than waiting for the order of the agenda, to be respectful of his time. Representative Cochran thanked the Board for their consideration of this project, and emphasized the importance of the revitalization of this area to the City of Mason’s Downtown area.

**BUSINESS INVESTMENT**

**ENTREPRENEURSHIP**

**Resolution 2015-057 Biotech Request to Issue RFP**
Fred Molnar, Biotech Venture Director, provided the Board with information regarding this action item. The MEDC requests that the MSF Board approve the support for Michigan’s Entrepreneurial Biotech Community (“MEBC”) Request for Proposals (“RFP”) in the amount of $2,750,000 over three years. The purpose of this MEBC RFP is to award a grant to a non-profit organization that will create a consortium for the Michigan biotech and medical device industry, and recommend to the Michigan Land Bank Fast Track Authority that it sell or transfer ownership of the Michigan Life
Science and Innovation Center (MLSIC) in Plymouth, MI. The Michigan Life Science Innovation Center in Plymouth, MI is a successful institution that currently houses 20 life science companies employing 160 people. It is owned by the Michigan Land Bank Fast Track Authority, however, the MEDC assumed management of the facility in the fall of 2012 when it was acquired from Ann Arbor Spark. The facility’s wet lab space is currently 95% occupied. The transfer of ownership and all responsibilities (financial, operation, etc.) to the grantee may be recommended.

**Recommendation**
Allocation of $2,750,000 for the program; Approval of the presented Request for Proposal, Joint Evaluation Committee Members, and scoring criteria, as described in the resolution and its attachments.

**Board Discussion**
Mr. Arwood asked if there were any questions from the Board. There being none, Andrew Lockwood motioned for the approval of Resolution 2015-057. Paul Anderson seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

**BUSINESS GROWTH**

**Resolution 2015-058 Marada Industries, Inc. – MBDP**
Mike Gietzen, Development Finance, provided the Board with information regarding this action item. Marada Industries Inc. has been awarded a contract from a major OEM to manufacture and supply underbody structural components. The Company is also evaluating sites in Ontario, Ohio, and South Carolina for this project. The Company has indicated that operating costs and energy costs have made Michigan less competitive place to do business compared to Ontario, Ohio, and South Carolina. The proposed Michigan Business Development Program Performance-based Grant incentive package will help offset the higher operating cost in Michigan over the other competing states. This is a request from the Applicant for a $1,600,000 Performance-based grant. This project involves the creation of 250 Qualified New Jobs and a capital investment of up to $56,088,000 in the Charter Township of Lyon located in Oakland County, Michigan.

**Staff Recommendation**
MEDC Staff recommends approval of the MBDP Proposal as outlined in the resolution and attached term sheet.

**Board Discussion**
Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to substantial energy and utility costs negatively affecting manufacturers, as well as the strong ties the company, and its parent company, have to Michigan suppliers. There being no further questions, Mike Zimmer motioned for the approval of Resolution 2015-058. Andrew Lockwood seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

**Resolution 2015-059 & 060 Ferrous Metal Processing – MBDP & Act 381 Work Plan Approval**
Stacy Bowerman, Development Finance, provided the Board with information regarding these action items. The Applicant is a newly formed affiliate of Ferragon Corporation (“Ferragon”). Ferragon, established in 1983, is a leading provider of toll processing services for hot-rolled and cold-rolled steel with operations in Michigan, Ohio, Kentucky and Mississippi. There operations require vast logistical advantages including dedicated trucking services, rail connections, and access to water ports. In addition to evaluating locations in Michigan, the Company also evaluated locations in Cleveland and Toledo, Ohio. The Gibraltar site under consideration is a vacant industrial site in need of substantial Brownfield remediation activity and rail upgrades. Incentive assistance is necessary to
finance the Brownfield costs, which could not otherwise be financed through conventional means. The Applicant plans to redevelop an underutilized, largely vacant property for reuse as a productive industrial site located at 28000 West Jefferson Avenue in Gibraltar, Michigan.

The Applicant is requesting approval of a MBDP Performance-based Other Economic Assistance in the amount of $6,000,000. This project involves the creation of 25 Qualified New Jobs, with the potential for up to 100 total jobs as a result of the project, and a Qualified Investment of $6,500,000, with a total capital investment of up to $50,200,000 in the City of Gibraltar, Wayne County. A portion of the incentive assistance, up to $5,500,000, will be repaid to Michigan Strategic Fund (MSF) utilizing the tax increment revenue generated by the redevelopment of the property. The determination of the amount to be repaid will be computed at the end of 2020 after a $500,000 credit is applied for 25 Qualified New Jobs and a $20,000 credit is given to each additional job created over the 25 required jobs. In addition to MSF support, the Michigan Department of Environmental Quality (MDEQ) anticipates approval of a $2,245,000 grant/loan under their Brownfield remediation programs as well as approval of a Work Plan for MDEQ eligible activities. The Michigan Department of Transportation (MDOT) also anticipates approval of funding for rail enhancement activities.

Staff Recommendation
MEDC Staff recommends approval of MBDP in the amount of $6,000,000, as outlined in the resolution and terms sheet, as well as approval of local and school tax capture for the Act 381 eligible activities totaling $4,511,454. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $1,985,040.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the company’s logistical needs, specifically the necessary port access. Mr. Arwood also complimented the working relationship that the MEDC/MSF and MDOT has built, and the resulting unified success. There being no further questions, Andrew Lockwood motioned for the approval of resolutions 2015-059 & 2015-060. Paul Anderson seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Resolution 2015-061 Durr Industries Incorporated – Act 381 Work Plan Approval
Marcia Gebarowski, Development Finance, provided the Board with information regarding this action item. The City of Southfield Brownfield Redevelopment Authority is seeking approval of new local and school tax capture for Michigan Strategic Fund (MSF) eligible activities in the amount of $4,887,366. To remain competitive in their market, Dürr Systems, Inc. has evaluated consolidating their Application Technology and Paint Systems divisions in Michigan into a single facility. The goal of a consolidation is to improve communication between divisions, create efficiencies, as well as create a state-of-the-art facility to house research, production, and sales. This Brownfield assistance will offset higher site-related costs to build-out an existing building in Southfield. Without this assistance, the two Michigan divisions could be consolidated into similar divisions at locations outside of Michigan. This consolidation ensures 450 high paying jobs remain in Michigan and the ruse of a functionally obsolete property. The tax increment revenue will be utilized to redevelop approximately 14 acres of property located at 26801 Northwestern Highway, Southfield. Approximately 485 permanent full-time jobs are anticipated to be retained as a result of this project at an average hourly wage of $38.46. The total capital investment will be approximately $40 million.

Staff Recommendation
MEDC Staff recommends approval of the request by City of Southfield Brownfield Redevelopment Authority to capture local and school taxes for the MSF eligible activities totaling $4,887,366.
described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $2,497,261.

**Board Discussion**
Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the complimented City and County support in helping the company stay in Michigan, which was their ultimate goal. There being no further questions, Jim Walsh motioned for the approval of Resolution 2015-061. Terri Jo Umlor seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

**Resolution 2015-062 Shiloh Die Cast Midwest, LLC/City of Alma – CDBG**
Marcia Gebarowski, Development Finance, provided the Board with information regarding this action item. The City of Alma is requesting $1,000,000 in Community Development Block Grant (CDBG) funds for job training needed for the Shiloh Die Cast Midwest, LLC Expansion Project located in Gratiot County, Michigan. The City expects that this project could result in private investment of $16,541,000 and the creation of 45 jobs. This request is part of a package of state and local incentives prepared for Shiloh Industries to expand and invest in their manufacturing operations in the City of Alma and in Canton Township, as well as establish a lightweighting technical center in Plymouth Township. The MSF approved a Michigan Business Development Program (MBDP) performance-based grant for $2 million on October 28, 2014 for the creation of 128 new jobs in Plymouth Township and Canton Charter Township.

This project qualifies for CBDG funding as the project activities are expected to result in the creation of 45 full time positions over the next four years. The business has agreed that at least 23 of the 45 positions will be held by low to moderate income persons. The project meets a national objective by providing benefit to at least 51 percent low and moderate income persons. The CDBG cost per job is $22,222, with an average wage of $18.00 per hour.

**Staff Recommendation**
MEDC Staff recommends a CDBG Job Training grant agreement in the amount of $1,000,000 be authorized for the City of Alma’s Shiloh Die Cast Midwest, LLC Expansion Project.

**Board Discussion**
Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the income requirements of employees, relative to the federal CDBG job creation and hiring requirements. There being no further questions, Paul Anderson motioned for the approval of Resolution 2015-062. Andrew Lockwood seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

**ACCESS TO CAPITAL**

**Resolution 2015-063 Lutheran Social Services of Michigan – Bond Inducement**
Chris Cook, Capital Access Director, provided the Board with information regarding this action item. Lutheran Social Services of Michigan (“Borrower”), a not-for-profit organization headquartered in Detroit, Michigan is requesting private activity bond financing to: a) refund the $15,540,000 outstanding principal amount of the Michigan Strategic Fund Variable Rate Demand Limited Obligation Revenue and Refunding Bonds (Lutheran Social Services Project), Series 2003 Bonds, which were originally issued in the principal amount of $19,195,000; b) fund $7,000,000 for a project at Borrower’s Luther Manor (Saginaw, MI) location; and c) pay certain costs related to the issuance of the Series 2015 Bonds. The Luther Manor facility, located in Saginaw, has been a provider of comprehensive nursing care and rehabilitation therapy in the Saginaw Community for more than 46 years.
The $7,000,000 project proposes to reduce the current number of beds to 95 and to renovate the different room layouts into 92 private rooms. In addition to said renovations, a 1,112 square foot lobby, 825 square foot canopy, and 1,485 square foot rehab resident room will be added. The bonds will be directly purchased in its entirety with Fifth Third Commercial Funding, Inc. Ziegler has been engaged as a placement agent.

Staff Recommendation
After reviewing the Private Activity Bond application for Borrower, staff recommends the adoption of an Inducement Resolution in the amount $24,000,000.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. There being none, Andrew Lockwood motioned for the approval of Resolution 2015-063. Terri Jo Umlor seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

COMMUNITY VITALITY

Resolutions 2015-064 & 065 Lofts on Alabama, LLC – MCRP/Act 381 Work Plan Approval
Ryan Kilpatrick, Community Assistance Team, provided the Board with information regarding these action items. Lofts on Alabama, LLC (“Applicant” or “Borrower”) and Macatawa Bank (“Lender”) are requesting approval of a Michigan Community Revitalization Program award in the amount of $3,000,000 in the form of a Loan Participation under Other Economic Assistance. The Applicant anticipates that the project will result in eligible investment of $13,587,200 and total capital investment in the amount of $20,000,000 in the City of Grand Rapids and the creation of two jobs.

The Project involves selective interior and exterior site demolition of an existing structure, improvements and rehabilitation of the existing obsolete building and construction of a new three-story building on the adjacent site to the west. The development team has been able to secure senior financing from Macatawa Bank in the amount of $13,700,000, which is equal to approximately 75% of the appraised value of the building upon completion and the value associated the TIF reimbursements and tax abatement. Additionally, the development team has raised $3,000,000 (15% of the total development cost) in equity and is deferring another $300,000 in fees to be contributed to the project. The remaining gap would be filled with a $3,000,000 MCRP Other Economic Assistance Award. The award would be in the form of a “Loan Participation” bearing interest of three percent.

