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

Communications

A. Consent Agenda
   Proposed Meeting Minutes – July 28, 2015

B. Administrative
   Brownfield MBT/SBT Amendments – Policy Recommendation – Deb Stuart
   Community Development Block Grant (CDBG) – Application Guide Amendment – Deb Stuart
   CDBG Memorandum of Understanding – MSF/MSHDA Amendment – Deb Stuart

C. Community Vitality
   Casamira Detroit, LLC/City of Detroit – MCRP & Act 381 Work Plan – Stacy Esbrook
   20 Monroe Building Company, LP-Bobville – Brownfield MBT Amendment – Ryan Kilpatrick
   The Gateway at Belknap/City of Grand Rapids – Act 381 Work Plan – Ryan Kilpatrick
   Holiday Townhouse/City of East Lansing – Work Plan & MBT Amendments – Marilyn Crowley

D. State Branding –
   McCann-Erickson – Request to Revise FY15 Activities – Kelly Wolgamott
   Weber-Shandwick – Request to Revise FY15 Activities – Michelle Grinnell
   Pure Michigan Travel Guide – RFP Award Recommendation – Michelle Grinnell
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 – July 28, 2015

Ayes:

Nays:

Recused:

Lansing, Michigan
August 25, 2015
Members Present

Steve Arwood
Larry Koops
Andrew Lockwood (on behalf of Treasurer Khouri)
Terri Jo Umlor
Shaun Wilson
Wayne Wood
Mike Zimmer

Members Absent

Paul Anderson
Dan Boge
Jody DePree Vanderwel

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

Public Comment: Mr. Arwood asked if any members of the audience wished to address the Board. No members of the public wished to comment.

Communications: Andrea Robach, Fund Administrator, notified the Board that both agenda items under section E. State Branding required further due diligence, and would not be presented at this meeting.

Mr. Arwood noted the Chef Compliance Officer’s quarterly report was provided in the packet, and asked if there were any questions or comments from either the Board or the CCO.

Mr. Arwood also introduced and welcomed new MSF Board member Wayne Wood.

A. CONSENT AGENDA

Resolutions 2015-85 through 2015-91

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

Proposed Meeting Minutes – June 23, 2015
Dieomatic (dba Cosma Casting Michigan) – MBDP Amendment 2015-086
MPI Research – MSF Designated Renaissance Zone Revocation 2015-087
Dumbarton Tool, Inc. – Tool & Die Zone Revocation 2015-088
Outfield Partners, LLC – MCRP Amendment 2015-089
Amendment to MOU – MSF/MEDC 2015-090
Amendment to Financial Officer Appointment 2015-091

B. ADMINISTRATIVE

Resolution 2015-092 Rigaku Innovative Technologies, Inc. – MBDP Grant Termination

Christin Armstrong, Compliance Director, provided the Board with information regarding this action item. On March 8, 2013, the MSF Board approved a $2,000,000 award to the Company under the MBDP. The Company proposed to expand its current operations in order to begin supplying the semi-conductor
industry with optical products in the City of Auburn Hills which would result in the creation of 25 Qualified New Jobs and up to $55.7 million in capital investment. The City of Auburn Hills provided a PA 198 tax abatement.

The Company’s progress report submitted on October 10, 2014 indicated that the Company had not maintained its Base Employment Level (the “Event of Default”). The Company acknowledges that it must repay the grant funds and has requested that the MSF allow it to repay the grant over time.

**Staff Recommendation**
MEDC Staff recommends that the MSF Board authorize the MSF Fund Manager to negotiate and finalize a payment plan that would allow the Company to repay the MBDP Grant funds over time, as detailed in the resolution.

**Board Discussion**
Mr. Arwood asked if there were any questions from the Board. There being none, Larry Koops motioned for the approval of Resolution 2015-092. Mike Zimmer seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

**C. BUSINESS INVESTMENT**

**Business Growth**

**Resolution 2015-093 Procurement Technical Assistance Center – Request to Issue RFP**
Dustin Frigy, Michigan Defense Operations Manager, and Sean Carlson, Vice President, Michigan Defense Center and International Trade, provided the Board with information on this action item.

The MEDC is seeking to identify local PTAC host organizations to provide Procurement Technical Assistance services for Michigan businesses that will assist in successfully winning federal contracts, with a strong emphasis on United States Departments of Defense (DoD) and Homeland Security (DHS) contracts, as well as state and local contracts to a lesser extent.

The Department of Defense’s Procurement Technical Assistance Center (PTAC) Program was established by Congress in 1985 to help create jobs and to improve the local economy by assisting business firms in obtaining and performing under federal, state, and local government contracts. The U.S. Defense Logistics Agency (DLA), the MDC/MEDC, and local economic partners fund Michigan PTACs. There are 11 regional PTAC offices to help Michigan companies to successfully secure, perform and retain defense and other government contracts.

In an effort to implement best practices across MEDC, requests for future state funding for PTACs will need to be awarded through the RFP process. This approach will assist in determining the appropriate distribution of limited funding to programs that best address Economic Development needs and provide the greatest return on investment.

**Staff Recommendation**
MEDC Staff recommends that the MSF Board approve the proposed RFP process to identify and fund qualified PTAC Programs with host organizations that submit responses to the opportunity.

**Board Discussion**
Mr. Arwood asked if there were any questions from the Board. Discussion ensued regarding the typical use of awarded funding. Mr. Arwood asked that the Board be periodically updated as the process moved forward. There being no further questions, Larry Koops motioned for the approval of Resolution 2015-093. Shaun Wilson seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**
Resolution 2015-094 - International Trade Program – STEP Eligibility Amendment

Deanna Richeson and Dominic Romano of the International Trade Programs team provided the Board with information regarding this action item. The Michigan Economic Development Corporation (MEDC) Staff requests the MSF Board approve a pilot program allowing exceptions to the STEP eligibility criteria for companies who show great export sales promise but due to extenuating circumstances do not meet the established criteria. This would apply only to the FY2015 State-funded STEP grants and not the Federally-funded portion, which is bound by the Small Business Administration (SBA) criteria. The pilot is a cautiously bold approach to grow Michigan’s export sales. The FY2014 STEP ROI funds to export sales reported by STEP recipients was 78:1. If the pilot results in a healthy return on investment (ROI), a recommendation will be made to continue the pilot in FY2016.

Staff Recommendation

MEDC Staff recommends that the MSF Board ratify and approve the exception of eligibility guidelines for State-funded STEP Program grants. In accordance with the above information, MEDC staff seeks permission from the MSF to suspend eligibility guidelines to assist well-positioned exporting companies who do not meet all the established criteria. MEDC Staff also recommends that the MSF Board reaffirms the delegation of authority to determine and make certain STEP Program awards.

Board Discussion

Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the program’s success, as well as how the program is measured. There being no further questions, Larry Koops motioned for the approval of Resolution 2015-094. Terri Jo Umlor seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Resolution 2015-095 – YFS Automotive Systems – MBDP Grant

Marcia Gebarowski, Development Finance Manager, provided the Board with information regarding this action item. This is a request from the Company for a $1.3 million Performance-based grant. This project involves the creation of 162 Qualified New Jobs, and a capital investment of up to $26.9 million in the City of Detroit, Wayne County. The Company is a tier-one supplier of fuel tanks and urea systems for all automotive OEMs. The Company was established in 1997 as ABC Group Fuel Systems, Inc. with a manufacturing facility in Gallatin, TN. The Company was purchased by the YFS Group in 2014, a Chinese-owned automotive supplier.

The Company plans to acquire approximately 30 acres of vacant industrial property, to construct a 100,000 square foot manufacturing facility in the City of Detroit, make investments and create jobs related to the manufacturing of automotive components. This project will be their second manufacturing location in the U.S. The Company evaluated locations in Ohio and Michigan for a new manufacturing operation. State and local incentives are needed to attract this new investment in Michigan, as well as help offset the higher costs the Company will have for the first five years until the new operation is fully ramped up.

Staff Recommendation

MEDC Staff recommends approval of the MBDP proposal, as detailed in the resolution and terms sheet.

Board Discussion

Mr. Arwood asked if there were any questions from the Board. There being none, Mike Zimmer motioned for the approval of Resolution 2015-095. Larry Koops seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.
Resolution 2015-096 - Magna Exterior and Interiors, USA – MBDP Amendment

Mike Gietzen, Development Finance Manager, provided the Board with information regarding this action item. The amendment request is to restructure Michigan Business Development Program to the Applicant, which was a $1,329,000 Performance-based grant for the project that involved the creation of 443 Qualified New Jobs, and a capital investment of up to $3,639,100 located in China Township and Benzonia Township. The amendment will reduce the grant amount from $1,329,000 to $822,000, modify milestone two from a disbursement milestone to a performance only milestone, and establish July 28, 2015 as the end date for the term of the agreement.

On July 22, 2014 Michigan Strategic Fund approved an amendment to increase the size of the project to the creation of 443 Qualified New Jobs which increased the performance based grant to $1,329,000 related to new customer contracts. On March 4, 2015 the Applicant submitted the Milestone Two application for a disbursement, and informed MEDC staff that Magna International, Inc. has agreed to sell its worldwide interiors operations to Grupo Antolin, a Spanish supplier with global operations. MEDC staff has not released the disbursement of milestone two due to this asset purchase from Grupo Antolin.

Staff Recommendation
MEDC Staff recommends: change Milestone Two from a disbursement milestone to a performance milestone only with no disbursement; Reduce the total grant from $1,329,000 to $822,000; Establish July 28, 2015 as the end date for the term of the grant agreement. All other aspects of the approval remain unchanged.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to how deals are structured to protect the MSF grant funding in the event a merger does not prove to be successful for the applicants. There being no further questions, Larry Koops motioned for the approval of Resolution 2015-096. Shaun Wilson seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Resolution 2015-097 – Townsend Energy Solutions – BTC Amendment & MEGA Termination

Josh Hundt, Development Finance Director, provided the Board with information regarding this action item. This is a request to (i) amend the Company’s Battery and Battery Related Manufacturing Tax Credit, (ii) reduce the maximum amount of the Battery and Battery Related Manufacturing Tax Credit by $20 million, and (iii) terminate the Company’s High-Technology MEGA Tax Credit, which is expected to result in an estimated savings of $6.3 million in estimated tax credit liability for the State of Michigan. The total anticipated savings in estimated tax credit liability for the State of Michigan as a result of these modifications is $26.3 million.

Townsend Energy Solutions, LLC, through its subsidiary business Energy Power Systems, LLC (“EPS”), is focused on the development and production of advanced lead acid battery technologies to serve the needs of the transportation and grid storage markets. On December 13, 2011 the Michigan Economic Growth Authority Board approved a High-technology MEGA Tax Credit, and on April 17, 2012 the Michigan Economic Growth Authority Board approved a Battery and Battery Related Manufacturing Credit for the Company.

EPS has selected the Centerpoint Campus building in Pontiac for their large-scale production facility, which is part of the RACER Trust portfolio. EPS has a planned start of production date of Q3 2016. EPS estimates that up to 300 employees will be needed for the first phase of production, and plans to have 750 employees and invest over $200 million in Michigan by 2020. Amending the existing Battery and Battery Related Tax Credit is mutually beneficial to the company and the State of Michigan by supporting the company expansion, as well as reducing the outstanding liability of the State.
Staff Recommendation
MEDC Staff recommends the following:

a) Amend the Battery and Battery Related Manufacturing Credit Agreement by changing the project location from the City of Wixom, Oakland County to the City of Pontiac, Oakland County, and add language to the section that additional sites may be added in the future at the discretion of the MSF Board.

b) Amend the Battery Related Manufacturing Credit Agreement to allow investment incurred at the Company’s location in the City of Troy to be claimed as Capital Investment.

c) Require the Company or one of its related entities to establish a program or partnership that benefits Pontiac school students.

d) Amend the Battery and Battery Related Manufacturing Credit Agreement to move the start date for Capital Investment from January 1, 2012 to July 1, 2011.

e) Remove the requirement in the Battery and Battery Related Manufacturing Credit Agreement that the project has to be located in a Renaissance Zone established under Section 8A of the Michigan Renaissance Zone Act.

f) Terminate the Company’s High-Technology MEGA Tax Credit (#776) that was approved by the Michigan Economic Growth Authority December 13, 2011.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the substantial savings to the State of Michigan. Mr. Arwood noted his appreciation for the company’s patience and commitment to the City of Pontiac. There being no further questions, Larry Koops motioned for the approval of Resolution 2015-097. Andrew Lockwood seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Access to Capital
Resolution 2015-098 – Technical Training, Inc. – MSDF Collateral Support
Chris Cook, Capital Programs Director, provided the Board with information regarding this action item.

Technical Training, Inc. (“TTI” or “Company”) is a global provider of training materials, research applications, consulting and staffing solutions. The Company is headquartered in Rochester Hills and services customers located throughout the world. Given the large amount of work performed for customers located outside of the US, TTI carries a high concentration of foreign A/R. This foreign A/R limits the ability of TTI to access working capital through conventional financing structures. FirstMerit Bank (“Bank”) is proposing a new $10 million working capital line of credit that would replace the line that TTI has in place with another lender. The proposed line to be provided by the Bank would provide TTI access to working capital on both its domestic and foreign A/R. The Bank is requesting that the MSF provide collateral of up to $4.99 million in support of the line of credit.

The Company anticipates adding 100 employees within 6 months of loan closing, with 86 of those jobs being located in Michigan. The Company anticipates an additional 150 jobs within 2 years of loan closing, with 100 of jobs to be located in Michigan. The average annual salary for employees of TTI is $60,000.

Staff Recommendation
MEDC Staff recommends Approval of the MSDF-CSP proposal as outlined in the resolution and accompanying documents.
Board Discussion
Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the substantial employment commitment, as well as the annual portfolio review. There being no further questions, Wayne Wood motioned for the approval of Resolution 2015-098. Larry Koops seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

D. COMMUNITY VITALITY

Resolution 2015-099 Trailhead RO, LLC – MCRP
Stacy Esbrook, Community Assistance Team, provided the Board with information regarding this action item. Trailhead RO, LLC (“Applicant” or “Borrower”) and Fifth Third Bank (“Lender”) are requesting approval of a Michigan Community Revitalization Program award in the amount of $4,500,000 in the form of a Loan Participation under Other Economic Assistance. The Project will create a mixed-use development with the goal of generating a dynamic and long-term asset to the community by reactivating property that is currently the site of a used car dealership that has been vacant since 2008 becoming an eyesore and drag on the community. Due to the mixed use nature of the project, additional financial burdens have been created for the developer compared to a stand-alone project of one or two uses. The financial gap that creates the need for the Michigan Community Revitalization Program support is primarily driven by the cost of construction due to high-rise construction used to fit all uses on the site and the cost of building a parking structure to support the development.

The Applicant anticipates that the project could result in eligible investment of $41 Million and total capital investment in the amount of $48 million in the city of Royal Oak and the creation of 144 FTE jobs. It is anticipated that the taxable value of the property will increase over $12 million upon completion.

Staff Recommendation
MEDC staff recommends approval of a MCRP performance-based loan in the amount of $4,500,000 for Trailhead RO, LLC.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the site location, as well as the importance to the City that the project meets their goals for increasing density and walkability; there had been previously proposed redevelopments of the site that the City did not support. There being no further questions, Larry Koops motioned for the approval of Resolution 2015-099. Shaun Wilson seconded the motion. The motion carried: & ayes; 0 nays; 0 recused.

Resolutions 2015-100 & 101 – Albion Hotel – MCRP & Act 381 Work Plan Approval
Rosalyn Jones, Community Assistance Team, provided the Board with information regarding these action items. Downtown Albion Hotel, LLC (Applicant) is requesting approval of a performance-based grant in the amount of $1,000,000. The Applicant anticipates that the project will result in eligible investment of $7,033,555 and total capital investment in the amount of $8,428,136 in the City of Albion, the creation of 20 jobs, with an average hourly wage of $16.82, and increase the taxable value of the property by over $2.8 million. Additionally, the City of Albion 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 $963,416.

The Applicant plans to demolish existing structures and construct a new 67,000 square foot, four story boutique hotel and conference center. The project will encompass nearly an entire city block and redevelop approximately 1.25 acres of property located on 13 parcels in downtown Albion. The 72 room hotel will offer a mix of standard rooms and extended stay suites. Approximately 3,000 square feet will
be available for meetings, conferences, weddings, banquets, and community events. The Downtown Albion Hotel project is considered to be a catalytic project transforming a vacant, blighted property located in the heart of downtown Albion into the only traditional hotel in the area.

Staff Recommendation
MEDC Staff recommends approval of a MCRP performance-based grant in the amount of $1,000,000 for Downtown Albion Hotel, LLC, as well as the approval local and school tax capture for the Act 381 eligible activities totaling $963,416. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $375,154.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the importance of the project to the City, and the support committed by Albion College. There being no further questions, Shaun Wilson motioned for the approval of Resolutions 2015-100 & 2015-101. Andrew Lockwood seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Mr. Arwood noted the final agenda item was Quarterly Reports provided to the Board, and that this was purely informational, with no required action. The meeting was adjourned at 11:05 pm.
MEMORANDUM

Date: August 25, 2015

To: Michigan Strategic Fund (MSF) Board Members

From: Lisa Pung, Interim Manager, CRP and Brownfield Programs
Deborah Stuart, Director, Community Incentive Programs

Subject: Brownfield Tax Credit Amendments

Request
Staff are requesting approval of the proposed Brownfield Tax Credit Amendment Policy by the MSF Board.

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

The State’s current maximum liability for SBT/MBT Brownfield credits is $270,980,380. This number will be reduced until 2021, when all credits (including those that have been or will be extended) have expired. A majority of SBT/MBT Brownfield credits were approved with an original timeframe of five years to complete a project, however the statute allows a maximum of ten years for a project to be completed. There is no time limit for the original qualified taxpayer to submit a request for certificate of completion to receive a tax credit after a project is completed. If the credit is assigned to a different taxpayer, the credit must be claimed in the year the tax assignment is made.

In accordance with Act 36 of 2007, amendments could be approved by the MSF for pre-approved projects. Project amendments are frequently requested to allow the developer to adjust to changes in the economy and enable completion of the project. The MSF Resolution 2014-122 Strategic Fund Compiled General Delegation of Authority including Brownfield Redevelopment Programs, delegates authority to approve certain amendments to the MSF Manager or MSF President.

The only Brownfield Tax credit amendment requests that are currently considered by the full MSF Board are for significant scope changes that deviate from the original pre-approved project. This will continue with the amendment as proposed.

Issue
While the Act allows for ten years to complete projects, it was policy that most projects were approved for an initial five year timeframe to complete. This allowed staff to do an evaluation at five years, if any additional time was needed. Due to the limited funding available in other MEDC programs for such projects, MEDC staff continue to recommended amendments for projects that meet Community or
Business Development goals in order for the project to be financially viable. The intent of this policy is to acknowledge current and future amendment consideration and ensure staff is continuing to operate within the MSF’s guidance. It is also the intent of this policy to allow the State to achieve project completion that fall within current goals and utilize an existing resource.

**Recommendation**

Staff recommends that the MSF do the following:

- Approve the attached Brownfield Tax Credit Policy pertaining to the Michigan Brownfield Credit Program for immediate implementation, and
- Restate and amend resolution 2014-122, as described in the attachment:
  - to allow that delegated authority be provided for the MSF Fund Manager or MSF Fund President to amend the credit percentage provided that the maximum credit value is not increased, and
  - to allow that delegated authority be provided for the MSF Fund Manager or MSF Fund President for significant scope changes under one million dollars.
Brownfield Tax Credit Amendment Policy – effective August 25, 2015

The following criteria will be considered for any Single Business Tax/Michigan Business Tax Credit Amendments. Criteria will be applied to scope changes or previously approved project that are requesting amendments other than scope changes:

- **Community Development Guidance or Business Development Guidance:** Amended project meets current goals.
- **Economic Impact:** Impact on the community and State through private investment and/or job creation.
- **Impact on the State’s Liability:** Reducing or spreading out liability by reducing eligible investment, multi-phasing projects, or extending time to complete the project will be viewed as a positive.
- **Financial Viability:** Firm lending commitments in place and are ready to initiate construction activities. Amendment will expedite project completion and taxpayers will be required to submit a request for certification of completion within a year of project completion.

Amended and Restated Approval Authority:

**Michigan Strategic Fund Manager or President:**
- Addition of qualified taxpayers to project pre-approval letters;
- Grant the ability to convert Single Business Tax credits to certificated Michigan Business Tax credits;
- Amend the percentage of a tax credit provided that the maximum credit value is not increased;
- Approve significant scope changes provided the project is receiving under one million dollars in tax credit;
- Approve scope changes provided that the new scope is consistent with the project intent for projects receiving one million dollars or more in tax credit; and
- Add time to eligible investment and non-environmental eligible activities provided that the time does not exceed the statutory limit.
Resolution 2015 –
Brownfield Tax Credit Amendment Policy

At the meeting of the Michigan Strategic Fund (“MSF”) held on August 25, 2015, in Lansing, Michigan.

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

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

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

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

WHEREAS, it is the desire to amend Chapter 10.0-1 within Resolution 2014-122 - Brownfield Redevelopment Programs, to allow for delegated authority to be provided to the MSF Fund Manager or MSF Fund President to amend the credit percentage provided that the maximum credit value is not increased (“Delegated Amendment”).

NOW, THEREFORE, BE IT RESOLVED, that the attached Brownfield Tax Credit Amendment Policy pertaining to the Michigan Brownfield Credit Program and the Delegated Amendment is adopted, effective the date of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
August 25, 2015
MEMORANDUM

Date: August 25, 2015

To: Michigan Strategic Fund (MSF) Board Members

From: Deborah Stuart, Director, Community Incentive Programs
       Christine Whitz, Manager, Community Development Block Grant Program

Subject: Community Development Block Grant Program
         Application Guide Amendment of Language

Summary
Michigan Economic Development Corporation (MEDC) Staff recommends the Michigan Strategic Fund (MSF) approval of an amendment to the definition of a traditional downtown in the 2015 Community Development Block Grant (CDBG) Program Application Guide.

Background
The Department of Housing and Urban Development (HUD) allocates CDBG funding to the State of Michigan, through the MSF, for further distribution to eligible Units of General Local Government to carry out MSF approved activities.

Program descriptions and selection priorities are outlined in the CDBG Program Application Guide. The Application Guide for potential applicants is based on the Federal regulations and policies developed by staff to ensure consistency with grantees. The document is updated at least annually to assure that we are adjusting to the changing needs of the communities that are eligible and the goals of the State. These updates are based on conversations with grantees and internal staff that work with the program and was effective for any project receiving funding after July 1, 2015. On April 28, 2015 the MSF Board approved the CDBG Program Application Guide for Program Year 2015 (July 1, 2015- June 30, 2016) per resolution 2015-039.