The City of Grand Rapids Brownfield Redevelopment Authority has submitted an Act 381 Work Plan (hereinafter Work Plan) request for the approval of local and school tax capture for eligible activities in the amount of $2,825,200.

Staff Recommendation
MEDC staff recommends approval of a MCRP performance-based loan participation in the amount of $3,000,000 and approval of local and school tax capture for the Act 381 eligible activities totaling $2,825,200 described above.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the quantity of residential real estate development in the City of Grand Rapids, and whether or not need for housing still exists. Kara Wood, Economic Development Director for the City, responded to this discussion in stating that there was still a demand in the downtown area, and that this project was in line with the City’s strategic priorities in achieving desired density. There being no further questions,
Mike Zimmer motioned for the approval of Resolutions 2015-064 & 2015-065. Andrew Lockwood seconded the motion. The motion carried: 6 ayes; 1 nay (Mr. Walsh), 0 recused.

Resolution 2015-066 Waters Building, LLC – Act 381 Work Plan Approval
Ryan Kilpatrick, Community Assistance Team, provided the Board with information regarding this action item. The City of Grand Rapids Brownfield Redevelopment Authority has submitted an Act 381 Work Plan (hereinafter Work Plan) request for the approval of new local and school tax capture for eligible activities in the amount of $2,645,110 for a project located at 161 Ottawa NW in downtown Grand Rapids. The Project involves a complete overhaul and repurposing of an existing 117 year old building constructed in 1898. The $1,030,000 in selective demolition expenses associated with this work, in addition to $676,000 in lead and asbestos abatement will comprise a majority of the brownfield eligible expenses and bring the building up to modern day office and hotel standards. The Applicant plans to convert the 117 year old property into a fully mixed-use building consisting of approximately 75,000 square feet of office, 64,600 square feet of retail, 50,000 square feet of one to two bedroom residential apartments, and 100,000 square feet of hotel space featuring 112 rooms.

Total project investment is expected to be $33,418,515. Approximately 30 permanent full-time jobs are anticipated to be created at an average hourly wage of $14.00 as a result of the redevelopment project. The total capital investment will be approximately $35 million. The Grand Rapids Downtown Development Authority (DDA) has pledged up to $1,481,127 in local TIF support for barrier free access improvements, and $70,000 in grants for areaway and streetscape improvements.

Staff Recommendation
MEDC Staff recommends approval of the request by City of Grand Rapids Brownfield Redevelopment Authority to capture local and school taxes for the MSF eligible activities totaling $2,645,110 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $2,212,635.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the status of the project, which is already under construction. Timing of the request to the Board, given the project was already underway, came into question. There being no further questions, Andrew Lockwood motioned for the approval of Resolution 2015-066. Terri Jo Umlor seconded the motion. The motion carried: 5 ayes; 2 nays (Mr. Anderson & Mr. Walsh); 0 recused.

Resolution 2015-067 Dart Bank Headquarters – Act 381 Work Plan Approval
Marilyn Crowley, Community Assistance Team, proved the Board with information regarding this action item. The County of Ingham Brownfield Redevelopment Authority is seeking approval of new local and school tax capture for Michigan Strategic Fund (MSF) eligible activities in the amount of $1,105,875 for the brownfield redevelopment of Dart Bank’s new headquarters. This development will allow Dart to remain competitive and give them room to grow, while assisting with the continued revitalization efforts in the downtown district. Keeping Dart Bank in the downtown is a top priority for the City of Mason, and revitalizing the property will greatly improve the aesthetics of the area and is likely to boost surrounding property values. Tax capture is being requested because the site has brownfield conditions that make the site unsuitable for new investment.

The school taxes will be utilized to alleviate Brownfield conditions in order to redevelop approximately 3.17 acres of property located at 222 West Ash Street and 368 South Park Street in downtown Mason. The project includes construction of a new, two story, 25,000 square foot
headquarters for Dart Bank featuring a geothermal heating and cooling system, associated site improvements, and an adjoining parking lot featuring low-impact design elements. The Department of Environmental Quality is currently considering $87,147 in Act 381 environmental activities.

**Staff Recommendation**
MEDC Staff recommends approval of the request by County of Ingham Brownfield Redevelopment Authority to capture local and school taxes for the MSF eligible activities totaling $1,105,875 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $451,418.

**Board Discussion**
Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the positive impact this project will have on the City’s Downtown area; the need for building rehabilitation has resulted in the relocation of several business to newer facilities or new construction outside of the City, which is lower in cost. There being no further questions, Mike Zimmer motioned for the approval of Resolution 2015-067. Andrew Lockwood seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

**Resolutions 2015-068, 069 & 070 Woodward and Erskine, LLC – MBT & Act 381 Work Plan Amendments/MCRP**
Stacy Esbrook, Community Assistance Team, provided the Board with information regarding these action items. The project requests to use the Michigan Community Revitalization Program (MCRP), amend the previously approved Brownfield Act 381 work plan, and amend the previously approved MBT Brownfield Credit amendment for the Scott at Brush Park project located at 3152 Woodward Avenue, Detroit, Michigan. This project is a sustainable infill development in Brush Park, a sub-district of downtown Detroit. The project is a couple of blocks north of the Arena District, and is currently characterized as a blighted area, and has been vacant for at least ten years.

Woodward and Erskine LLC (Applicant) is requesting approval of a MCRP performance-based loan in the amount of $1,500,000. The Applicant anticipates that the project will result in eligible investment of $53,785,309 million and total capital investment in the amount of $61,275,000 million in the City of Detroit and the creation of 50 jobs. The City of Detroit Brownfield Redevelopment Authority has submitted an Act 381 Work Plan Amendment (hereinafter Work Plan) request for the approval of local and school tax capture for eligible activities in the amount of $7,790,631. The initial work plan request in 2006 was for $7.2 million in demolition, infrastructure, lead and asbestos abatement and site preparation costs across an area that extended an additional block to the east, but is no longer part of the current project. The Brownfield plan was amended to restrict the eligible property to the current project. Woodward and Erskine LLC requests the following amendment be made to the project which was originally approved for a Brownfield SBT credit by the MEGA Board on October 17, 2006. Addition of Woodward and Erskine LLC as a qualified taxpayer, change in project scope and conversion of the tax credit from the ten percent SBT Credit to the 15% Urban Development Area Project MBT Credit, and reduce the number of phases from ten to two.

The Applicant plans to construct a five-story building in Brush Park, Detroit with one level of underground parking on approximately two acres of land. The ground floor will include 14,693 square feet of retail/restaurant space fronting Woodward and Erskine and includes 120 parking spaces, the majority of which will be enclosed and covered by the building. The top four stories will include a total of 199 market-rate apartments and includes of mix of studio, one-bedroom, and two-bedroom and three-bedroom units. One story of underground parking will provide an additional 167
parking spaces. A swimming pool, outside recreational area and other amenities are planned for the 2nd floor of the building. The total development is over 332,000 square feet.

**Staff Recommendation**
MEDC Staff recommends the following:

a) Approval of local and school tax capture for the amended Act 381 eligible activities totaling $7,790,631 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $4,271,759.

b) Approval of the requested MBT Brownfield credit amendment.

c) Approval of an MCRP performance-based loan in the amount of $1,500,000 for Woodward and Erskine LLC.

**Board Discussion**
Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the location of the proposed project, and the proximity to the new Arena District, which is under construction. In addition to rehabilitating a severely blighted area of the City, the project will enhance this catalyst project, which is within very close proximity to the site. There being no further questions, Jim Walsh motioned for the approval of Resolutions 2015-068, 2015-069 & 2015-070. Paul Anderson seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

**LEGACY PROGRAMS**

**Resolution 2015-071 Ford Motor Company – MEGA Amendments**
*Christin Armstrong, Compliance Director, provided the Board with information regarding this action item.* On May 9, 2009, the MEGA Board authorized a Retention Tax Credit for Ford Motor Company (“Ford” or “Company”) of up to 100 percent for ten consecutive years for a maximum of 4,700 Retained Jobs at its Michigan Assembly Plant and the Wayne Stamping Plant (the “Electrification MEGA Tax Credit”). An amendment to the Electrification MEGA was approved by the MEGA Board at its January 11, 2010 meeting, which consolidated all electrification project locations (by adding its Van Dyke Transmission Plant, Product Development Center and Rawsonville Plant locations) under one MEGA agreement and increased the maximum number of retained jobs to 8,600.

On October 26, 2010, the MEGA Board authorized a second Retention Tax Credit for Ford of up to 100 percent for fifteen consecutive tax years for 28,000 retained employees (the “Global Retention MEGA”). An amendment to the Global Retention MEGA was approved by the MEGA Board at its December 13, 2011 meeting to increase the number of retained employees to 31,600 for additional employment at its Flat Rock Assembly Plant (formerly AutoAlliance International).

Through December 31, 2013, Ford has retained 35,992 MEGA-eligible full-time jobs and made qualifying investments totaling $3.4 billion dollars in the State of Michigan. MEDC Staff requests and recommends that the Michigan Strategic Fund (“MSF”) Board amend the Electrification MEGA Tax Credit and the Global MEGA Tax Credit, consistent with the MEDC’s objectives of achieving budget transparency and certainty for MEGA Tax Credits. Ford has agreed that, to be eligible to earn out the maximum remaining value of the Electrification and Global MEGAs, Ford would have make an additional $3.1 billion capital investment in the State of Michigan over the next ten years, for a total $6.2 billion. This is a strong incentive for Ford to continue to grow and maintain its operations in Michigan for the long term.
Staff Recommendation
MEDC Staff recommends approval of the Amendment Request and further recommends that the MSF President or MSF Fund Manager, with only one required to act, be authorized to negotiate the final terms and conditions of and execute all documents necessary to effectuate the amendment request.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the proactive approach Ford took in reaching out to the MEDC/MSF to come to a mutually beneficial agreement in amending the existing credits. Charlie Preyde spoke on behalf of Ford, stating that the company was committed to continuing their investment in Michigan. There being no further questions, Mike Zimmer motioned for the approval of Resolution 2015-071. Paul Anderson seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Mr. Arwood adjourned the meeting at 3:15 pm.
MEMORANDUM

Date: June 23, 2015

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

From: LeTasha Peebles, Development Finance Analyst

Subject: Aisin Technical Center of America, Inc. (“Company” or “Applicant”) Amendment to the Michigan Business Development Program (“MBDP”) Base Employment Level & Employer Identification Number Correction

Request
The Company is requesting an amendment to its existing Michigan Business Development Program (MBDP) performance-based grant to have the Base Employment Level adjusted to reflect the correct amount at the time of application and correct the Employer Identification Number (EIN) for one of their Base facilities.

Background
On October 23, 2013, the Michigan Strategic Fund approved a $1,200,000 award for Aisin Technical Center of America, Inc. under the MBDP. The Company proposed to expand existing operations in Northville Charter Township and create jobs related to the design, development and testing of automotive components. The result would be the creation of 151 new jobs and about $32.7 million in capital investment. Northville Charter Township also committed to provide a property tax abatement in support of the project. The Company has not received any disbursements at this time.

At the time of application, the Company reported a Base Employment level of 772 for all eight Michigan facilities. Upon submission of Milestone One, the Company contacted us stating that the Base Employment level originally reported was inaccurate due to a portion of the employees being housed outside of Michigan. The Company has since submitted supporting documentation showing the correct totals for all eight facilities, excluding all non-Michigan based employees, at the time of application. The documentation submitted reflects the correct statewide Base Employment level of 666. While the Company has met their job creation requirements for Milestone One, they would be prohibited from receiving their first disbursement without the Base correction.

The Company also inadvertently submitted the wrong EIN for FT Techno of America, one of the eight facilities included in the Base. The Company has submitted supporting documentation showing the correct EIN the amendment would also address.

Recommendation
MEDC Staff recommends the following (collectively, “Recommendation”):
   a) Amend the required Base Employment from 772 to 666 for the Project and correct the EIN; and
   b) All other aspects of the approval remain unchanged.
WHEREAS, the Michigan legislature passed legislation establishing the 21st Century Jobs Trust Fund initiative that was signed into law;

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

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

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

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

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

WHEREAS, by Resolution 2013-168, the MSF approved a $1,200,000 Michigan Business Development Program performance based grant on October 23, 2013 for the creation of 50 Qualified New Jobs, 101 Additional New Jobs and a capital investment of $32.7 million. A MBDP Grant Agreement (“Grant Agreement”) was fully executed January 28, 2014; and the Company proposed to expand existing operations in Northville Charter Township and create jobs related to the design, development and testing of automotive components (the “Project”);

WHEREAS, the Company’s Base Employment Level was inaccurately reported along with the Employer Identification Number (EIN) for FT Techno of America which is part of the Base;

WHEREAS, the Company requests that the Michigan Business Development Program performance based Grant Agreement be amended and revised as follows: correct the Base Employment Level to accurately reflect the 666 employees working in Michigan at the time of application and update the EIN for FT Techno of America (“Amendment”);

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
June 23, 2015
MEMORANDUM
Date: June 23, 2015
To: Michigan Strategic Fund Board
From: Dan Parisian, Compliance Specialist
Subject: Pi Optima, Inc.

Tool and Die Recovery Zone – Revocation

Action
The Michigan Economic Development Corporation (“MEDC”) is recommending the revocation of the Tool and Die Recovery Zone for Pi Optima, Inc. (the “Company”) by the Michigan Strategic Fund (“MSF”) Board. The Company’s thirteen-year Recovery Zone term is currently set to expire at the conclusion of 2021.

Background
The MSF Board originally designated a Tool & Die Recovery Zone for Dietool Engineering Company located in the City of Walker, as a member of the Tool Makers Alliance (the “Collaborative”) in 2008. After receiving MSF Board approval in 2011, a transfer of the Tool & Die Recovery Zone from Dietool Engineering Company to Pi Optima, Inc. was approved. The Company took over operations as a tool and die shop on the original location for the remainder of the original thirteen-year term.

The MEDC was notified by the Company that it had vacated the designated property in order to consolidate operations into another facility. By ceasing operations on the property, the Company is no longer eligible to receive the benefits of a Tool & Die Recovery Zone and the Company’s President has confirmed the Company’s intention to voluntarily terminate the designation.

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

The City of Walker, the Company’s resident agent, and the Collaborative President, were notified that the MEDC would recommend the Recovery Zone for revocation.

Recommendation
MEDC Staff recommends the MSF Board revoke the Tool and Die Recovery Zone designation for Pi Optima, Inc. The revocation will be effective for Tax Year 2016.
WHEREAS, the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, authorizes the Michigan Strategic Fund (“MSF”) Board to designate up to thirty-five (35) tool and die renaissance recovery zones (“Recovery Zone”) anywhere in the State of Michigan;

WHEREAS, on April 23, 2008, the MSF Board approved a Tool & Die Recovery Zone designation for Dietool Engineering Company as a member of the Tool Makers Alliance Collaborative at its site in the City of Walker, Kent County located at 4303 Three Mile Road, Grand Rapids, Michigan 49564 (the “Property”);

WHEREAS, on December 21, 2011, the MSF Board approved a transfer of the Tool & Die Recovery Zone to Pi Optima, Inc. (the “Company”) who began tool and die operations on the Property;

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

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

WHEREAS, the MEDC received notification that the Company has relocated outside of the Tool & Die Recovery Zone designated Property; and

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board revokes the Tool and Die Recovery Zone designation for Pi Optima, Inc. for the Property located in City of Walker, Kent County at 4303 Three Mile Road, Grand Rapids, Michigan 49564, effective on December 31, 2015 for property tax purposes and January 1, 2016 for all other purposes; and

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

Ayes:
Nays:
Recused:

Lansing, Michigan
June 23, 2015
WHEREAS, under Section 125.2005(7) of the Michigan Strategic Fund Act (the “MSF Act”), the Michigan Strategic Fund (“MSF) Board may delegate to its staff or others those functions and authority the MSF Board deems necessary or appropriate;

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

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

WHEREAS, the MSF Board desires to appoint a Chief Financial Officer;

WHEREAS, it is necessary and appropriate that, in addition to the President and Fund Manager, other officers of the MSF including the Chief Financial Officer must be able to manage the day to day operations of the MSF; and

WHEREAS, the MSF desires to delegate certain such authority to the Chief Financial Officer in accordance with this resolution.

NOW, THEREFORE, BE IT RESOLVED:

APPOINTMENT

Amanda Bright McClanahan is hereby appointed as the Chief Financial Officer of the Michigan Strategic Fund.

FINANCIAL ACTIVITIES:

The Chief Financial Officer may open checking, savings, money market, trust and various other accounts, including safety deposit boxes at one or more FDIC or FSLIC insured financial institution(s) for the MSF. Any two of the President, Fund Manager, Chief Financial Officer may transfer or direct payments of MSF funds.

The Chief Financial Officer shall oversee general accounting, auditing and related fund management functions for the MSF.

In addition to other officers so authorized, the Chief Financial Officer may execute any MSF payroll and personnel documents.

BE IT FURTHER RESOLVED, all previously adopted resolutions to the extent in conflict with this resolution are rescinded.
BE IT FURTHER RESOLVED, the above delegated authority shall be incorporated into the SFCR, as required under Article III of the Bylaws.

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan
June 23, 2015
MEMORANDUM

DATE: June 23, 2015

TO: MSF Board Members

FROM: Mike Flanagan, Director, Equity Programs

SUBJECT: Michigan eLab Capital Partners, LP: Amendment #1 to Limited Partnership Agreement

BACKGROUND
In January 2013, the MSF Board approved an award to Michigan eLab Capital Partners, LP (“eLab” or the “fund”) in the amount of $2.25 million from the Pure Michigan Venture Development Fund (“PMVDF”). The Limited Partnership Agreement between eLab and Michigan Strategic Fund (“MSF”) was executed on September 12, 2013.

REQUEST
According to Michigan eLab, the fund has raised approximately $21 million in the 15 months after the initial contribution date (“fundraising period”). The fund would like an extension of the fundraising period to July 31, 2015 in order to admit Municipal Employees’ Retirement System of Michigan as a Limited Partner; and amend the limited partnership agreement to accommodate such admission of Limited Partner(s) or accept additional Capital Commitments from existing Limited Partners.

From MEDC’s perspective, this is a positive development for the entrepreneurial ecosystem as eLab will now not only have a larger capital base to deploy into more of Michigan’s startup companies but increase its capacity to participate in the later rounds of its most successful portfolio companies. It is also validation from a highly respected institutional investor vis-a-vis the quality and promise of Michigan’s startup ecosystem.

RECOMMENDATION
Staff recommends all of the following to the MSF Board:

• Approval of the amendment request.
• Delegation of authority to the MSF Fund Manager to negotiate and finalize the terms and conditions of this amendment and all future amendments between MSF and Michigan eLab until December 31, 2016.
MEMORANDUM

Date: June 23, 2015

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

From: Jeremy Webb, Development Finance Manager

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

Summary
This is a request from the Applicant for a $4,000,000 performance-based grant. This project involves the creation of 571 Qualified New Jobs and a capital investment of up to $71,198,290 in the Charter Township of Northville, Wayne County.

The Applicant needs to expand their research and development services. The Applicant is evaluating the expansion of one of their existing sites in South Carolina or expanding their location in Northville, Michigan for this project. The Applicant has indicated that they have sufficient excess land adjacent to their large transmission production facility in South Carolina. The Applicant would need to purchase land in Michigan for this project. The proposed Michigan Business Development Program Performance-based Grant incentive package will help offset the cost of additional land and higher operating costs in Michigan over South Carolina.

Background
ZF Friedrichshafen AG, the parent of the Applicant, was founded in 1915 for the development and production of transmissions for airships and vehicles. Today, the Applicant’s product range comprises transmissions and steering systems as well as chassis components and complete axle systems and modules. The Applicant has over 7,300 employees spread over 22 facilities in North America.

The Applicant has received incentives from the MSF in the past. The Applicant has a 2002 high tech MEGA tax credit for their Northville location which will end with tax year 2017 and a 2008 MEGA tax credit for their Marysville and Lapeer locations which will end with tax year 2020. The Applicant is in good standing for these tax credits.

The Applicant plans to expand their technical center in the Charter Township of Northville by almost 210,000 square feet. This expansion will allow the Applicant to provide additional research and development services to design, develop, and test new transmission, steering, axle, and chassis components, as well as complete systems for passenger cars, commercial vehicles, and off-road machinery.

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 Charter Township of Northville. The township has offered a “staff, financial, or economic commitment to the project” in the form of a property tax abatement.
c) The Applicant has demonstrated a need for the funding. The Applicant has indicated that they would need to buy the land in Michigan, whereas they have sufficient land in South Carolina. The land costs and higher operating costs have made Michigan a less competitive place to do business compared to South Carolina.
d) The Applicant plans to create 571 Qualified New Jobs above a statewide base employment level of 1,231.
e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: involves out-of-state competition from South Carolina; has a net positive return to Michigan; has a high level of investment; has the prospect of near-term job creation; and has a high wage level for new jobs.

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.
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.

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<tr>
<th>1. Company Name:</th>
<th>ZF North America, Inc. (&quot;Company&quot; or &quot;Applicant&quot;)</th>
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| 2. Company Address ("Project"): | 15811 Centennial Drive  
Northville, Michigan  48168  |
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<td>3. MBDP Incentive Type:</td>
<td>Performance Based Grant</td>
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<td>4. Maximum Amount of MBDP Incentive:</td>
<td>Up to $4,000,000 (&quot;MBDP Incentive Award&quot;)</td>
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| 5. Base Employment Level | 1,231  
The number of jobs currently maintained in Michigan by the Company, ZF Chassis Components, LLC, ZF Chassis Systems Duncan, ZF Transmissions Gray Court, LLC, ZF Axle Drives Marysville, LLC, ZF Gainesville, LLC, and ZF Electronics Systems Pleasant Prairie, LLC 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.  |
|------------------|--------------------------------------------------|
| 6. Total Qualified New Job Creation:  
(above Base Employment Level) | 571  
The minimum number of total Qualified New Jobs the Company, ZF Chassis Components, LLC, ZF Chassis Systems Duncan, ZF Transmissions Gray Court, LLC, ZF Axle Drives Marysville, LLC, ZF Gainesville, LLC, and ZF Electronics Systems Pleasant Prairie, LLC shall be required to create at the Project (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

7. **Company Investment:** $71,198,290 in new construction, renovations, leasehold improvements, machinery & equipment, furniture & fixtures, computers, or any combination thereof, for the Project.