Following that approval, prompted by the Department of Talent and Economic Development (TED) structure, staff determined a consistent definition between the MEDC, MSF, and the Michigan State Housing Development Authority (MSHDA) for traditional downtowns would better serve our customers.

Proposed changes to page 20, Section “Location” of the 2015 Application Guide, a “traditional downtown” definition is tracked below:

A traditional downtown or traditional commercial center is defined as a grouping of 20 or more contiguous commercial parcels of property that include multi-story containing buildings of historical or architectural significance. The area must have been zoned, planned, built or used for commercial development for 50+ purposes for more than 50 years. The area must consist of, primarily, zero-lot-line development and have pedestrian friendly infrastructure, an appropriate mix of business and services. The area should have characteristics that create a sense of place.
**Recommendation**
The MEDC Staff recommends:

The MSF amend the adopted CDBG Program Application Guidelines for Program Year 2015 (resolution 2015-039) to restate the definition of a “traditional downtown” as the following:

- A “traditional downtown” or “traditional commercial center” is defined as a grouping of 20 or more contiguous commercial parcels, containing buildings of historical or architectural significance. The area must have been zoned, planned, built or used for commercial purposes for more than 50 years. The area must consist of, primarily, zero-lot-line development and have pedestrian friendly infrastructure.
WHEREAS, Executive Order 1999-1, issued pursuant to Article V of the Michigan Constitution of 1963 and the laws of State of Michigan, consolidated the State’s economic development functions and programs and the accompanying powers of the Michigan Strategic Fund (“MSF”);  

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

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

WHEREAS, the CDBG program staff recommends that the MSF adopt a new definition for “traditional downtown” as referenced on page 20, Section “Location” of the 2015 Application Guide. The new definition would read as follows, a “traditional downtown” or “traditional commercial center” is defined as a grouping of 20 or more contiguous commercial parcels containing buildings of historical or architectural significance. The area must have been zoned, planned, built or used for commercial purposes for more than 50 years. The area must consist of, primarily, zero-lot-line development and have pedestrian friendly infrastructure (“Definition”); and  

WHEREAS, the CDBG program staff has reviewed the Definition and concluded that the Definition satisfies the enabling legislation, federal regulations and the requirements of the Consolidated Plan which the MSF authorized with Resolution 2015-039.  

NOW, THEREFORE, BE IT RESOLVED, that the MSF adopts the Definition as the definition of a “traditional downtown” or “traditional commercial center” as described above and the 2015 Application Guide shall be revised accordingly; and  

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

Ayes:  
Nayes:  
Recused:

Lansing, Michigan  
August 25, 2015
MEMORANDUM

Date: August 25, 2015

To: Michigan Strategic Fund (MSF) Board

From: Deborah Stuart, Director, Community Incentive Programs

Subject: Community Development Block Grant (CDBG) Program Request to Amend Michigan State Housing Development Authority (MSHDA) / MSF Memorandum of Understanding

Request
MEDC staff requests approval of the attached Second Amendment and Restatement of Memorandum of Understanding (“Amendment”). The terms of this Amendment shall be implemented beginning with the 2015 Program Year which started on July 1, 2015.

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

The State’s responsibilities include ensuring the State’s and their Grantee’s compliance with the statute, HUD regulations, and the State’s Consolidated Plan. On April 28, 2015 the MSF approved the 2015 Consolidated Plan for the CDBG Program that was also approved by HUD for implementation (Resolution 2015-039). Within the approved Consolidated Plan, the MSF allowed for up to 25 percent of the State of Michigan’s CDBG project allocation to be used for approved housing related activities implemented by the Michigan State Housing Development Authority ("MSHDA"), on behalf of the MSF.

The attached Amendment specifies appropriate roles between the two entities and outlines responsibilities related to this funding source for Program Year 2015 (July 1, 2015- June 30, 2016). Staff believe the items outlined in the Amendment will address HUD’s requirements and allow for appropriate oversight of the funding.

Since the MSF has approved MSHDA spending 25% of the CDBG allocation in previous agreements, staff is requesting confirmation of delegated authority to the Community Development Pipeline CDBG Committee (“CDP Committee”) for up to 25% of the CDBG project allocation for housing projects. If the funding is not utilized by MSHDA, as outlined in the Amendment, it will follow the MSF approval process. The delegation is consistent with past agreements, but this Amendment will assure the additional oversight of the CDP Committee.

Recommendation
MEDC Staff recommends that the MSF do the following:

• Authorize the MSF President to execute the attached Amendment between the MSHDA and the MSF related to CDBG Funds, and
• Delegate authority to the CDP Committee to approve MSHDA housing projects utilizing its allocation of the State of Michigan’s CDBG funds.
MICHIGAN STRATEGIC FUND
RESOLUTION 2015-
APPROVAL OF CDBG HOUSING ALLOCATION TO THE MICHIGAN STATE HOUSING
DEVELOPMENT AUTHORITY AND RELATED AMENDMENT TO THE MEMORANDUM
OF UNDERSTANDING

WHEREAS, Executive Order 1999-1, issued pursuant to Article V of the Michigan Constitution
of 1963 and the laws of the State of Michigan, consolidated the State’s economic development functions
and programs and their accompanying powers in the Michigan Strategic Fund (the “MSF”);

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

WHEREAS, the MSF authorized with Resolution 2013-106 the Memorandum of Understanding
(the “MOU”) between the MSF and Michigan State Housing Development Authority (the “MSHDA”) and
with Resolution 2014-119 its amendment that describe the respective roles and responsibility of the parties
for housing related projects to be funding by the CDBG program in Program Year 2014 (July 1, 2014-
June 30, 2015);

WHEREAS, the MSF authorized with Resolution 2015-039 the 2015 Consolidated Plan which
identifies that up to twenty-five (25%) percent of the CDBG allocation will be used to implement approved
housing activities;

WHEREAS, it is the desire of the MSF Board that MSHDA administer those approved housing
related activities associated with the CDBG program;

WHEREAS, the MSF Board desires to amend the MOU to address funding for housing projects
that occur in Program Year 2015 (July 1, 2015- June 30, 2016);

WHEREAS, the amended MOU maintains a Community Development CDBG Pipeline Committee consisting of two voting staff members from MSHDA designated by the MSHDA Executive
Director along with two voting staff members from the MEDC designated by the MSF President that will
review and evaluate housing related projects;

WHEREAS, staff recommends that the Community Development CDBG Pipeline Committee
continue to be delegated the authority to approve housing projects not to exceed in the aggregate twenty-
five (25%) percent of the CDBG Program Year 2015 (July 1, 2015- June 30, 2016) allocation (the
“Delegation”) as further described in the Second Amendment and Restatement of MOU; and

WHEREAS, staff recommends that the Second Amendment and Restatement of MOU be authorized
and entered into with MSHDA for funds from the CDBG program for the reasons set forth in this
Resolution.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes the attached Second
Amendment and Restatement of MOU to be entered into with MSHDA providing for MSHDA’s
administration of the approved CDBG housing related projects;

BE IT FURTHER RESOLVED, that the MSF Board approves the Delegation;
BE IT FURTHER RESOLVED, that the MSF Board approves the attached Second Amendment and Restatement of MOU; and authorizes the MSF President or Fund Manager to execute the Second Amendment and Restatement of MOU on its behalf, with only one required to act. The MSF President or Fund Manager is authorized to negotiate the terms and conditions of the Second Amendment and Restatement of MOU on the MSF’s behalf so long as the final terms and conditions are consistent with this resolution of the MSF Board and not otherwise materially adverse to the interests of the MSF.

Ayes

Nays

Recused

Lansing, Michigan
August 25, 2015
SECOND AMENDMENT AND RESTATEMENT OF
MEMORANDUM OF UNDERSTANDING
COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS

The overall goals of the community development block grant program ("CDBG") can be achieved in a more efficient and cost effective manner when the entities that allocate CDBG funds collaborate. Below are the parameters by which the Michigan State Housing Development Authority ("MSHDA") and the Michigan Strategic Fund ("MSF") will collaborate regarding the use of CDBG funds awarded to the State of Michigan by the United States Department of Housing and Urban Development ("HUD") consistent with the five-year Michigan Consolidated Plan for Housing and Development and subsequent annual action plans ("Con Plan"). The Michigan Economic Development Corporation ("MEDC") provides administrative services to the MSF for CDBG activities. The new program structure shall be a collaborative management approach between the agencies.

This Second Amendment and Restatement of Memorandum of Understanding ("Memorandum" or "MOU") amends and restates the First Amendment and Restatement of Memorandum of Understanding executed in 2014 for the 2014 Program Year which amended and restated the Memorandum of Understanding executed in 2013 for the 2013 Program Year, is effective as of the last date acknowledged and is agreed to by the MSHDA Executive Director ("MSHDA ED") and the MSF Chairperson and President ("MSF President"). The terms of this Memorandum shall be implemented beginning with the 2015 Program Year which starts on July 1, 2015. However, the collaboration may begin meeting immediately to begin creating a collegial environment, developing collaborative community development and place base principles and standardized processes and procedures, and establishing funding priorities and goals consistent with the Con Plan. If the terms of this Memorandum conflict with the Interagency Subrecipient Agreements ("ISAs") between the MSF and MSHDA for the 2012 Program Year and all prior years the terms of the ISAs shall control. If the terms of this MOU conflict with the Con Plan, the terms of the Con Plan shall control.

**Community Development Pipeline Meetings**

1. The MEDC has Community Development Pipeline ("CDP") meetings on a scheduled basis to discuss and review community projects, including the use of CDBG funds for projects.

2. The CDP meetings include two staff members from MSHDA designated by the MSHDA ED along with two staff members from the MEDC designated by the MSF President. The four designated members shall be referred to as the CDP CDBG Committee. Each staff member designated by the MSHDA ED and MSF President, respectively, shall be identified and participate in the CDP meetings at the pleasure of their respective designating authority. Additional non-voting staff members may participate in the meeting for presentation and discussion of the project(s).

3. All proposed projects with adequate details must be made available on Salesforce at least 24 hours before the CDP meeting. The submitting entity will be required to provide the detail outlined in the CDP Meeting Protocol document adopted by the Committee, as defined below.

4. The designated members will be selected based on (i) knowledge of the CDBG program; (ii) commitment to creating and operating a collegial environment; and (iii) commitment to increasing efficiencies and sharing of resources and personnel to reduce duplication of efforts in furtherance of CDBG goals. A designated member may be replaced upon notice to the other designating authority.
CDP CDBG Committee (“Committee”) Responsibilities

1. Housing Projects will not be taken to the MSF Board for approval, rather the MSF shall authorize the annual allocation for Housing Projects in an amount not to exceed 25% of the 2015 Program Year allocation (the “MSHDA Allocation”) and the Committee shall approve individual projects. CDBG funds will only be subgranted to MSHDA to administer Housing Projects that are recommended and supported by the Committee (“Housing Projects”).

MSHDA projects may only be approved by the Committee if MSHDA is in full compliance as set forth in Exhibit B. All compliance recommendations made during any MSF audit will also be incorporated into this MOU by amendment. However, the Committee must agree that such compliance recommendations are significant enough to impact the distribution of funds, otherwise as long as MSHDA is demonstrating progress towards the resolution of audit recommendations no allocation sanctions will be imposed. In the event majority is not obtained on areas of compliance, the Committee shall refer the matter to the MSF President for resolution.