8. **Municipality supporting the Project:** Charter Township of Northville

   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 property tax abatement related to the Project. The final terms and conditions demonstrating this support shall be included in the final Agreement.

9. **Pre-closing Requirements:** In addition to all other requirements to execute a final Agreement, the Company must enter into an agreement amending MEGA Agreement 179 (dated August 9, 2002), as amended, indicating its agreement that the Qualified New Jobs counted under the MBDP will not count under the MEGA Agreement 179 and vice versa. The final terms and conditions of this agreement shall be included with the final MEGA program amendments with the Company.

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 $700,000 Upon demonstrated creation of 100 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than April 30, 2017.

   b. **Disbursement Milestone 2:** Up to $1,050,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 150 additional Qualified New
c. **Disbursement Milestone 3:** Up to $1,050,000
   Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 150 additional Qualified New Jobs (for a total of 400 Qualified New Jobs) above the Base Employment Level, by no later than April 30, 2018.

**d. Disbursement Milestone 4:** Up to $700,000
   Upon completion of Disbursement Milestone 1, Disbursement Milestone 2 and Disbursement Milestone 3, and upon demonstrated creation of 100 additional Qualified New Jobs (for a total of 500 Qualified New Jobs) above the Base Employment Level, by no later than April 30, 2019.

**e. Disbursement Milestone 5:** Up to $500,000
   Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, Disbursement Milestone 3 and Disbursement Milestone 4, and upon demonstrated creation of 71 additional Qualified New Jobs (for a total of 571 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2020.

11. **Term of Agreement:**
   Execution of Agreement to December 31, 2022

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

Acknowledged as received by:

ZF North America, Inc.  Michigan Economic Development Corporation

By: ___________________________  By: ___________________________
Printed Name: ___________________________  Printed Name: ___________________________
Its: ___________________________  Its: ___________________________
Dated: ___________________________  Dated: ___________________________
MEMORANDUM

Date:       June 23, 2015

To:         Michigan Strategic Fund Board

From:       Christopher Cook, Director Capital Access

Subject:    Private Activity Bond – Bond Inducement
            KTab II, LLC
            Manufacturing - $4,300,000 – New

Request:
KTab II, LLC (“Borrower”), is a Michigan limited liability company established to own and manage the real estate on which the manufacturing facilities of Packaging Specialties, Inc. (the “Company”) are located. The Company is a family-owned Michigan corporation incorporated in 1964. The Company is a manufacturer of corrugated and fiberboard packaging including flexo cartons, die cutting, corrugated plastic, build up blocks, custom built kits, corrugated and chip partitions, ultrasonic welding, and specialty gluing. The Company primarily services southeast Michigan. The request involves relocating Company’s manufacturing facilities in Ecorse, Michigan to Romulus, Michigan to accommodate the expansion of its manufacturing space from its current 80,000 square feet to 175,000 square feet. The relocation will allow the Company to conduct business more efficiently and meet growing customer demands. The Company currently employs 53 individuals at its Ecorse facility. It is estimated at completion and full operation of the project, approximately 103 individuals will be employed in Romulus.

Project Description:
The project includes the acquisition of approximately 10.85 acres of land and an existing approximately 175,000 square foot facility for approximately $1,500,000 located at 8111 Middlebelt Road, Romulus, Wayne County. The project also includes the rehabilitation of the existing facility at an estimated cost of $2,600,000.

Plans of Finance:
PNC Bank, National Association has indicated an interest in directly purchasing the bonds for the bank’s own account. The Company will guarantee the obligations of the Borrower with respect to the bonds.

Recommendation:
After reviewing the Private Activity Bond application for KTab II, LLC, staff recommends the adoption of an Inducement Resolution in the amount of $4,300,000 for this project.
WHEREAS, KTab II, LLC (the “Borrower”), a Michigan limited liability company established to own and manage the real estate on which the manufacturing operations of Packaging Specialties, Inc. (the Company”), a Michigan corporation, are conducted and presently located at 100 Labadie, Ecorse, Michigan;

WHEREAS, the Borrower desires to acquire approximately 10.85 acres of land and an existing approximately 175,000 square foot facility located at 8111 Middlebelt Road, Romulus, Wayne County, and to rehabilitate the facility for manufacturing purposes;

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

WHEREAS, the Borrower has advised the MSF that the cost of the Project will not exceed Four Million Three Hundred Thousand Dollars (4,300,000);

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

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

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

1. The MSF intends to provide a loan (the “Loan”) to the Borrower subject to the conditions of this Resolution.

2. The Loan shall be designated for the Project in accordance with the Borrower’s Tax-Exempt Application Form dated May 26, 2015.

3. The maximum principal amount of the bonds (the “Bonds”) expected to be issued to provide the Loan to finance the Project shall not exceed Four Million Three Hundred Thousand Dollars ($4,300,000). The Borrower shall be obligated to make loan repayments in an amount sufficient to assure full repayment of the Bonds and pay costs and expenses relating to the issuance of the Bonds and the making of the Loan.

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

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

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

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

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

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

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

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

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

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

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan
MEMORANDUM

Date:       June 23, 2015

To:         Michigan Strategic Fund Board

From:       Christopher Cook, Director, Capital Access

Subject:    Private Activity Bond – Authorizing
            Lutheran Social Services of Michigan
            Nonprofit - Not to Exceed $24,000,000– New/Refunding

Request:
Lutheran Social Services of Michigan ("Borrower"), a not-for-profit organization headquartered in Detroit, Michigan is requesting private activity bond financing to: a) refund the $15,540,000 outstanding principal amount of the Michigan Strategic Fund Variable Rate Demand Limited Obligation Revenue and Refunding Bonds (Lutheran Social Services Project), Series 2003 Bonds, which were originally issued in the principal amount of $19,195,000; b) fund $7,000,000 for a project at Borrower’s Luther Manor (Saginaw, MI) location; and c) pay certain costs related to the issuance of the Series 2015 Bonds.

Background:
Borrower was first incorporated as Lutheran Inner Mission League in 1934 with its name changing to Lutheran Social Services of Michigan in 1959. Borrower has three primary areas of service: Senior Living, Children & Families, and Home & Community.

The Luther Manor facility, located in Saginaw, has been a provider of comprehensive nursing care and rehabilitation therapy in the Saginaw community for more than 46 years. Luther Manor currently has a total of 98 skilled nursing beds consisting of 79 private rooms, four semi-private rooms, one 3-bed ward, and two 4-bed wards. The $7,000,000 project proposes to reduce the current number of beds to 95 and to renovate the different room layouts into 92 private rooms. Of the 95 rooms, 40 are proposed to be renovated for Rehabilitation Care, 26 are proposed to be renovated for Long Term Care, and 26 rooms are proposed to be renovated for Memory Care. In addition to said renovations, a 1,112 square foot lobby, 825 square foot canopy, and 1,485 square foot rehab resident room will be added.

Luther Manor currently has 122 employees – 72 full-time, 39 part-time and 11 contingents. They do not anticipate increasing their number of employees as a result of this project.

Borrower’s 2003 Bonds were used to (1) finance and acquire land and an approximately 6,100 square foot existing facility and the rehabilitation of the facility located in Detroit, Michigan; (2) rehabilitate the Central Office located in Detroit, Michigan; (3) finance various capital expenditures for improvement, renovation and repair of (a) two facilities located in Saginaw, Michigan, (b) two facilities located in the City of Grand Rapids, Michigan, (c) one facility located Williamsburg, Michigan, and (d) one facility located in the...

**Plans of Finance:**
The bonds will be directly purchased in its entirety with Fifth Third Commercial Funding, Inc. Ziegler has been engaged as a placement agent.

**Recommendation:**
Based upon a determination by Dickinson Wright PLLC and the State of Michigan Attorney General’s office that this transaction complies with state and federal law requirements for tax-exempt financing, staff recommends the adoption of a Bond Authorizing Resolution in an amount not to exceed $24,000,000.
RESOLUTION TO AUTHORIZE THE ISSUANCE OF THE MICHIGAN STRATEGIC FUND LIMITED OBLIGATION REVENUE AND REVENUE REFUNDING BONDS, SERIES 2015 (LUTHERAN SOCIAL SERVICES OF MICHIGAN PROJECT) (THE “BONDS”)

Resolution 2015-__

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

B. Lutheran Social Services of Michigan, a Michigan nonprofit corporation (the “Obligor”), has requested a loan from the Fund to: a) refund the $15,540,000 outstanding principal amount of the Michigan Strategic Fund Variable Rate Demand Limited Obligation Revenue and Refunding Bonds (Lutheran Social Services Project), Series 2003 Bonds (2003 Bonds), which were originally issued in the principal amount of $19,195,000; b) fund $7,000,000 for a project at Borrower’s Lutheran Manor (Saginaw, MI) location (Luther Manor); and c) pay certain costs related to the issuance of the Series 2015 Bonds (the “Project”). The $7,000,000 Luther Manor portion of the Project will reduce the current number of beds from 98 to 95 and to renovate the different room layouts into 92 private rooms. Of the 95 rooms, 40 are proposed to be renovated for Rehabilitation Care, 26 are proposed to be renovated for Long Term Care, and 26 rooms are proposed to be renovated for Memory Care. In addition to said renovations, a 1,112 square foot lobby, 825 square foot canopy, and 1,485 square foot rehab resident room will be added. The bonds will be directly purchased by Fifth Third Commercial Funding, Inc. (the “Purchaser”), a sophisticated investor.

C. The Obligor has requested the Fund to issue the Bonds in one or more series in the aggregate principal amount of not to exceed $24,000,000 pursuant to this resolution (the “Resolution”) and an indenture (the “Indenture”), between the Fund and Fifth Third Bank, as depositary (the “Bank”) relating to the Bonds to obtain funds which will be loaned to the Obligor pursuant a loan agreement between the Fund and the Obligor (the “Loan Agreement”), to refinance the indebtedness originally incurred, to pay costs of the Luther Manor portion of the Project, and to pay costs of the Project.

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

E. The Bonds will be purchased by the Purchaser pursuant to a bond purchase agreement among the Purchaser, the Fund, and the Obligor (the “Bond Purchase Agreement”).
NOW, THEREFORE, Be It Resolved by the Board of the Fund:

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

The terms of the Bonds shall be substantially in the form contained in the Indenture, with the changes permitted or required by action of the Fund or the Indenture. The Bonds shall bear the manual or facsimile signature of a member of the Fund's Board of Directors (a “Member”) or of a person authorized by Board Resolution to sign Bond documents on behalf of the Fund (an “Authorized Officer”), and the official seal of the Fund (or a facsimile of the seal) shall be impressed or imprinted on the Bonds. The Bonds and the interest and any premium on the Bonds are not a debt or obligation of the State of Michigan or a general obligation of the Fund within the meaning of any constitutional or statutory limitation and do not constitute a charge against the credit or taxing powers of the State of Michigan or the general funds or assets of the Fund (including funds relating to other Fund loans or activities), but shall be limited obligations of the Fund payable solely from the revenues derived from the Loan Agreement and otherwise as provided in the Indenture.