It is acknowledged that any agreement for MSHDA’s allocation of CDBG funds after July 1, 2016 will include expenditure ratio guidelines on a monthly basis to determine continued funding availability and capacity of MSHDA to complete projects in a timely fashion.

2. CDBG grant funds may only be used for community development and Housing Projects based on the approval of the majority of the four designated members of the Committee.

3. In the event that majority is not obtained or areas of concern are identified, the Committee will refer the matter to the MSHDA ED and the MSF President for final recommendation and resolution.

4. Once a community development or Housing Project is approved by the Committee, MSHDA or the MEDC will lead the approved project based upon which entity is providing the most funding in total to the approved project, unless the Committee decides otherwise. Once it is determined which entity is leading a project, the CDBG funds to be contributed by the non-leading entity shall be transferred from its allocation to the leading entities allocation.

5. By March 1st of each year, the Committee will recommend housing and community Con Plan changes applicable to the CDBG program for the following Program Year to the MSHDA ED and MSF President for approval by the MSF.

Subgranting CDBG Funds

1. Upon the approval of the Committee to use CDBG funds for a Housing Project, the following information will be added to Exhibit A for each Housing Project: name, location, amount, project description and other items as may be agreed to by the Committee. The parties agree that Exhibit A, which will be updated by the MSHDA Committee members as projects are approved by the Committee, will serve as the subgrant list for CDBG housing projects.

2. The MSF shall provide a 2% administrative fee to MSHDA to finalize and monitor the Housing Project. The 2% will be based on the total amount of the CDBG funds approved for the Housing Project.

3. The CDBG funds subgranted to MSHDA for a Housing Project shall be documented by a subgrant agreement and shall be monitored according to the requirements listed on Exhibit B.
**MSHDA ED and MSF President Responsibilities**

1. The MSHDA ED and the MSF President will jointly meet with staff to set CDBG fund priorities and to identify areas for change. Such meetings will occur on an as needed basis, but no less often than annually.

2. The MSHDA ED and MSF President will promote a collegial environment and will promptly take appropriate action regarding CDBG designated members and activities as necessary.

3. The MSHDA ED and the MSF President will proceed in a manner consistent with the Con Plan as adopted by the MSF and submitted to HUD and any applicable state and federal laws.

4. The MSHDA ED and MSF President will resolve those matters referred to them by the designated members where consensus is not achieved.

**Other**

1. This MOU shall continue in effect through and until June 30, 2016, the parties mutually agree to terminate it sooner. Any modifications or amendments shall be approved by both parties in writing.

2. The parties acknowledge that Exhibit A will be modified on a continuous basis by adding Housing Projects that are approved by the Committee. This shall not constitute an amendment or modification to the MOU.

3. The parties agree that all formal communications and submission, such as program amendments, monitoring responses and similar written communications with HUD related to CDBG funds shall be through the MSF or MEDC. MSHDA may seek technical advice on day to day program issues as they arise, so long as MEDC staff are copied on any correspondence or are informed of the contact in a timely manner. When information is provided by MSHDA to the MSF for communication to HUD, the MSF will advise MSHDA of any changes or omissions to the information before it is provided to HUD.

4. In the event the Committee reaches a consensus that federal laws, statutes, rules, regulations, or HUD require any changes to this MOU, this MOU shall be immediately interpreted, modified, applied and enforced consistent with those changes. Those changes shall be incorporated into this MOU in writing as soon as possible without unreasonable delay by either entity.

____________________________   ______________________________
Kevin Elsenheimer    Date    Steven Arwood  Date
Executive Director, MSHDA     Chairperson and President, MSF
EXHIBIT A

<table>
<thead>
<tr>
<th>Grantee Name</th>
<th>Project Location</th>
<th>Grant Amount</th>
<th>Project Description</th>
<th>Approval Date</th>
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</table>


EXHIBIT B

I. **MSF RESPONSIBILITIES**

A. Provide MSHDA, in a timely manner, all pertinent information needed for proper administration of Housing Projects grants as received from HUD or other sources;

B. Seek proper legislative appropriation of Michigan CDBG funds from the State of Michigan; and

C. Provide MSHDA all necessary documents, written materials, information, and data required for preparation of the federally-required Consolidated Plan, Annual Action Plan, and the Comprehensive Annual Performance and Evaluation Report within forty-five (45) calendar days of MSHDA’s written request.

II. **MSHDA RESPONSIBILITIES**

A. MSHDA must follow the identified timelines to ensure the MSF can remain in compliance with HUD requirements. These include the following reporting procedures and requirements:

1. MSHDA shall ensure that Small Cities or Salesforce and IDIS are internally reconciled for all committed funds on a monthly basis with timely information and status updates. Data requirements for Salesforce will be the same as required for Small Cities, and will be expanded to payment requests starting December 1, 2013;

2. All payment requests shall be submitted by MSHDA within ninety (90) days of the end of the month during which they were incurred by MSHDA, including administrative and technical assistance reimbursements, or they shall not be paid. Regardless, all payment requests incurred before September 30th, must be submitted on or before the immediately following October 31st, due to end of the year reporting, or they shall not be paid;

3. MSHDA shall close projects within six (6) months of their final draw or the receipt of the program audit that covers the final year of the grant, whichever occurs first. If additional time is needed to close a project, then in advance of the expiration of this six (6) month period MSHDA may request in writing an extension for up to three (3) additional months by submission of the justification for the requested extension. MSHDA may also submit a request for additional time to meet a national objective on a case by case basis. The MSF shall grant or deny the request in writing within five (5) business days;

4. Quarterly standing meetings shall be scheduled for MSHDA to meet as needed with MSF staff regarding the status of approved Housing Projects and others area of compliance; and

5. Submit a fully completed and updated Monthly Compliance Report, attached as Exhibit C, within five (5) business days following the last day of the month. In the event the Monthly Compliance Report has error and/or omissions, MSHDA shall correct those within five (5) business days of being notified. Any additions or
amendments to the report requirement require Community Development Pipeline Committee approval.

B. MSHDA facilitates MSF compliance with HUD requirements by performing the following:

1. Solicit and receive Housing Project applications from eligible applicants, in accordance with the then current approved Michigan CDBG Consolidated Plan and Annual Action Plan;

2. Prepare Michigan CDBG grant agreements for CDP approved Housing Project grant recipients to be executed by MSHDA’s Executive Director or a designee of the Executive Director. MSHDA may cancel and/or recapture such grants, as may be necessary, and may reallocate funds from such cancellations for other eligible Housing Projects approved by the Committee and for all prior years the terms of the ISAs shall control;

3. Properly manage awarded Housing Project grants and review and monitor all grants for compliance with applicable law, rules, regulations, and program requirements from grant award to project closeout, including, but not limited to, final audits. MSHDA is responsible for repayment, on any MSHDA CDBG grant, of any costs that are disallowed or must be repaid based upon a final HUD determination. If disallowed costs on any MSHDA CDBG grant are taken out of the annual CDBG allocation, then MSHDA’s pass-thru and corresponding technical assistance and administration funds provided under this Agreement will be reduced by an equivalent amount;

4. Execute all CDP approved amendments to Housing Project grant agreements, including grant increases and decreases, changes in approved budget items, extensions in the duration of the agreements, changes in project scope including new activities or alterations of existing approved activities that do not increase the grant amount, and due dates for reports and audits; All extensions, scope changes, and grant increases must be approved by the Committee. Authorize the disbursement of Michigan CDBG funds to Housing Project grant recipients and maintain appropriate financial records and source documents for review by the MSF and HUD;

5. Review audit reports, as required under the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget (OMB) Circular A-133, or under the new 2 CFR 200 Subpart F section 200.501-520 (commonly the Omni Circular) as appropriate from Housing Project grant recipients, review and take appropriate and timely action associated with audit findings and questioned costs, and take all other appropriate actions to ensure a timely formal close out of Housing Project grants;

6. Provide to the MSF, the audit report required under the Omni Circular; and

7. Assure that authorized MSF representatives will have access to all books, accounts, records, reports, files, and other papers, things, or property as needed in order to make audits, examinations, excerpts and transcripts; each contract or subcontract also shall provide for such access to relevant data and records pertaining to the development and implementation of the Housing Projects that have been approved.
EXHIBIT C

Monthly Compliance Report
MEMORANDUM

Date: August 25, 2015

To: Michigan Strategic Fund Board

From: Stacy Esbrook, Senior Community Assistance Team Specialist
       Rob Garza, Community Development Incentives Specialist

Subject: Casamira Detroit, LLC
         Request for Approval of an Act 381 Work Plan and a $1,000,000 Michigan
         Community Revitalization Program Performance-Based Grant

Request
The project requests to use both the Brownfield Act 381 Program and the Michigan Community Revitalization Program (“MCRP”) for the project located at 90, 100, and 680 Delaware Street in Detroit, Michigan.

The redevelopment of Casamira Apartments supports many of the Michigan Community Revitalization Program priorities, including restoration of a historic resource, eliminating brownfield conditions, activating significant private square footage and includes a significant local contribution. This project has maximized all available financial resources including available senior debt (37% loan-to-cost and 1.11 Debt Coverage Ratio (“DCR”)), City of Detroit HOME funds and historic tax credits. The revenue this project is going to generate is not sufficient to cover the cost of development and without MCRP and Brownfield TIF support, this project is not financially feasible.

The City of Detroit Brownfield Redevelopment Authority has submitted an Act 381 Work Plan request for the approval of local and school tax capture for eligible activities in the amount of $821,475. Casamira Detroit, LLC (“Applicant”) is requesting approval of a Community Revitalization Program performance-based grant in the amount of $1,000,000. The Applicant anticipates that the project will result in eligible investment of $6,867,905, total capital investment in the amount of $10,176,032 and the creation of 2 jobs.

Background
Casamira Detroit, LLC is the single purpose entity created by the project Sponsor, Central Detroit Christian Community Development Corporation (“CDC”). The CDC serves its community by creating job opportunities and by providing housing options to local residents. The CDC has created the following businesses, which employ a total of 42 people: Peaches & Greens Produce Market, Café Sonshine, CDC Farm and Fishery, Higher Ground Landscaping, Solid Rock Property Management, Shadow of the Almighty Security Company, Detroit ReMade, Restoration Warehouse, and Faith, Hope & Love Productions.

CDC’s real estate experience includes the development of new single family homes and both moderate and substantial rehabilitation of single and multi-family properties. To date, CDC has developed 12 new single family homes and rehabilitated 85 Single Family homes, many of which are in the Piety Hill and Historic Boston Edison areas. The CDC is also a Certified MSHDA Housing Counseling Agent.

The Applicant plans to redevelop Casamira Apartments, a 44 unit apartment building consisting of one and two-bedroom apartments and a parking lot accommodating 45 cars covering a total of 1.17 acres. The majority (29) of the 44 units will be market-rate apartments, and the remaining 15 will be affordable units.
 marketed to 50%-60% Area Median Income ("AMI") residents. The project will completely renovate the existing building including all new windows, HVAC, plumbing and electrical. The Applicant obtained the apartment building as a donation from the former owner but it was in very poor condition and did not include adjacent or nearby property to support parking. In order to accommodate the parking needs of a 44-unit apartment complex in a dense historic neighborhood, the Applicant purchased un-used land from the Detroit Public Schools about a block east of the building. The project includes the development of that land into a secured parking area and includes improvements to the sidewalks and lighting to improve the walkability.

The project is located within the boundaries of the City of Detroit, which is a Qualified Local Governmental Unit, and is both a historic resource and 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 Detroit on March 5, 2015. The project is located in a downtown and qualifies for a MCRP award because it is a historic resource and a facility.

The project’s statutory requirements are addressed in Appendix A, a project map is provided in Appendix B, and the MCRP Summary of Terms is included in Appendix C.

The Applicant has not previously received any incentives from the MSF, however, the CDC Farm & Fishery utilized the Community Ventures program to hire 2 full-time employees in 2013. They were awarded $15,000 and are in full compliance of their award.

**Recommendation**
MEDC Staff recommends the following:

a) Approval of local and school tax capture for the Act 381 non-environmental eligible activities totaling $821,745 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $400,349.

b) Approval of a MCRP performance-based direct investment grant in the amount of $1,000,000 for Casamira Detroit, LLC.

The commitment will remain valid until 120 days after approval with approval for the MSF Fund Manager to extend the commitment an additional 30 days.
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 project will historically renovate a 4-story, 42,000 square foot building in the New Center sub-district of Midtown, Detroit. New Center is home to significant anchor institutions such as the State of Michigan and Henry Ford Hospital. This project is aligned with several local initiatives, including increasing residential density in the 7.2 square mile area known as “greater downtown” and providing mixed-income housing options for Detroiters.

B. If the project will act as a catalyst for additional revitalization of the community in which it is located:

The building is one of three adjacent apartment buildings located on Delaware between Second and Third Avenues. It is the last remaining building to be redeveloped in the New Center historic district. The other two recently renovated buildings are 100% affordable while 680 Delaware is the first building in the immediate area to offer market rate and affordable units. The redeveloped apartment building will have a positive impact on rental rates, create additional density and attract more market rate residential development to the immediate area. New Center has not seen the same level of investment as the core Midtown district (around Wayne State University and the DMC Campus), but it is starting to attract more interest. The success of this project will continue to move New Center in a positive direction.

C. The amount of local community and financial support for the project:

The City of Detroit has committed $2,500,000 in HOME funds and has approved an Obsolete Property Tax Abatement ("OPRA") district as of April of 2015. The value of the abatement is expected to be $732,644 over the 12 years. In addition, the City of Detroit has approved a brownfield plan for the reimbursement of environmental and non-environmental eligible activities totaling $933,523, which will be reimbursed with approximately 51.26% of local capture.
D. **The applicant's financial need for a community revitalization incentive:**

This project has maximized all available financial resources including available senior debt (37% loan-to-cost and 1.11 Debt Coverage Ratio (DCR)), City of Detroit HOME funds and historic tax credits. The revenue this project is going to generate is not sufficient to cover the cost of development and without MCRP and Brownfield TIF support, this project is not financially feasible.

E. **The extent of reuse of vacant buildings, reuse of historical buildings, and redevelopment of blighted property:**

This project will reactivate the Casamira Apartment building, a historic resource that has been vacant for over three years and substantially under-utilized prior to being shuttered completely. The lot at 90 and 100 Delaware is primarily vacant land, but does contain a small, vacant building that will be demolished.

F. **Creation of jobs and areas of high unemployment:**

Two full time jobs, a property manager and maintenance technician, will be created at an average hourly wage of $14.50.

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

The Applicant has secured traditional financing from Capital Impact Partners for $3.7 million and is utilizing Federal Historic Tax Credits ($1.5 million). The City of Detroit is providing HOME funds ($2.5 million) in support of the affordable housing units. The Applicant is contributing $264,000 in cash and land value (both purchased and donated) and is deferring the developer fee. The level of equity contribution into this project is reflective of the community development focus of the Sponsor organization, rather than the typical for-profit model.

H. **Whether the project is financially and economically sound:**

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

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

The project will increase the residential density by redeveloping a four story building in New Center that has been vacant for three years and prior to that was significantly underutilized. The redeveloped building will address the growing demand for mixed-income, sustainable residential housing in the New Center market.

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

The property is excellently situated in that its location is in walking and/or biking distance to the New Center Area, the M-1 Rail System, dining, shopping, and various entertainment venues in the greater downtown. Major employers located in close proximity to the building include the State of Michigan, Wayne State University, Henry Ford Hospital and the DMC Campus.
K. Whether the project converts abandoned public buildings to private use:

The two parcels that will be used for parking, 90 and 100 Delaware, are former Detroit Public School properties. The Applicant purchased the properties from the school district in 2012. The project does not involve the redevelopment of abandoned public buildings.

L. Whether the project promotes sustainable development:

This project will utilize several environmentally sustainable elements, including rain gardens, double insulated windows, high efficiency HVAC and insulation which will reduce heating and cooling needs. This project will also promote sustainable living as it is located near public transportation, including the forthcoming M1 Railcar line.

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

The building located at 680 Delaware Street was built in 1949. The project is located in a historic district in Detroit and is a certified historic structure. The building at 90 Delaware is not historic.

N. Whether the project addresses area-wide redevelopment:

This project is activating vacant space, increasing residential density, and restoring a historic resource, which supports various efforts around the City and those specific to the redevelopment of greater downtown.

O. Whether the project addresses underserved markets of commerce:

This development will increase urban density and provide multi-family housing opportunity for City of Detroit residents. In addition, it will positively affect surrounding property values. The development will also respond to the demand for the highest quality residential space that exists in the neighborhood.

P. The level and extent of environmental contamination:

Asbestos has been discovered in the building. A phase I assessment of the proposed site for the parking lot resulted in the identification of the following compounds at the site: chromium, phenanthrene and low levels of chlorinated solvents. Removal and transport of contaminants from the site to landfills is cost prohibitive. As an alternative, the contaminated soil will remain on site as a berm constructed at the eastern edge of the parking lot.

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 building at 680 Delaware will be rehabilitated in accordance with the federal Secretary of the Interior’s Standards. The building at 90 Delaware will be demolished and is not a historic resource.

R. Whether the project will compete with or affect existing Michigan businesses within the same industry:

The project will not compete with or affect any existing Michigan business.
S. Any other additional criteria approved by the board that are specific to each individual project and are consistent with the findings and intent of this chapter:

No additional criteria needs to be considered.

ADDITIONAL STATUTORY CRITERIA UNDER ACT 381:

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

This project is redevelopment of a historic and currently vacant 4-story structure into an active residential building. The building on 90 Delaware is also vacant and will be removed. The remaining parcel at 100 Delaware is vacant land, but is un-manicured and an eye-sore in its current state. This project will not only redevelop all three parcels, it will also improve the safety and aesthetics of the street in between the two sites by improving the sidewalks, landscaping and lighting.

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

The Brownfield Tax Increment Financing is needed to help offset the cost of eliminating the brownfield conditions on all three parcels, including the environmental ($112,048) and non-environmental costs ($821,475) of getting the properties ready for redevelopment. Demolition and public infrastructure improvements make up the majority of the request. Even with the TIF reimbursements over time, the available cash flow available after debt service is very tight on this project and without the TIF reimbursements this project would not be available to support to the cost of the development.

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 63.3244 non-homestead mills available for capture, with school millage equaling 24 mills (37.90%) and local millage equaling 39.3244 mills (62.10%). Tax increment capture will begin in 2016 and is estimated to continue for 24 years. The project has been approved for an Obsolete Property Rehabilitation Act (PA 146) that is a 50% abatement of local taxes for 12 years. During the 12 years the PA 146 is in effect, the school millage will equal 24 mills (62.10%) and local millage will equal 39.3244 mills (37.90%) at 90 and 100 Delaware, while the school millage will equal 24 mills (100%) and local millage will equal 0 mills (0%) at 680 Delaware. The blended ratio of capture for the entire 24 years is 48.74% state to 51.26% local. The requested tax capture for eligible activities breaks down as follows:

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<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>School tax capture (48.74%)</td>
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<tr>
<td>Local tax capture (51.26%)</td>
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<td><strong>TOTAL</strong></td>
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<td>COST OF ELIGIBLE ACTIVITIES</td>
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<td>TOTAL</td>
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APPENDIX B

680 Delaware

90 and 100 Delaware
## APPENDIX C

### Summary of Terms

1. **Company Name:** Casamira Detroit, LLC
2. **Company Address:** 8840 Second Avenue  
   Detroit, Michigan 48202
3. **MCRP Incentive Type:** Performance Based Grant
4. **Maximum Amount of MCRP Incentive:** Lesser of 18% of the Eligible Investment, as defined below, or $1,000,000 (“MCRP Incentive Award”)
5. **Project Description (“Project”):** The Applicant plans to redevelop Casamira Apartments, a 44 unit, approximately 42,400 square foot, apartment building consisting of one and two-bedroom apartments. The majority (29) of the 44 units will be market-rate apartments, and the remaining 15 will be affordable units marketed to 50%-60% Area Median Income (AMI) residents.
6. **Anticipated Minimum Eligible Investment:** $5,494,324  
   The minimum is based on 80% of the total Eligible Investment amount requested on the CRP incentive application. The Eligible Investment on the Project is anticipated to include:
   - Building Alteration/Rehabilitation/Improvement
   - Site Improvements
   - Addition of Machinery, Equipment or Fixtures to the Project
   - Professional Fees
7. **Start Date for Measurement of Eligible Investment:** March 1, 2014
8. **Project Qualifying As:** Historic Resource
9. **Progress and Milestones & Disbursement:** The final terms and conditions of each of the Progress Milestones shall be included in the final Agreement, including that before any disbursement is made to the Applicant, the Applicant must demonstrate timely completion of all Progress Milestones, as required, and otherwise be in full compliance with all terms and conditions of the final Agreement. The MSF Fund Manager, in coordination with MEDC Staff, is authorized to negotiate the final terms and conditions of the final Agreement to be used to memorialize MCRP awards on the MSF’s behalf in accordance with the Guidelines and are anticipated to include:
a. Pre-improvement Progress Milestone: Written certification from Capital Impact Partners, or a copy of the executed loan agreement, note and mortgage, evidencing that the applicant has closed on financing in the minimum amount of $3,770,000; written certification from Invest Detroit, or a copy of the executed loan agreement, note and mortgage, evidencing that the applicant has closed on financing in the minimum amount of $264,603; documentation of commitment of historic tax credit investor; final approval by the City of Detroit of a 12 year Obsolete Property Rehabilitation Act (OPRA) tax abatement with an estimated value of $732,644; and a signed construction contract.

b. Completion of the Project Progress Milestone: Issuance of a certificate of occupancy on terms and conditions satisfactory to the MSF Fund Manager and if applicable, demonstration that the Project complies with the federal secretary of interior’s standards for rehabilitation and guidelines for rehabilitating historic buildings, 36 CRF 67.

10. Municipality supporting the Project (“Municipal Support”): The City of Detroit will support the project with HOME Funds totaling $2,500,000, a 12-year Obsolete Properties Rehabilitation Act (OPRA) tax abatement with an estimated value of $732,644, and the local portion of tax increment financing (TIF) with an estimated value of $933,523.