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

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

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

SECTION 3. Completion of Document Terms. Any Member may approve the initial interest rate applicable to the Bonds, which shall not be more than 10.0% per annum, and the principal amount of the Bonds, which shall not be greater than $24,000,000. Approval of those terms shall be evidenced by the Member’s execution of the Bond Purchase Agreement.

SECTION 4. Sale and Delivery of the Bonds. A Member or an Authorized Officer shall execute, seal, and deliver the Bonds upon receipt of the following documents and payment of the purchase price for the Bonds:
a. an opinion of bond counsel to the Fund acceptable to the Fund and the
Attorney General of the State of Michigan (the “Attorney General”),

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

c. an approving opinion of the Attorney General.

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

SECTION 5. Designation of Certain Parties. The Bank’s acceptance of
duties as depositary shall be evidenced by its execution of the Indenture; provided
however, that in the event of a Conversion Date or a Bank Purchase Mandatory
Tender Date, as those terms are defined in the Indenture, a Trustee shall be
appointed and shall accept the duties of such position in accordance with the
requirements of the Indenture.

SECTION 6. Authorization of Filings, Submissions and Other Documents.
Any Member or Authorized Officer, as well as counsel to the Fund, is authorized to
apply for or submit, execute, and deliver the other certificates, documents, opinions,
[swap identification], and papers to any party or governmental agency as may be
required by the Indenture, the Loan Agreement, or the Bond Purchase Agreement,
or as may be necessary to effectuate the valid issuance, sale and delivery of the
Bonds as tax-exempt bonds and otherwise as contemplated by those documents.
Any member or Authorized Officer is authorized to execute a swap identification
certificate for purposes of identifying an interest rate swap agreement relating to
the Bonds as a qualified hedge.

SECTION 7. Conflict and Effectiveness. All resolutions or other proceedings
of the Fund in conflict with this Resolution are repealed to the extent of the conflict.
This Resolution shall become effective upon adoption. If the Bonds are not
delivered to their original purchaser on or before July 24, 2015, the authority
granted by this Resolution shall lapse.

Adopted.

Ayes:

Nays:
June 23, 2015 Meeting
Lansing, Michigan

2015-0109784-A/MSF Lutheran Social Services of Mich/Resolution
MEMORANDUM

Date:       June 23, 2015

To:         Michigan Strategic Fund Board

From:       Christopher Cook, Director, Capital Access

Subject:    Private Activity Bond – Authorizing
            Master Automatic Machine Company, Inc.
            Not to Exceed $4,000,000 – New

Request:
Master Automatic Machine Company, Inc. (“Borrower”) is requesting private activity bond financing in order to invest in the acquisition of new manufacturing equipment for their Livonia, Wayne County, Michigan facility, specifically new Echo Hill high-precision grinding machines and CNC turning and milling machines, as well as equipment for their facility located in Plymouth Charter Township, Wayne County, Michigan.

This project was induced for $3,000,000 at the April 2015 MSF Board Meeting. The Inducement Resolution was amended at the June 8 MSF board meeting to increase the project size to $4,000,000.

Background:
Borrower was founded in 1942 by John Evasic. In 1959, John D. Evasic, succeeded his father. Borrower manufactures precision screw machine products and sells them primarily to the automotive industry. Borrower’s line of high volume production parts include steel and aluminum transmission valves, various anti-lock brake components, powertrain components, and power steering and fuel system components.

John D. and Elizabeth Evasic currently own 15.28% of the stock of the Borrower; Mark Evasic and William Evasic each own 30.835%; Carol Evasic-Miller owns 20.85%; MWE, LLC (owned 50/50 by Mark and William Evasic) owns 2.20%. William and Mark have been active in the company since 1976 and 1983, respectively.

Borrower currently employs 177 people. This project is expected to create 82 jobs over the next three to four years.

Plans of Finance:
Borrower expects to privately place its $4,000,000 in bonds with GE Government Finance, Inc. Said bonds will bear a fixed interest rate not to exceed 4.50% and Borrower will pay 84 monthly payments in arrears.
**Recommendation:**

Based upon a determination by Miller, Canfield, Paddock and Stone, P.L.C., and the State of Michigan Attorney General’s office that this transaction complies with state and federal law requirements for tax-exempt financing, staff recommends the adoption of a Bond Authorizing Resolution in an amount not to exceed $4,000,000.
RESOLUTION TO AUTHORIZE THE ISSUANCE OF THE MICHIGAN STRATEGIC FUND LIMITED OBLIGATION REVENUE BOND, (MASTER AUTOMATIC MACHINE COMPANY, INC. PROJECT) SERIES 2015 (THE “BOND”)

Resolution 2011-

Background

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

B. Master Automatic Machine Company, Inc., a Michigan Corporation (“Obligor”) has requested private activity bond financing for the acquisition of 1) new manufacturing equipment for their Livonia, Wayne County, Michigan facility, specifically new Echo Hill high-precision grinding machines and CNC turning and milling machines, and 2) equipment for their Plymouth Charter Township, Wayne County, Michigan facility, and for certain issuance costs of the Bond (the “Project”).

C. The Obligor has requested the Fund to issue the Bond in a principal amount not to exceed $4,000,000 pursuant to this resolution (the “Resolution”) and a loan agreement, dated as of June 1, 2015 (the “Loan Agreement”) among the Fund, the Obligor and GE Government Finance, Inc., as lender and bondholder (the “Lender”) to pay the costs of the Project.

D. Payment of the principal, premium, if any, and interest on the Bond will be secured by a security interest granted by the Obligor to the Lender, in the machinery, equipment, furnishings and fixtures purchased with the proceeds of the Bond.

E. The proceeds of the Bond will be deposited with U.S. Bank National Association, as escrow agent (the “Escrow Agent”), and disbursed in accordance with the terms of an escrow agreement dated as of June 1, 2015 among the Fund, the Company, the Lender and the Escrow Agent (the “Escrow Agreement”).

F. The Lender has agreed to purchase the Bond on the terms and conditions set forth in the Loan Agreement.

NOW, THEREFORE, Be It Resolved by the Board of the Fund:
SECTION 1. Issuance of Bonds; Limited Obligation. For the purpose of making the loan requested by the Obligor, the issuance of the Bond is authorized.

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

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

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

   a. Loan Agreement
   b. Escrow Agreement

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

SECTION 3. Completion of Document Terms. The following terms of the Bond shall be approved by the Member executing the Loan Agreement:

   a. the maximum principal amount of the Bond, which shall not exceed $4,000,000;

   b. the final maturity of the Bond, which shall be not later than December 1, 2022; and

   c. the interest rate for the Bond, which shall not exceed 6.5 % per annum.
SECTION 4. Sale and Delivery of the Bonds. A Member or an Authorized Officer shall execute, seal, and deliver the Bond upon receipt of the following documents and payment of the purchase price for the Bond by the Lender:

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

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

c. an approving opinion of the Attorney General.

d. an investment letter in form and substance acceptable to the Attorney General from the Lender.

Upon receipt of the proceeds of the Bond, the proceeds shall be paid over to the Escrow Agent to be credited in accordance with the Escrow Agreement, except to the extent such proceeds are advanced by the Lender to the direct payment of costs of issuance of the Bond or reimbursed to the Obligor for payment of prior expenditures in accordance with Section 1.150-2 of the Income Tax Regulations.

SECTION 5. Designation of Certain Parties. The acceptance by U.S. Bank National Association, of duties as escrow agent (“Escrow Agent”) shall be evidenced by its execution of the Escrow Agreement.

SECTION 7. Authorization of Filings, Submissions and Other Documents. Any Member or Authorized Officer, as well as counsel to the Fund, is authorized to apply for or submit, execute, and deliver the other certificates, documents, opinions, and papers to any party or governmental agency as may be required by the Loan Agreement or as may be necessary to effectuate the valid issuance, sale, and delivery of the Bond as a tax-exempt bonds and otherwise as contemplated by those documents.

SECTION 8. Election Under Internal Revenue Code. The Fund elects, in accordance with Section 1.103-10(b)(2)(vi) of the Income Tax Regulations, to have the provisions of the capital expenditures limit of Section 144(a)(4) of the Internal Revenue Code of 1986, as amended, apply to the Bonds.

SECTION 9. Conflict and Effectiveness. All resolutions or other proceedings of the Fund in conflict with this Resolution are repealed to the extent of the conflict. This Resolution shall become effective upon adoption. If the Bonds are not delivered to or upon the order of the Lender on or before July 24, 2015, the authority granted by this Resolution shall lapse.
Adopted.

Ayes:

Nays:

June 23, 2015 Meeting
Lansing, Michigan

2015-0107633-A/MSF Master Automatic Project/Resolution
MEMORANDUM

Date: June 23, 2015

To: Michigan Strategic Fund Board

From: Deborah Stuart, Director, Community Incentive Programs
       Rachel Bakken, Capital Project & Portfolio Manager
       Dan Wells, Brownfield Program Specialist
       Ryan Kilpatrick, Community Assistance Team Specialist

Subject: Fulton and Seward, L.L.C. and Chemical Bank – City of Grand Rapids
         Request for Approval of an Act 381 Work Plan and a Michigan Community
         Revitalization Program Performance-Based Other Economic Assistance-Loan
         Participation

Request
The project requests to use both the Brownfield Act 381 Program and the Michigan Community
Revitalization Program (MCRP) for the project located at 616 West Fulton Street, Grand Rapids, Michigan.

The City of Grand Rapids Brownfield Redevelopment Authority has submitted an Act 381 Work Plan
(hereinafter Work Plan) request for the approval of local and school tax capture for eligible activities in the
amount of $5,598,600. Eligible activities include: asbestos abatement, demolition, site preparation, private
infrastructure construction in the form of a two-story parking structure, public infrastructure improvements
and contingency funds. These activities will alleviate Brownfield conditions across the site and make it
suitable for redevelopment and protect human health and the environment.

Fulton and Seward, L.L.C. (Applicant) is requesting approval of a MCRP award in the amount of
$3,000,000 in the form of a Loan Participation under Other Economic Assistance. The Applicant
anticipates that the project will result in eligible investment of $25,026,044 and total capital investment in
the amount of $33,775,000 in the City of Grand Rapids and the creation of 28 jobs.

The proposed project is located within a distressed neighborhood on the west side of downtown Grand
Rapids. Although it is adjacent to Grand Valley State University’s downtown campus, it is also located
within a neighborhood where very little redevelopment has occurred outside of the college campus for the
last decade. As a result, the project has an as-complete and as-stabilized value of $27,800,000 and
$29,500,000, respectively. However, the anticipated cost to construct the project is $33,775,000.