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

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

13. Final Terms and Conditions: The MSF Fund Manager, in coordination with MEDC Staff, is authorized to negotiate the final terms and conditions of the final Agreement to be used to memorialize MCRP awards on the MSF’s behalf in accordance with the Guidelines and is anticipated to include the terms described above.
MICHIGAN STRATEGIC FUND

RESOLUTION 2015-

APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM GRANT
AWARD TO CASAMIRA DETROIT, LLC

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

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

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

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

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

WHEREAS, Casamira Detroit, LLC (“Company”) has requested a performance based grant of up to $1 million (“Award Request”);

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
August 25, 2015
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 City of Detroit Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 680, 100, and 90 Delaware within the City of Detroit, known as 680 Delaware Redevelopment Project (the “Project”);

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

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

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as the 48.74% to 51.26% ratio currently existing between school and local taxes for non-homestead properties with the 12-year OPRA, to reimburse the cost of site preparation, demolition, lead and asbestos abatement and infrastructure improvements as presented in the revised Work Plan dated March 25, 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 $811,475 for the principal activity costs of
non-environmental activities and a contingency, and a maximum of $10,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of $400,349.

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

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

Ayes:

Nays:

Recused:

August 25, 2015
Lansing, Michigan
MEMORANDUM

Date: August 25, 2015
To: Michigan Strategic Fund Board
From: Julius Edwards, Capital Access Specialist
       Dan Wells, Brownfield Program Senior Specialist
       Ryan Kilpatrick, Community Assistance Team Specialist
Subject: 20 Monroe Building Company LP
          Request for Large Brownfield MBT Credit Amendment

Summary
20 Monroe Building Company Limited Partnership requests the following amendments be made to the
Bobville Project in the City of Grand Rapids, originally approved for a large Urban Development Area
Project Brownfield credit by the MEGA Board on December 14, 2010: Addition of Qualified Taxpayer
Venue Tower, LLC; change in scope of the approved project; and request for an additional three years to
complete the project.

The property is currently owned by 20 Monroe Building Company LP. Venue Tower, LLC has a current
purchase agreement in place which obligates Venue Tower, LLC to construct a portion of the project. 20
Monroe Building Company LP received pre-approval for MBT Brownfield Credit number M-1012 in
December of 2010. Due to market conditions at the time of approval, the project was not financially viable
and did not proceed as originally designed.

The two entities will construct the project in phases as described below. Each entity has leveraged as much
private debt and equity on the respective phases of the project as can be supported by the projected revenues.
Additional debt service payments to a lender could not be supported and available equity has been
maximized. The originally approved MBT Brownfield Credit will provide gap financing for each phase of
the project to be successfully completed without significantly compromising the quality of the structure.

Approximately 67 permanent, full-time jobs are anticipated to be created by the commercial and residential
portions of the project at an average hourly wage of $14. The total capital investment for both phases is
estimated to be $30.7 million, increasing the total capital investment on the site from $22 million in the
original approval.

Background
Venue Tower, LLC is managed by Orion Construction, a design-build firm based in Grand Rapids,
Michigan. 20 Monroe Building Company LP is managed by Greg Gilmore and the Gilmore Collection.
These entities are responsible for ownership and management of multiple successful restaurants across West
Michigan as well as ownership and management of the B.O.B. in downtown Grand Rapids.

The scope of the original project concept was a four story mixed use building with hotel and retail
operations, but is now proposed as two phases. Phase I of the proposed Bobville project, to be executed by
20 Monroe Building Company, includes construction of a two story, 36,000 square foot building, and
adjacent outdoor area that will accommodate several thousand people for concerts, festivals, educational
purposes, conventions and fundraisers at the property located at 12 and 26 Monroe Avenue NW and 33 Ottawa Avenue NW in downtown Grand Rapids. Phase I will also include an approximately 5,000 square foot addition to the existing historic building known as The B.O.B., which is necessary to accommodate the new building.

Phase II of the project was not part of the original project concept, but creates a significant increase in residential density and investment on the site. For Phase II, Venue Tower, LLC has partnered with 20 Monroe Building Company LP and is proposing to construct a new twelve story tower (approximately 85,500 gross square foot) adjacent to the entertainment area that will house approximately 96 market rate apartments (studios, one and two bedroom units) and associated resident amenities such as a workout facility, club room and common space.

In order to complete the additional investment the applicant is requesting an additional three years to complete the project, until December 14, 2018. Program specific requirements are addressed in Appendix A.

Orion Construction has recently received MCRP incentives for the Arena Place and Eastown Flats projects in the City of Grand Rapids. Arena Place is an eleven story mixed use project in downtown Grand Rapids that is approximately mid-way through the construction process and received a $4.5 million CRP loan participation agreement in April 2014. Eastown Flats received an $800,000 performance based CRP grant agreement and is comprised of two three to four story mixed use buildings in the Eastown neighborhood of Grand Rapids. This project is nearly complete. Orion is currently under consideration for an Act 381 work plan request of $2,569,765 to build the Gateway at Belknap mixed use apartment building.

Project area map and renderings are depicted in Appendix B.

Other State and Local Assistance to the Project
The Grand Rapids Downtown Development Authority has approved $1.75 million in tax increment revenues in support of the project.

Recommendation
The MEDC staff recommends approval of the Large Brownfield tax credit amendment request to: change the scope of the project, add qualified taxpayer Venue Tower, LLC, and extend time to complete the project until December 14, 2018.
APPENDIX A

BROWNFIELD MBT
20 Monroe Building Company Limited Partnership
20 Monroe Avenue NW
Grand Rapids, Michigan 49503

Contact: John F. Gilmore, President or Gregory S. Gilmore, CEO

<table>
<thead>
<tr>
<th></th>
<th>Previous Approval</th>
<th>Amendment</th>
</tr>
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<tbody>
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<td>$22,600,000</td>
<td>$22,790,422</td>
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<tr>
<td>Requested Credit Amount:</td>
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<td>$4,520,000 (Capped)</td>
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<td>Requested Credit Percentage:</td>
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<td>20%</td>
</tr>
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The project is a multi-phase project and will be completed in two (2) phases as described below:

**Phase I** – Construction of a two story, 36,000 square foot building, and adjacent outdoor area.

**Phase II** – Construction of a new twelve story tower that will house approximately 96 market rate apartments and associated resident amenities.

**COST OF ELIGIBLE INVESTMENTS BY PHASE**

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<thead>
<tr>
<th>Phase</th>
<th>Demolition</th>
<th>Site Improvements</th>
<th>New Construction</th>
<th>Addition of Equipment &amp; Fixtures</th>
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**TOTAL COST OF ELIGIBLE INVESTMENTS**

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<th></th>
<th></th>
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<td>Demolition</td>
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<td>Site Improvements</td>
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<td></td>
<td></td>
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<td>$22,790,422</td>
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APPENDIX B

PROJECT AREA MAP
At the meeting of the Michigan Strategic Fund (“MSF”) held on August 25, 2015 in Lansing, Michigan.

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

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

WHEREAS, by Resolution 2010-212 on December 14, 2010, the MEGA Board awarded a Brownfield MBT Tax Credit to 20 Monroe Building Company LP (the “Applicant”) to make eligible investment up to $22,600,000 at an eligible property in the City of Grand Rapids (the “Project”);

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

WHEREAS, a request has been submitted to amend the Project to add Venue Tower, LLC as an additional qualified taxpayer, increase the eligible investment to $22,790,422, add three years to complete the project, and amend the project from a single phase project to a multi-phase project as follows:

Phase I – Construction of a two story, 36,000 square foot building, and adjacent outdoor area;

Phase II – Construction of a twelve story tower that will house approximately 96 market rate apartments and associated amenities; and

WHEREAS, the Michigan Economic Development Corporation provides administrative services to the MSF, and recommends approval of the amendment by the MSF Board, provided that the maximum credit amount does not exceed $4,520,000.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board amends the Project by adding Venue Tower, LLC as an additional qualified taxpayer, increase the eligible investment to $22,790,422, add three years to complete the project, and amend the project from a single phase project to a multi-phase project as follows, provided that the maximum credit does not exceed $4,520,000:

Phase I – Construction of a two story, 36,000 square foot building, and adjacent outdoor area;

Phase II – Construction of a twelve story tower that will house approximately 96 market rate apartments and associated amenities.

BE IT FURTHER RESOLVED, that if all components of the Project are not completed, the qualified taxpayer shall pay to the State, as a penalty, an amount equal to all the credits claimed and assigned for all components of the Project, including interest from the date the credit was claimed or assigned.
BE IT FURTHER RESOLVED, that all other provisions of Resolution 2010-212, as amended are reaffirmed and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
August 25, 2015
MEMORANDUM

Date: August 25, 2015

To: Michigan Strategic Fund Board

From: Ryan Kilpatrick, Community Assistance Specialist
Dan Wells, Brownfield Program Senior Specialist

Subject: City of Grand Rapids Brownfield Redevelopment Authority Community Incentive Program — Act 381 Work Plan Approval

Request
The City of Grand Rapids Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of $2,569,765. The Gateway at Belknap project will include 12,300 square feet of newly constructed retail space as well as 86 new, market rate residential units and a two-level, sub-grade parking structure.

Significant costs associated with demolition, site preparation and infrastructure make this project financially unfeasible without the support of the brownfield program. The tight urban layout of the site requires a sub-grade, multi-level parking deck which requires significant earth work, sheeting and construction costs. The project is located outside the central business district where residential rental rates have not yet reached a point at which the costs for these improvements, in addition to debt service on the project can be offset by rental rates alone.

Eligible brownfield activities include the demolition of existing structures on the site, site preparation, and infrastructure improvements including new curbs, gutters, sidewalks, road repairs, landscaping in the public right-of-way, and a newly constructed 161 space, subgrade parking deck. These activities will alleviate Brownfield conditions across the site and make it suitable for redevelopment and protect human health and the environment.

Approximately 60 permanent full-time jobs are anticipated to be created by the project at an average hourly wage of $20. The total capital investment will be approximately $18.7 million.

Background
The property is currently owned by The Gateway at Belknap, LLC which is managed by Orion Construction, a design-build firm based in Grand Rapids, Michigan. Orion has begun development of the $44,000,000 mixed use project in downtown Grand Rapids known as Arena Place, which is currently under construction and incented with a $4.5 million MCRP loan participation. They recently completed construction of the Eastown Lofts in Grand Rapids, which received approval for $191,700 in Act 381 tax capture and an $800,000 performance based MCRP grant. They are currently under consideration for an amendment to the 20 Monroe Building (AKA Bobville) project to be added as a qualified taxpayer to construct a twelve story residential building.
The school taxes will be utilized to alleviate Brownfield conditions to redevelop approximately 2.8 acres of property located at 500-508 Coit Avenue NE, 215-255 Hastings Street NE, 519-547 Clancy Avenue NE and 214 Trowbridge Street NE in the City of Grand Rapids. The project will consist of demolishing all existing buildings on the site and construction of a three story apartment building and one detached cottage-style unit. The building will fill the full length of the block of Clancy Avenue NE between Hastings Street and Trowbridge Street. The building will contain approximately 12,300 square feet of retail space on the first floor along Hastings Street and approximately 71,022 square feet of residential market rate apartments (86 studio, 1 and 2 bedroom units) on the second and third floors. A 1,000 square foot, 3 bedroom house will be located along Trowbridge. The two level sub-grade parking ramp will contain approximately 161 spaces. The project will also include landscaping and streetscape improvements. The project’s statutory requirements are addressed in Appendix A.

Again, Orion Construction is a general contractor and construction management firm that has previously received state incentives for the Arena Place development ($4.5M CRP loan participation) and the Eastown Flats project ($800,000 performance based CRP grant). Arena Place is approximately 40% completed and Eastown Flats was completed in June of 2015.