Chemical Bank has provided very competitive terms to finance the project at up to 80% loan to value
(“LTV”) for a loan amount of $22,350,000 (this is at the high end of traditional market financing of 70-
80% LTV), as well as a $3,150,000 loan, equal to 90% of the eligible brownfield activities (also known as
tax increment financing or “TIF”), an aggressive advance rate compared to the market at 75%. The
development team is bringing more than 15% equity to the project totaling $5,275,000 (with an anticipated
development return of less than 12%), and the remaining gap would be filled with a $3,000,000 MCRP
Other Economic Assistance Award. The award would be in the form of a “Loan Participation” bearing
interest of three percent and terms similar to those of Chemical Bank.
**Background**

Fulton and Seward, L.L.C. is comprised of the partners of Rockford Development Group, who have over 20 years of real estate development experience in West Michigan. A $1 million CRP grant was awarded for the redevelopment of the former Miller Products building (on Grand Rapids' Westside) into the new Rockford Construction headquarters. Rockford has experience with similar residential projects, including "The Morton", as well as student housing projects on the campuses of Aquinas College and Davenport University.

The Applicant plans to construct a new, five-story building containing 10,000 square feet of ground floor retail space and 102 residential, market rate apartments on approximately one acre of property, as well as a two-story, 116 space parking structure on the site located at 616 West Fulton Street in the City of Grand Rapids. This project is part of an overall redevelopment of a larger parcel that will also include the construction of two other mixed-use or residential buildings.

a) The project is located within the boundaries of the City of Grand Rapids, which is a Qualified Local Governmental Unit, and has been deemed a facility as verified by the Michigan Department of Environmental Quality (MDEQ). The property is the subject of a Brownfield Plan, duly approved by the City of Grand Rapids on March 5, 2015.

b) The project is located in a traditional commercial center and qualifies for a MCRP award because it is a facility.

The project’s statutory requirements are addressed in Appendix A, and a project map and rendering are provided in Appendix B.

**FINANCING OPPORTUNITY – MCRP 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 $3,000,000 in a $28,500,000 construction to permanent loan facility. The MSF would participate in all payments in proportion to its share of the loan, but would allow the collateral to apply first to the Lender’s share in an event of liquidation. It is anticipated that disbursements to the project on the loan will be made on a pro-rata basis. Below outlines a summary of the development sources and the proposed structure of the loan participation.

**SUMMARY OF DEVELOPMENT SOURCES:**

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemical Share</td>
<td>$25,500,000</td>
<td>75.50%</td>
</tr>
<tr>
<td>MCRP Share</td>
<td>$3,000,000</td>
<td>8.88%</td>
</tr>
<tr>
<td>Developer Equity</td>
<td>$5,275,000</td>
<td>15.62%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$33,775,000</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

**LOAN FACILITY**

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

**Borrower:** Fulton and Seward, L.L.C.

**Lender:** Chemical Bank
Total Loan Amount: Currently estimated at $28,500,000

Lender Share: Two loans currently estimated at $22,350,000, not to exceed 80% of Appraised Value and $3,150,000, limited to 90% of the TIF

MSF Share: Up to $3,000,000

Term: To match that of the Lender, not to exceed 120 months with an interest only period of up to 36 months.

Amortization: To match that of the Lender, not to exceed 360 months following the interest only period.

Interest Rate: On the MSF share anticipated to be three percent per annum

Repayment Terms: On the MSF share up to 36 months of monthly interest only payments followed by monthly principal and interest payments.

Collateral: To match that of the Lender, currently anticipated being a mortgage lien on the property and assignment of leases and rents, and assignment of 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 limited pro-rated unsecured personal guarantees of the members of Rockford Development Group during construction. At project completion, guarantees will reduce to 50% of the loan balance. If 90% of the rentable space is occupied (stabilized) and all covenants are in compliance, the guarantees will be released. The MSF Share of guarantee(s) will be subordinated to the Lender.

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

Success Fee: The MSF shall be paid $500,000 in addition to the remaining principal balance of the CRP loan at the termination of the original ten year term.

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

Other Conditions: The MSF’s investment will be contingent upon a minimum owner equity contribution being made to the project equal to $5,275,000.

MSF Delegation: It is requested the Board delegate to the MSF Fund Manager, in consultation with legal counsel and other MSF and Michigan Economic Development Corporation (MEDC) staff, the final terms for the payment and amortization schedule, collateral, interest rate on the lenders share, and guarantees.
Recommendation
MEDC Staff recommends the following:

a) Approval of local and school tax capture for the Act 381 eligible activities totaling $5,598,600 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $2,876,001.

b) Approval of a MCRP performance-based loan participation in the amount of $3,000,000 for Fulton and Seward, L.L.C.
APPENDIX A

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

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

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

A. The importance of the project to the community in which it is located:
   This site serves as a transition zone between Grand Valley State University's downtown campus and the West Fulton business corridor. This project increases residential density in an existing commercial corridor near downtown (which is consistent with the City Master Plan), and benefits the community in the following ways: 1) significantly increases the taxable value of the property, 2) creates opportunities for additional commerce and investment in the district, and 3) relies on the local workforce for construction assistance.

B. If the project will act as a catalyst for additional revitalization of the community in which it is located:
   This project will be the first major mixed-used development along the West Fulton Business corridor in several decades. It is expected to catalyze additional investment along the business corridor as well as within the surrounding neighborhood.

C. The amount of local community and financial support for the project:
   In addition to the local brownfield support of up to $2,722,599, the City has upgraded and installed public infrastructure to serve the site at a cost of $2,900,000.

D. The applicant's financial need for a community revitalization incentive:
   The development team has been able to secure senior financing from Chemical Bank in the amount of $25,500,000, which is equal to approximately 80% of the appraised value of the building upon completion and 90% of the TIF. Traditional lending limits allow for a 70-80% loan-to-value ratio so Chemical Bank is advancing on the higher side of the market norm and the 90% advance rate on the TIF is aggressive compared to the market advance rate of 75%. Additionally, the development team has raised $5,275,000 (15.62% of the total development cost with an anticipated developer return of less than 12%). The remaining gap would be filled with a $3,000,000 MCRP Other Economic Assistance Award. The MCRP award would allow the development team to earn an acceptable rate of return on the project.
E. The extent of reuse of vacant buildings, reuse of historical buildings, and redevelopment of blighted property:

The site was occupied by a defunct auto garage and four blighted residential homes. All existing structures will be removed from the site.

F. Creation of jobs and areas of high unemployment:

The project is anticipated to create 28 full-time equivalent jobs. The average hourly wage is estimated to be $20.00.

G. The level of private sector and other contributions, including, but not limited to, federal funds and federal tax credits:

The development team has been able to secure senior financing from Chemical Bank in the amount of $25,500,000, which is equal to approximately 80% of the appraised value of the building upon completion and 90% of the TIF. The LTV ratio is on the higher end of traditional financing and the TIF advance rate of 90% is aggressive compared to the market at 75% advance rate. Additionally, the development team has raised $5,275,000 (15.62% of the total development cost) in equity.

H. Whether the project is financially and economically sound:

Upon reaching stabilized occupancy, it is anticipated that the project will generate sufficient cash flow to meet its debt service obligations and achieve an average debt service coverage of greater than 1.20:1.00. Additionally, the project will be supported by the financial backing of the private ownership team.

Following a review of other projects in the surrounding area and market data contained within an appraisal performed by CBRE and dated May 1, 2015, MEDC staff has determined that the underwritten rental and vacancy rates are acceptable.

I. Whether the project increases the density of the area:

The project will add 102 additional residential units to a site which has been unoccupied for several years. The project is anticipated to accommodate up to or more than 200 residents.

J. Whether the project promotes mixed-use development and walkable communities:

The project includes a mix of residential and retail land uses. The project will be designed and built to the standards of the City’s form-based code, and includes a level of residential density that is key to supporting a walkable and amenity rich environment.

K. Whether the project converts abandoned public buildings to private use:

A portion of the project site was owned by the City of Grand Rapids. Via an RFP process, Rockford Construction was awarded an option to the property pending adequate financing and local approval of the project plans. The proposal will convert public property to private use.
L. Whether the project promotes sustainable development:

The project involves the reuse of brownfield property and site development that is in keeping with the City standards for stormwater management and walkable, mixed use development along a traditional business corridor. High efficiency windows, HVAC and appliances will be used throughout the project.

M. Whether the project involves the rehabilitation of a historic resource:

The project does not involve rehabilitation of a historic resource.

N. Whether the project addresses area-wide redevelopment:

This project is expected to be a catalyst for further development of the West Fulton Business corridor and is portion of an overall redevelopment of nearly four acres of property adjacent to the Grand Valley State University downtown campus.

O. Whether the project addresses underserved markets of commerce:

The project provides residential housing for up to an additional 200 people. Grand Valley State University has identified a need for at least 1,000 additional housing units near the downtown campus in the next five years.

P. The level and extent of environmental contamination:

Soil and groundwater on the site contain concentrations of volatile organic compounds (VOCs), polynuclear aromatic hydrocarbons (PAHs), and heavy metals that exceed Michigan Department of Environmental Quality (MDEQ) Part 201 criteria. The upper eight feet of soil across the site contains buried debris, including coal, bricks, glass, metal and concrete. The contaminated soil containing this materials requires excavation and disposal at a licensed landfill to facilitate site redevelopment.

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 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 is not expected to provide significant competition for existing Michigan businesses.

S. Any other additional criteria approved by the board that are specific to each individual project and are consistent with the findings and intent of this chapter:

No additional factors need to be considered for this project.
ADDITIONAL STATUTORY CRITERIA UNDER ACT 381:

a) Reuse of functionally obsolete buildings and/or redevelopment of blighted property:

The project does involve the reuse of blighted property.

b) Cost gap that exists between the property and a similar greenfield property:

The Brownfield Tax Increment Financing is needed to offset the costs of demolition and the removal of extensive amounts of unsuitable urban fill and contamination present on the site. Additionally, significant public and private site infrastructure improvements are needed due to the existing aging and inadequate systems.

c) Whether project will create a new brownfield property in the State:

No new Brownfields will be created by this project.

d) Other Factors Considered:

No additional factors need to be considered for this project.

Act 381 TIF: There are 46,7182 non-homestead mills available for capture, with school millage equaling 24 mills (51.37%) and local millage equaling 22.7182 mills (48.63%). Tax increment capture will begin in 2017 and is estimated to continue for 24 years. The requested tax capture for eligible activities breaks down as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tr>
<td>School tax capture (51.37%)</td>
<td>$2,876,001</td>
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<tr>
<td>Local tax capture (48.63%)</td>
<td>$2,722,599</td>
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<tr>
<td>TOTAL</td>
<td>$5,598,600</td>
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COST OF ELIGIBLE ACTIVITIES

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<th>Description</th>
<th>Amount</th>
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<tr>
<td>Demolition</td>
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<td>Asbestos Abatement</td>
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<td>Infrastructure Improvements</td>
<td>3,640,000</td>
</tr>
<tr>
<td>Site Preparation</td>
<td>+1,106,000</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>$4,864,000</td>
</tr>
<tr>
<td>Contingency (15%)</td>
<td>+ 729,600</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>$5,593,600</td>
</tr>
<tr>
<td>Brownfield/Work Plan Preparation</td>
<td>+ 5,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$5,598,600</td>
</tr>
</tbody>
</table>
MICHIGAN STRATEGIC FUND
RESOLUTION 2015-

APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM
LOAN PARTICIPATION AWARD TO FULTON AND SEWARD, L.L.C.

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

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

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

WHEREAS, pursuant to SFCR 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 Fulton and Seward, L.L.C. and or related entities (“Proposed Borrower”) of up to $28,500,000 toward the construction activities and infrastructure improvements to real property (“Project”);

WHEREAS, the Lender and the Proposed Borrower have requested a performance based loan participation award from the MSF under the MCRP for the Project in an amount not to exceed up to $3,000,000 (“Award Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

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

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

ADOPTED

Ayes:
Nays:
Recused:

Lansing, Michigan
June 23, 2015
## Exhibit A

<table>
<thead>
<tr>
<th><strong>Loan Facility</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MSF Facility:</strong></td>
<td>MCRP Loan Participation and Servicing Agreement Under “Other Economic Assistance”</td>
</tr>
<tr>
<td><strong>Borrower:</strong></td>
<td>Fulton and Seward, L.L.C.</td>
</tr>
<tr>
<td><strong>Lender:</strong></td>
<td>Chemical Bank</td>
</tr>
<tr>
<td><strong>Total Loan Amount:</strong></td>
<td>Currently estimated at $28,500,000</td>
</tr>
<tr>
<td><strong>Lender Share:</strong></td>
<td>Two loans currently estimated at $22,350,000, not to exceed 80% of Appraised Value and $3,150,000, limited to 90% of the TIF</td>
</tr>
<tr>
<td><strong>MSF Share:</strong></td>
<td>Up to $3,000,000</td>
</tr>
<tr>
<td><strong>Term:</strong></td>
<td>To match that of the Lender, not to exceed 120 months with an interest only period of up to 36 months.</td>
</tr>
<tr>
<td><strong>Amortization:</strong></td>
<td>To match that of the Lender, not to exceed 360 months following the interest only period.</td>
</tr>
<tr>
<td><strong>Interest Rate:</strong></td>
<td>On the MSF Share anticipated to be three percent per annum</td>
</tr>
<tr>
<td><strong>Repayment Terms:</strong></td>
<td>On the MSF Share up to 36 months of monthly interest only payments followed by monthly principal and interest payments.</td>
</tr>
<tr>
<td><strong>Collateral:</strong></td>
<td>To match that of the Lender, currently anticipated being a mortgage lien on the property and assignment of leases and rents, and assignment of TIF reimbursements. MSF Share of collateral will be subordinated to that of the Lender.</td>
</tr>
<tr>
<td><strong>Guarantee:</strong></td>
<td>To match that of the Lender, currently anticipated to be the limited pro-rated unsecured personal guarantees of the members of Rockford Development Group during construction. At project completion, guarantees will reduce to 50% of the loan balance. If 90% of the rentable space is occupied (stabilized) and all covenants are in compliance, the guarantees will be released. The MSF Share of guarantee(s) will be subordinated to the Lender.</td>
</tr>
<tr>
<td><strong>MSF Fee:</strong></td>
<td>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.</td>
</tr>
<tr>
<td><strong>Success Fee:</strong></td>
<td>The MSF shall be paid a fee of $500,000, in addition to the remaining principal balance of the CRP loan at the termination of the original ten year term.</td>
</tr>
<tr>
<td><strong>Funding:</strong></td>
<td>The MSF will fund up to $3,000,000 to be disbursed following closing of the Loan and other performance criteria.</td>
</tr>
<tr>
<td><strong>Other Conditions:</strong></td>
<td>The MSF’s investment will be contingent upon a minimum owner equity contribution being made to the project equal to $5,275,000.</td>
</tr>
</tbody>
</table>
WHEREAS, 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 Michigan Strategic Fund (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 7, 9, 21, 29, 30, 33 and 39 Lexington Avenue SW and 616, 632, 638 and 644 West Fulton Street, within the City of Grand Rapids, known as the Fulton Place 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;  

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, that the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as the 51.37% to 48.63% 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 June 15, 2015. Any change in millage that increases the capture percentage of school operating taxes by more than five percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on a maximum of $5,593,600.
for the principal activity costs of non-environmental activities and a contingency, a maximum of $5,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of $2,876,001.

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 Grand Rapids, 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 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:

June 23, 2015
Lansing, Michigan
MEMORANDUM

Date: June 23, 2015

To: Michigan Strategic Fund Board

From: Deborah Stuart, Director, Community Incentive Programs
      Dan Wells, Brownfield Program Senior Specialist
      Stacy Esbrook, Senior Community Assistance Team Specialist

Subject: Oakland County Brownfield Redevelopment Authority
         Community Incentive Program — Act 381 Work Plan Approval

Request
The Oakland County Brownfield Redevelopment Authority is seeking approval of local and school tax capture for Michigan Strategic Fund (MSF) eligible activities in the amount of $7,963,274.

Background
The school taxes will be utilized to redevelop approximately 80 acres of property located at the entrance of downtown Pontiac and is bounded by Rapid Street (north), Woodward Avenue (east), South Boulevard West (south), and Franklin Road (west). The property is comprised of five parcels, with the two listed addresses of 130 West Wilson Avenue and 46399 Woodward Avenue in the City of Pontiac.

The Applicant plans to redevelop and reuse the vacant GM Pontiac Validation Center (PCC-VC) property in Downtown Pontiac. The development will serve as a mixed-use site that will include approximately 1/3 mile of frontage on Woodward Avenue, and will provide members and the public with access to a variety of unique venues, activities, and retail outlets. The project will include a 264 car condominium and demonstration track that will provide security, maintenance, and accessibility options for car owners in the Metro Detroit area. The state-of-the-art demonstration track will be used for defensive driving classes, vehicle testing, private course driving, and/or performance driving schools. The project includes a destination restaurant operated by a well-known local restaurateur that will include a large parking lot which will encourage people to “stay and display” their vehicles. The development will also include a large event center that will be used for car shows, media events, vehicle auctions, conferences, and other special occasions. The M1 Event Center will be surrounded by “demonstration garages” showcasing the vehicles and products of various automotive manufacturers and suppliers. The development will also contain retail outlets, such as auto supply, paint/body, detailer, customization/restoration, and car audio/visual run by independent proprietors. Additionally, the development will provide a large-scale public exhibition space that can be utilized for concerts, car shows, drive-in movies, auctions and other open air events.

The property is currently owned M1 Concourse, LLC.

Prior to construction, eligible activities that will be undertaken to alleviate Brownfield conditions on the property to complete the project include the following: Site demolition activities to remove approximately 67 acres of concrete and asphalt pavements, and remove or abandon sewers and buried foundations as needed to facilitate the proposed construction. Lead and asbestos activities are necessary to identify and
then abate the lead- and asbestos-containing building materials in Building 30 and the former office building in preparation for the proposed renovation and demolition, respectively. Site preparation activities to prepare the site for the planned development include staking for demolition, temporary construction access roads and offices, traffic controls, site security, clearing and grubbing, removal of urban fill material, and placement of specialized foundation systems (where necessary due to poor soils), site grading and fill compaction. Infrastructure improvements necessary to support redevelopment and benefit the public include water and sewer improvements, installation of signage and landscaping in the right of way, and sidewalk improvements and curb cuts on Woodward Avenue. These activities will alleviate Brownfield conditions across the site and make it suitable for redevelopment and protect human health and the environment.

Approximately 95 permanent, full-time jobs are anticipated to be created at an average hourly wage of $20. The total capital investment will be approximately $45 million and will be completed in four phases.

**Property Eligibility**
The property is eligible for inclusion in the Brownfield plan in accordance with MCL 125.2652(n) because the property is in the City of Pontiac, a Qualified Local Governmental Unit, and has been determined to be a facility as verified by Michigan Department of Environmental Quality (DEQ) on May 14, 2015, as defined in Part 201 of the Natural Resources and Environmental Protection Act, Act 451 of Michigan Public Acts of 1994, as amended (Part 201).

The property is the subject of a Brownfield plan, duly approved by the County of Oakland on May 22, 2013 and concurred with by the Emergency Manager of the City of Pontiac on April 17, 2013.

**Other State and Local Assistance to the Project**
Oakland County Brownfield Redevelopment Authority is also seeking of $5.2 million in reimbursement from Michigan Department of Environmental Quality for environmental response activities. $1.5 million will be reimbursed to the developer for interest costs through local only tax increment revenue capture.

**Tax Capture Breakdown**
There are 51.1906 non-homestead mills available for capture, with school millage equaling 24 mills (46.88%) and local millage equaling 27.1906 mills (53.12%). Tax increment capture began in 2014 and is estimated to continue for 22 years. The requested tax capture for MSF eligible activities breaks down as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>School tax capture (46.88%)</td>
<td>$3,733,183</td>
</tr>
<tr>
<td>Local tax capture (53.12%)</td>
<td>$4,230,091</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$7,963,274</strong></td>
</tr>
</tbody>
</table>

**Cost of MSF Eligible Activities**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demolition</td>
<td>$3,582,443</td>
</tr>
<tr>
<td>Lead or Asbestos Abatement</td>
<td>87,000</td>
</tr>
<tr>
<td>Infrastructure Improvements</td>
<td>627,000</td>
</tr>
<tr>
<td>Site Preparation</td>
<td>$2,615,100</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>$6,911,543</td>
</tr>
<tr>
<td>Contingency (15%)</td>
<td>$1,036,731</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>$7,948,274</td>
</tr>
<tr>
<td>Brownfield/Work Plan Preparation</td>
<td>$15,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$7,963,274</strong></td>
</tr>
</tbody>
</table>
Recommendation
The MEDC recommends approval of the request by the County of Oakland Brownfield Redevelopment Authority to capture local and school taxes for the MSF eligible activities totaling $7,963,274 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $3,733,183.
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 redevelopment of the former GM property comes at a key moment in time for the City of Pontiac. The City is in the process of re-positioning and revitalizing the community, and the M1 Concourse will serve as a new gateway to downtown Pontiac. The project will result in a redevelopment and reuse of a vacant, deteriorating, contaminated property immediately adjacent to downtown Pontiac resulting in increased property taxes generated from the project and job creation opportunities. This development will improve the appearance of the area, reduce the potential human health and environmental impacts from contamination, and add over $19 million of taxable value to the property.

b) **Jobs Created (Excluding Construction and other Indirect Jobs):**
Approximately 95 permanent, full-time jobs are anticipated to be created by the commercial and administrative portion of the project, including M1 staff, jobs related to the proposed restaurant, including managers, servers, and kitchen staff, as well as jobs associated to office tenant leases. These jobs are projected to have an average hourly wage of $20. The total capital investment will be approximately $45 million.

c) **Area of High Unemployment:**
The City of Pontiac unadjusted jobless rate was 9.5% in April 2015. This compares to the statewide seasonally adjusted average of 5.4% in April 2015.

d) **Level and Extent of Contamination Alleviated:**
Light non-aqueous phase liquid fuel (e.g., diesel) was defined horizontally and vertically through collection and analysis of soil and groundwater samples and poses ambient air inhalation, flammability, and building vapor intrusion risks. Soil impacted with polychlorinated biphenyls (PCBs) was identified in the south central area of the property in amounts exceeding the Part 201 nonresidential direct contact criteria. Soil impacted with polynuclear aromatic hydrocarbons (PAHs) was identified on the eastern portion of the property at concentrations exceeding Part 201 nonresidential criteria for the drinking water protection, groundwater surface interface protection, and direct contact pathways. Groundwater impacted with trichloroethene (TCE) was identified near the northwest corner of the property. The concentration of TCE exceeded Part 201 Nonresidential Drinking Water Criteria. Multiple volatile organic compounds (VOCs), PAHs, and metals were measured in soil and groundwater at concentrations above Part 201 Nonresidential Criteria at numerous locations across the property.