Property Eligibility
The project is located within the boundaries of the City of Grand Rapids, which is a Qualified Local Governmental Unit, and has been determined to be a facility as verified by Michigan Department of Environmental Quality (DEQ) on August 3, 2015. A project map is included in Appendix B.

The property is the subject of a Brownfield Plan, duly approved by the City of Grand Rapids on June 16, 2015.

Other State and Local Assistance to the Project
The City of Grand Rapids Brownfield Authority has approved $1.37 million in local tax increment finance capture to support the project and the City of Grand Rapids has approved a Neighborhood Enterprise Zone with an estimated value of $262,000 to 21 units of the residential portions of the project.

Recommendation
The MEDC 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 $2,569,765 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $1,328,312.
APPENDIX A

ADDITIONAL STATUTORY CRITERIA UNDER ACT 381:
Act 381 requires the following information to understand and explain the benefits of the project.

a) **Overall Benefit to the Public:**
The public will benefit from the significant investment in this area of the Belknap neighborhood as it will encourage others to invest in surrounding properties. The project will provide new retail to better serve the neighborhood and new residents occupying the apartments at the eligible property. The project will increase residential density in the city and support and promote a vibrant downtown. The project will add jobs to the neighborhood and will improve public infrastructure around the Eligible Property.

b) **Jobs Created (Excluding Construction and other Indirect Jobs):**
Approximately 60 permanent full-time jobs are anticipated to be created by the project at an average hourly wage of $20.

c) **Area of High Unemployment:**
The City of Grand Rapids unadjusted jobless rate was 5.4% in June 2015.

d) **Level and Extent of Contamination Alleviated:**
The Property contains concentrations of Copper, Lead, Mercury, Selenium and Zinc in the soil exceeding Michigan's Generic Residential Cleanup Criteria. Gateway will undertake due care and additional response activities, as necessary, to address the existing contamination during the construction process. Environmental costs associated with the project are estimated to be approximately $45,000.

e) **Reuse of Functionally Obsolete Buildings and/or Redevelopment of Blighted Property:**
The project is not qualifying as functionally obsolete or blighted.

f) **Cost Gap that Exists between the Property and a Similar Greenfield Property:**
The Brownfield TIF is needed to offset the cost for demolition, site preparation and infrastructure improvements which are considered extraordinary brownfield costs associated with the reuse of this urban site.

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

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

i) **Other Factors Considered:**
No additional factors need to be considered for this project.
Tax Capture Breakdown
There are 46.4324 non-homestead mills available for capture, with school millage equaling 24 mills (51.69%) and local millage equaling 22.4324 mills (48.31%). A Neighborhood Enterprise Zone has been approved for a portion of the project that is in effect for twelve years, abating state school and local taxes proportionally. Tax increment capture will begin in 2016 and is estimated to continue for seventeen years. The requested tax capture for MSF eligible activities breaks down as follows:

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<tr>
<th>Description</th>
<th>Amount</th>
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<tr>
<td>School tax capture (51.69%)</td>
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<tr>
<td>Local tax capture (48.31%)</td>
<td>$1,241,453</td>
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<td><strong>TOTAL</strong></td>
<td><strong>$2,569,765</strong></td>
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Cost of MSF Eligible Activities

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<td>Infrastructure Improvements</td>
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<td>Site Preparation</td>
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<td><strong>Sub-Total</strong></td>
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<td>Contingency (15%)</td>
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<td><strong>Sub-Total</strong></td>
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<td>Brownfield/Work Plan Preparation</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$2,569,765</strong></td>
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APPENDIX B

MAP OF PROJECT AREA
Current Conditions

Final Elevation
MICHIGAN STRATEGIC FUND
RESOLUTION 2015-
APPROVAL OF A BROWNFIELD WORK PLAN
CITY OF GRAND RAPIDS BROWNFIELD REDEVELOPMENT AUTHORITY
BELKNAP NEIGHBORHOOD PARCELS

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 City of Grand Rapids Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 500-508 Coit Avenue NE, 215-255 Hastings Street NE, 519-547 Clancy Avenue NE and 214 Trowbridge Street NE within the City of Grand Rapids, known as Belknap Neighborhood Parcels (the “Project”);

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

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

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as the 51.69% to 48.31% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, and infrastructure improvements as presented in the revised Work Plan dated July 21, 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 $2,559,765 for the principal activity costs.
of non-environmental activities and a contingency, and a maximum of $10,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of $1,328,312.

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 (3) years.

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

Ayes:

Nays:

Recused:

August 25, 2015
Lansing, Michigan
MEMORANDUM

Date: August 25, 2015

To: Michigan Strategic Fund Board

From: Dan Wells, Brownfield Program Senior Specialist
Marilyn Crowley, Community Assistance Specialist

Subject: City of East Lansing Brownfield Redevelopment Authority
Act 381 Work Plan Amendment Approval
Small Brownfield MBT Credit Amendment #4 Approval
Holiday Townhouse, LLC – Phase III Project

Request
The project involves the redevelopment of approximately 1.5 acres of property located at 308-346 West Grand River Drive in the City of East Lansing. Holiday Townhouse, LLC requests the following amendments be made to the Holiday Townhouse Project, originally approved by the MEGA Board Chairperson on May 16, 2006: add Qualified Taxpayer Gateway of East Lansing, LLC, and change the scope of the previously approved project for Phase III. The previously approved credit amount of $1,042,943 remains as approved.

The City of East Lansing Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of $3,668,065. The incentive addresses weak market conditions and risk associated with this Brownfield site. Given the historical uses of the eligible property, significant costs were incurred to prepare the site for new construction. Therefore, the cost for demolition, lead and asbestos abatement, site preparation and infrastructure improvements are considered extraordinary brownfield costs associated with the reuse of this site. In addition, the cost of the project will be higher than the value of the completed building and the tax increment reimbursement is necessary to provide cash flow to pay for long term bank financing. Private financing has been maximized, with a debt coverage ratio of only 1.15 with assistance from the MEDC. The developer was only able to secure financing contingent upon approval of brownfield tax increment financing and MBT. The developer will contribute upwards of 25% cash equity investment, demonstrating substantial commitment to the project. The proforma indicates the project does not generate enough cash on cash return to attract additional private investment, predicting only a 7.7% return by year five.

Approximately 5 permanent full-time jobs are anticipated to be created by the retail portion of the project at an average hourly wage of $10. The total capital investment will be approximately $8.5 million for Phase III, with a total of $20 million for Phases I-III, well above the original estimate of $12 million in 2006.

Background
The current amendment request is to add Gateway of East Lansing, LLC, which is a single purpose entity formed to facilitate construction of Phase III. The lead for this project is DTN Management Co., a property management company based in Lansing, Michigan that holds a portfolio including 115 residential communities and nearly one million square feet of commercial and retail space with over forty years of
experience. Neither Gateway of East Lansing, LLC nor DTN Management Co. have received previous incentives with the MEDC.

The second request is to change the scope of Phase III back to a four story mixed use building with 7,800 square feet of ground floor retail, 39,800 square feet of residential on upper floors and construct an adjacent parking deck to serve the building. Phase III will be considered complete at the time the core and shell is finished and the rough inspection sign-off by City of East Lansing building inspectors for electrical, plumbing, mechanical and framing is obtained. Despite the changes made to this project over the years, the proposed project still meets most of the high priority goals of the city and the MEDC. The finished project will result in a revitalized vacant lot, private investment, job creation and increased community and economic vitality. Program specific qualifications are addressed in Appendix A.

The project was originally approved for construction of a four story retail and residential building with subsurface parking (Phase I), and fifteen townhouses (Phase II). The originally approved qualified taxpayer, Holiday Townhouse, LLC, was unable to complete the project due to market conditions at the time and API West Village, LLC was added in 2006. On March 4, 2008, the time to complete the project was extended to May 16, 2016, and the first phase was split into two phases; seven townhouses (Phase I), and eight townhouses (Phase II). The four story retail and residential building with subsurface parking was designated Phase III. On December 22, 2010 the project was amended to reclassify the project as an Urban Development Area Project, increasing the credit percentage from 10% to 20%, and changed the scope of Phase III to a five story Marriott Hotel, with subsurface parking. Phases I and II were completed by API West Village, LLC and a certificate of completion was issued for them in the amount of $190,145 on October 28, 2013, but the developer was unable to finalize a deal with Marriott Hotels.

The original work plan was approved by MEGA March 14, 2006 for a total of $1,863,613 in eligible activity costs. Since then approximately $1,781,962 in costs including Baseline Environmental Assessments, demolition, asbestos abatement, site preparation, infrastructure improvements and Brownfield plan preparation have been incurred during completion of Phases I and II. To complete Phase III, eligible activity costs are expected to be approximately $1,896,800, increasing the total by $1,815,149 to $3,678,762. Phase III costs include demolition, site preparation, infrastructure improvements, and Brownfield plan preparation. Approximately $1.6 million is for a multistory parking deck with 62 spaces.

The property is currently owned by Parkwood Condos, LLC which has transferred the deed to Gateway of Lansing, LLC, which will complete the eligible investment for Phase III, and will be the recipient of the TIF reimbursement under the work plan.

A project map is depicted in Appendix B.

**Recommendation**

The MEDC recommends the approval of the requested Brownfield MBT amendments to add Qualified Taxpayer Gateway of East Lansing, LLC, and change the scope of the previously approved project for Phase III. Phase III will be considered complete at the time the core and shell is finished and the rough inspection sign-off by City of East Lansing building inspectors for electrical, plumbing, mechanical and framing is obtained. MEDC also recommends approval of the request by City of East Lansing Brownfield Redevelopment Authority to amend the work plan to capture local and school taxes for the MSF eligible activities totaling $3,668,065 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $1,255,212.
APPENDIX A

BROWNFIELD MBT

<table>
<thead>
<tr>
<th></th>
<th>Original Approval</th>
<th>Amendment 1</th>
<th>Amendment 2-4</th>
</tr>
</thead>
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<td>Project Eligible Investment:</td>
<td>$5,214,719</td>
<td>$5,214,719</td>
<td>$5,214,719</td>
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<tr>
<td>Credit Amount:</td>
<td>$521,471</td>
<td>$521,471</td>
<td>$1,042,943</td>
</tr>
<tr>
<td>Credit Percentage:</td>
<td>10%</td>
<td>10%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Qualified Taxpayer: API West Village, LLC
1575 Ramblewood, Suite 220
East Lansing, Michigan 48823

Contact: Dr. Chris Abood, Manager

The project is a multi-phase project and will be completed in three (3) phases as described below:

**Phases I & II** – New construction of fifteen townhouses along Grand River Avenue (Phase I) and Hillcrest Avenue (Phase II). These two phases are complete.

**Phase III** – New construction of a four story mixed use building with 7,800 square feet of ground floor retail, and 39,800 square feet of residential apartments. Phase III will be considered complete at the time the core and shell is finished and the rough inspection sign-off by City of East Lansing building inspectors for electrical, plumbing, mechanical and framing is obtained.