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 support the costs related to eligible environmental tasks in addition to the brownfield that would not be associated with a similar Greenfield property. Such tasks include conducting a due care evaluation, management and disposal of fill and contaminated soils, installation of vapor and dermal exposure barriers, and removal of unidentified USTs which equate to approximately $6 million. The costs related to eligible non-environmental tasks, such as concrete demolition and crushing, utility improvements, and design of specialized building foundations, exceed $7 million.
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 work plan is financially and economically sound.

i) Other Factors Considered:
   No additional factors need to be considered for this project.
WHEREAS, 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 Oakland Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 130 West Wilson Avenue and 46399 Woodward Avenue within the City of Pontiac, County of Oakland, known as the M1 Concourse (the “Project”);

WHEREAS, the County of Oakland 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, that the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as the 46.88% to 53.12% 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 June 1, 2015. Any change in millage that increases the capture percentage of school operating taxes by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based
on a maximum of $7,948,274 for the principal activity costs of non-environmental activities and a contingency, and a maximum of $15,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of $3,733,183.

BE IT FURTHER RESOLVED, that the MSF Board authorizes the MSF Fund Manager, to provide written notification to the Authority, in the form of a letter which incorporates the terms set forth in this Resolution and consistent with the limitations of the Act, and that this approval is further conditioned upon the Authority, or the County of Oakland 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 six (6) 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:

June 23, 2015
Lansing, Michigan
MEMORANDUM

Date:       June 23, 2015

To:         Michigan Strategic Fund (“MSF”) Board

From:       Deborah Stuart, Director, Community Development Incentive Programs
            Nate Scramlin, Community Assistance Team Specialist
            Lenore Costa, Program Specialist, Community Development Block Grant

Subject:    Community Development Block Grant Program/Performance-Based Grant
            Wright Opera Block Infrastructure Project
            City of Alma, County of Gratiot

Request
Community Development Block Grant (“CDBG”) staff is requesting re-approval of $419,958 in CDBG funds for infrastructure improvements needed for the Wright Opera Block Infrastructure Project located in the City of Alma, Gratiot County, Michigan. The City expects that this project could result in private investment of $6.7 million and the creation of 42 jobs.

Background
On February 24, 2015, the Michigan Strategic Fund (“MSF”) approved a $419,958 CDBG incentive in the form of a performance based grant with the City. The CDBG approval required that a grant agreement be entered into by May 25, 2015 (within 90 days of the date of the approval), contingent upon the developer providing written certification of the executed loan agreement, note, and mortgage as evidence that loan financing was secured.

As part of this project, a Community Revitalization Program (CRP) performance based grant was awarded in the amount of $1,000,000 to Wright Opera Block, LLC. Conditions had to be met for the CRP grant and as part of that process, the CRP grant was signed containing a milestone that the developer’s loan close and proceeds pay liens and taxes on the property.

CDBG staff received confirmation that as of June 2, 2015 all necessary loan financing documentation has been received by the MEDC. Due to administrative limitations, all parties have been unable to enter into the CDBG grant agreement by the established deadline of May 25, 2015. The project scope and parameters remain the same as previously approved in the attached briefing memo (Exhibit A) dated February 24, 2015.

Recommendation
The MEDC Staff recommends:

- Re-approval of a CDBG performance based infrastructure grant agreement in the amount of $419,958 be authorized for the City of Alma for the Wright Opera Block Infrastructure Project.
WHEREAS, Executive Order 1999-1, issued pursuant to Article V of the Michigan Constitution of 1963 and the laws of the State of Michigan, consolidated the State’s economic development functions and programs and their accompanying powers in the Michigan Strategic Fund (“MSF”);

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

WHEREAS, The CDBG program has policies, criteria, and parameters that are enumerated in the 2014 Program Guidelines, as amended (the “Criteria”). The MSF, by Resolution 2014-051, authorized and approved the Consolidated Plan and the Criteria and the MSF, by Resolution 2014-083, authorized and approved the 2014 Application Guide which includes guidelines for job creation grants;

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

WHEREAS, the City of Alma (the “Community”) has submitted a complete application for approval requesting funding to be used to fund the Wright Opera Block Infrastructure Project (the “Project”);

WHEREAS, the CDBG program staff reviewed the proposed Project in light of the Criteria, Guide and HUD regulations and concluded the Project is eligible for funding, is not speculative in nature, is economically sound, is ready to proceed, will create jobs and at least 51% of the newly created jobs will be held by persons of low and moderate income; and

WHEREAS, the MSF on February 24, 2015 approved the CDBG Performance Based Grant for the Wright Opera Block Infrastructure Project and that project passed the deadline to execute a grant agreement;

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF authorizes a grant to the Community not to exceed $419,958 for the payment or reimbursement of costs associated with the Project. The MSF allocates $419,958 from the Michigan CDBG program for the purpose of funding the Community’s proposed Project contingent upon the MSF’s continued receipt of CDBG funds and availability of adequate funds;

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

BE IT FURTHER RESOLVED, if the Community fails to execute and return the grant agreement to staff within 60 days of the date this Resolution is adopted, this Resolution shall be of no further force and effect and shall be void.
Ayes:

Nays:

Recused:

Lansing, Michigan
June 23, 2015
MEMORANDUM

Date: February 24, 2015
To: Michigan Strategic Fund (“MSF”) Board
From: Deborah Stuart, Director, Community Development Incentives
      Nate Scramlin, Community Assistance Team Specialist
Subject: Project Update and Extension Approval For:
          Wright Opera Block, LLC
          Request for Approval of a $1,000,000 Michigan Community Revitalization Program
          (MCRP) Performance-Based Grant
          Wright Opera Block Infrastructure Project
          City of Alma, County of Gratiot
          Request for Approval of a $419,958 Community Development Block Performance-Based Grant ("CDBG")

Project Background
Wright Opera Block, LLC will be redeveloping the Wright Opera House and adjoining properties located on approximately 0.50 acres. In 2010, the Wright Opera Block was decimated by fire and the developer would like to restore the building to its former historic glory. The Wright Opera Block consists of multiple three-story buildings and an adjacent one story building known as the “Boiler Building”. Within the Opera Block the top two floors will be renovated into approximately 14 residential units for 47 Alma College students. A lease has been executed with Alma College. Roughly 20,000 square feet of residential space will be created. The first floor will be renovated to accommodate multiple commercial/retail tenants. The total retail space to be renovated will be roughly 18,000 square feet.

Associated with this development, the City of Alma will be upgrading the surrounding infrastructure with the help of CDBG funds to accommodate the increased residents as well as the visitors and employees of the newly created commercial spaces. The CDBG funds will be used for the reconstruction and landscaping of three downtown parking lots, and replacing 14 thirty year old sodium street lights with historically correct LED fixture lighting. CDBG-funded activities will be strictly focused on the infrastructure improvements with match-funded activities being split between engineering and actual infrastructure improvements.

On June 24, 2014, the MSF unanimously approved a $1,000,000 MCRP incentive in the form of a performance-based grant with Wright Opera Block, LLC and a $419,958 CDBG Grant with the City of Alma in association with the redevelopment. Roughly 38,000 square feet of mixed-use space is to be redeveloped in Downtown Alma with a total private investment of $6.7 million and the creation of 42 full-time equivalent positions. The Wright Opera Block project remains the number one priority for the City of Alma and the Downtown Development Authority because of the impact this transformational project will have on the downtown.

A time-extension to execute the written agreement associated with the MCRP was approved in October 2014 to allow MEDC staff time to perform additional due diligence regarding the project. Since the MSF approval, the City of Alma became in default with an approved grant for another project through MSHDA utilizing MSF funding (101 Downie Street – Maples Building) with a developer having common ownership
(Kurt Wassenaar) as the Wright Opera Block project. Due to the common ownership between the Maples Building and the Wright Opera Block, MEDC staff chose to not execute the grants associated with the Wright Opera Block project so that it could conduct appropriate due diligence surrounding the MSHDA grant and provide for additional securities surrounding the approved MSF incentives.

**Grant Default Resolution (Maples Building)**
On December 18, 2014, MEDC and MSHDA staff met with the City of Alma regarding the defaulted grant. The timeline associated with the completion of the Maples Building has been hindered by a contract dispute between the project developer and the general contractor. After discussions, MSHDA, MEDC, and the City of Alma agreed that the best resolution of the grant would be the completion of the Maples Building project, but without appropriate assurances at that time, the City of Alma was asked to repay the MSHDA grant. Full repayment was provided to MSHDA on January 20, 2015. MSHDA has granted the City and project developer a 45 day grace period in which they will hold payment for the grant in hopes that the developer will complete the project. If MSHDA is satisfied with significant movement on the project before the end of the 45 day period, an extension will be allowed to complete the project. In that scenario, the project will be in compliance, and the City would be provided their check back. However, if the project is not reactivated before the 45 day grace period ends, MSHDA will complete the City of Alma’s repayment transaction.

**Wright Opera Block Project – Additional Due Diligence**
The Wright Opera Block project stands ready to move forward and complete construction. MEDC staff has confirmed that all other funding sources have been confirmed and/or approved for the project.

Funding Summary:
- Closure on senior debt financing with Isabella Bank for the project;
- Approval and documents prepared for execution of the tax credit investment with Isabella Bank as the tax credit investor; and
- Approval and documents prepared for execution of the bridge loan with Develop Michigan LLC to bridge the MCRP grant and Tax Credit investments.

As MCRP funds are paid upon satisfaction of project milestones and the ultimate completion of construction, this project is considered a low-risk investment for the MSF. Upon execution of a grant agreement and subsequent closing of the project financing, any liens associated with the property will be released.

The CDBG grant was initially structured as an upfront grant that would be qualified by future job creation. However, the grant will be adjusted to require that evidence of job creation be demonstrated prior to any grant funds being dispersed. The City of Alma is in full support of this change and understands the need for the MSF to reduce their risk.

The Developer has over 30 years of architecture, planning, and development experience in the State of Virginia. Mr. Wassenaar has completed historic renovations and new construction on numerous properties dating back to the 1980’s including the Jefferson Theatre in Charlottesville, the Barren Ridge Winery, and multiple mixed-use buildings in and around downtown Charlottesville.

**Wright Opera Block Project – Recommendation**
With the resolution of the MSHDA grant on the Maples Project, and with the reduction of risk to the MSF, MEDC staff recommends a 60 day extension from the MSF Board date of the following approval:
1. Approval of a MCRP performance-based grant in the amount of $1,000,000 for Wright Opera Block, LLC, and
2. Approval of a CDBG infrastructure performance-based grant agreement in the amount of $419,958 be authorized for the City of Alma for the Wright Opera Block Infrastructure Project.
APPENDIX A: Downtown Alma Project Map

-- Wright Opera Block
-- CDBG Infrastructure
-- Maples Building