**COST OF ELIGIBLE INVESTMENTS BY PHASE**

**Phase I (Complete)**
New Construction $507,055
Phase I Total $507,055

**Phase II (Complete)**
New Construction $443,673
Phase II Total $443,673

**Phase III**
New Construction $4,263,990
Phase III Total $4,263,990

**TOTAL COST OF ELIGIBLE INVESTMENTS**
New Construction $5,214,717
TOTAL $5,214,717
**ACT 381 TAX INCREMENT FINANCING**

**Tax Capture Breakdown**
There are 70.1417 non-homestead mills available for capture, with school millage equaling 24 mills (34.22%) and local millage equaling 46.1417 mills (65.78%). Tax increment capture began in 2007 and is estimated to continue for 19 more years. The requested tax capture for MSF eligible activities breaks down as follows:

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>School tax capture (34.22%)</td>
<td>$1,255,212</td>
</tr>
<tr>
<td>Local tax capture (65.78%)</td>
<td>$2,412,853</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$3,668,065</strong></td>
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</tbody>
</table>

**Cost of MSF Eligible Activities**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demolition</td>
<td>$99,421</td>
</tr>
<tr>
<td>Lead or Asbestos Abatement</td>
<td>$30,914</td>
</tr>
<tr>
<td>Infrastructure Improvements</td>
<td>$1,846,751</td>
</tr>
<tr>
<td>Site Preparation</td>
<td>± $948,996</td>
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<tr>
<td><strong>Sub-Total</strong></td>
<td>$2,926,082</td>
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<tr>
<td>Contingency (15%)</td>
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<tr>
<td><strong>Sub-Total</strong></td>
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</tr>
<tr>
<td>Interest (5%)</td>
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</tr>
<tr>
<td><strong>Sub-Total</strong></td>
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<tr>
<td>Brownfield/Work Plan Preparation</td>
<td>± $27,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$3,668,065</td>
</tr>
</tbody>
</table>
APPENDIX B

MAP OF PROJECT AREA
At the meeting of the Michigan Strategic Fund (“MSF”) held on August 25, 2015 in Lansing, Michigan.

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

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

WHEREAS, the MEGA Board approved a Work Plan request for the Holiday Township, LLC Redevelopment Project (the “Project”), by Resolution 2006-12 on March 14, 2006, authorizing the Authority to capture taxes levied for school operating purposes based on a maximum of $1,863,613 in eligible activities;

WHEREAS, the qualified taxpayer wishes to amend the scope of the Project by incorporating costs for infrastructure improvements related to Phase III of the Project, and increasing the maximum amount for eligible costs;

WHEREAS, the City of East Lansing Brownfield Redevelopment Authority (the “Authority”) is requesting MSF approval to capture additional taxes levied for school operating purposes to provide for the reimbursement of the cost of eligible activities on an eligible property; and

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes a project scope amendment for the Authority to capture taxes levied for school operating purposes in substantially the same proportion as the 34.22% to 65.78% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of infrastructure improvements and site preparation as presented in the revised Work Plan dated July 28, 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 $3,194,899 for the principal activity costs of non-environmental activities and a contingency, a maximum of $446,166 in interest, work plan preparation costs of $27,000 and with the capture of taxes levied for school operating purposes being limited to a maximum of $1,255,212.

BE IT FURTHER RESOLVED, that the MSF Board authorizes the staff of the MSF, 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 East Lansing, 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 staff. Eligible activities authorized by this resolution must be completed within three (3) years of the date this Resolution is adopted. At the time of a request for a Certificate of
Completion for the Tax Credit related to this project, the applicant shall also submit appropriate documentation for reimbursement for Act 381 eligible activities related to the underground parking to the City of Detroit.

BE IT FURTHER RESOLVED, that the MSF Board is authorizing the capture of taxes levied for school operating purposes for the payment of interest, up to a maximum of $446,166 related to the eligible activities for the Project.

Ayes: 
Nays: 
Recused:

August 25, 2015  
Lansing, Michigan
MICHIGAN STRATEGIC FUND

Resolution 2015 –

Holiday Townhouse, LLC
Brownfield Redevelopment MBT Credit – Amendment #4
City of East Lansing

At the meeting of the Michigan Strategic Fund (“MSF”) held on August 25, 2015 in Lansing, Michigan.

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

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

WHEREAS, on May 16, 2006, the MEGA Chairman issued a pre-approval letter for a Small Brownfield MBT Tax Credit to Holiday Townhouse, LLC (the “Applicant”) to make eligible investment up to $5,214,719 at an eligible property in the City of East Lansing (the “Project”);

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

WHEREAS, a request has been submitted to amend the Project to add Gateway of East Lansing, LLC as an additional qualified taxpayer and amend the project to a four story, mixed use building with 7,800 square feet of retail and 39,800 square feet of residential use, together with an adjacent parking deck to serve the building; and

WHEREAS, the Michigan Economic Development Corporation provides administrative services to the MSF, and recommends approval of the amendment by the MSF President, provided that the maximum credit amount does not exceed $1,042,943.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board recommends that the MSF President issue an amended pre-approval letter to amend the Project by adding Gateway of East Lansing, LLC as an additional qualified taxpayer and amend the project to a four story, mixed use building with 7,800 square feet of retail and 39,800 square feet of residential use, together with an adjacent parking deck to serve the building, provided that the maximum credit does not exceed $4,520,000.

Ayes:

Nays:

Recused:

Lansing, Michigan
August 25, 2015
MEMORANDUM

Date: August 25, 2015

To: MSF Board Members

From: Kelly Wolgamott, Director, Travel Marketing and Brand

Subject: Tourism Marketing and Advertising Services Contract Amendment

REQUEST
This request is for the MSF Board to approve an additional $1,714,096.33, FY2015 funds to the existing contract with McCann Erickson USA, Inc. for tourism marketing and advertising services in the amount of $25,125,530.88. This amount is for production, Michigan media support, Brand USA/PPC/fall media and Detroit Airport international signage.

BACKGROUND
On September 21, 2011, the MSF Board approved a tourism marketing and advertising RFP (“Pure Michigan RFP”) (Resolution 2011-142) and authorized the MSF Fund Manager to appoint a Joint Evaluation Committee (“JEC”) to review the proposals. The MSF subsequently awarded the tourism marketing and advertising contract with McCann Erickson USA, Inc., (Resolution 2011-168) for the period of January 1, 2012 to September 30, 2014, with the option to extend the contract for two additional one-year terms.

During the initial contract term, McCann Erickson has led the creative development and strategy that powers the nationally recognized Pure Michigan travel brand. The Pure Michigan brand has been honored with dozens of industry awards and is recognized across the travel industry as a tourism marketing leader. Every year, the campaign demonstrates its success through the annual increase of return on investment; these impressive results are outlined in the attached document.

At the September 17, 2014, the MSF Board approved a one-year extension of the agreement (Resolution 2014-160).

RECOMMENDATION
The MEDC recommends that the MSF Board allocate $1,714,096.33, and authorize the Fund Manager to enter into an extension of the contract agreement with McCann Erickson USA, Inc. for travel marketing and advertising services.
MICHIGAN STRATEGIC FUND

RESOLUTION

2015-

MCCANN-ERICKSON USA, INC. CONTRACT FOR TRAVEL MARKETING (Amendment #5)

WHEREAS, Public Act 489 of 2000, MCL 12.251 to 12.260, created the Michigan Trust Fund Act, of which the 21st Century Jobs Trust Fund (“Trust Fund”) is established;

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

WHEREAS, on November 30, 2011, the Michigan Strategic Fund (“MSF”) approved the use of McCann-Erickson USA, Inc. as the vendor for travel marketing and promotional campaign for the promotion of tourism for a period of three years, with the option for two additional one year extensions;

WHEREAS, on September 17, 2015, the MSF and McCann-Erickson approved the first one-year extension to the term;

WHEREAS, McCann-Erickson wishes to amend the contract to increase the contract amount by $1,714,096.33 for additional work for production, Michigan media support, Brand USA fall media, and the Detroit Metro Airport for international signage within the first one-year extension to the term;

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

WHEREAS, the MEDC recommends that the MSF increase the contract amount by $1,714,096.33 for additional work for production, Michigan media support, Brand USA fall media, and the Detroit Metro Airport for international signage within the first one-year extension to the term.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board amends and restates the McCann-Erickson USA, Inc. contract to increase the contract amount by $1,714,096.33 for approved additional production, Michigan media support, Brand USA fall media, and the Detroit Metro Airport for international signage on behalf of the MSF within the first one-year extension to the term; and

BE IT FURTHER RESOLVED, that the MSF Fund Manager is authorized to execute the amended and restated McCann-Erickson USA, Inc. contract consistent with the terms of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
August 25, 2015
MEMORANDUM
Date: August 25, 2015
To: MSF Board Members
From: Michelle Grinnell, Public Relations Manager
Subject: Public Relations Services Amendment

REQUEST
This request is for the MSF Board to approve additional FY2015 funds to the existing contract with Weber Shandwick for public relations content and planning for Travel Michigan in the amount of $100,000. The amended contract amount for Travel Michigan PR services is $1,035,175.

BACKGROUND
On June 22, 2011, the MSF Board approved issuance of a public relations services Request for Proposal (“RFP”) and authorized the MSF Fund Manager to appoint a Joint Evaluation Committee (“JEC”) to review the proposals (Resolution 2011-093). The MSF subsequently awarded the public relations contract to Weber Shandwick (Resolution 2011-123), for the period of September 1, 2011 to September 30, 2014, with the option to extend the contract for two additional one-year terms (Resolution 2011-123).

During the initial contract term, Weber Shandwick has achieved significant media coverage for the State of Michigan, but has also established Pure Michigan as a national leader across all major social media platforms. The Pure Michigan brand has been honored with dozens of industry awards and is recognized across the travel industry as a marketing leader. Every year, the campaign demonstrates its success through the annual increase of return on investment for travel marketing; these impressive results are outlined in the attached document.

On September 17, 2014, the MSF Board approved a one-year extension of the agreement (Resolution 2014-161).

RECOMMENDATION
The MEDC recommends that the MSF Board allocate $100,000 and authorize the Fund Manager to enter into an extension of the contract agreement with Weber Shandwick, for Travel Michigan public relations services.
WHEREAS, Public Act 489 of 2000, MCL 12.251 to 12.260, created the Michigan Trust Fund Act, of which the 21st Century Jobs Trust Fund (“Trust Fund”) is established;

WHEREAS, Public Act 270 of 1984, MCL 125.2088b(4), provided for not more than five percent of the annual appropriations as provided by law from the Trust Fund may be used for business development and business marketing costs;

WHEREAS, on August 24, 2011, the Michigan Strategic Fund (“MSF”) approved the use of Weber Shandwick Worldwide as the vendor for the public relations and digital marketing program for a period of three years, with the option for two additional one year extensions;

WHEREAS, on September 17, 2014, the MSF approved the first one-year extension to the term;

WHEREAS, Weber Shandwick Worldwide wishes to amend the contract to increase the contract amount by $100,000 for additional work for the travel website, social media, and public relations within the first one-year extension to the term;

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

WHEREAS, the MEDC recommends that the MSF increase the contract amount by $100,000 for additional work for the travel website, social media, and public relations.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board amends and restates the Weber Shandwick Worldwide contract by increasing the contract amount by $100,000 for additional work on behalf of the MSF for the travel website, social media, and public relations; and

BE IT FURTHER RESOLVED, that the MSF Fund Manager is authorized to execute the amended and restated Weber Shandwick Worldwide contract consistent with the terms of this resolution.

Ayes:  
Nays:  
Recused:

Lansing, Michigan  
August 25, 2015
MEMORANDUM

Date: August 25, 2015
To: MSF Board Members
From: Michelle Grinnell, Public Relations Manager
Subject: Pure Michigan Travel Guides RFP Award Recommendation

BACKGROUND
On February 24, 2015, the MSF authorized the release of an RFP is to enter into a contract with a full-service, integrated marketing partner and publisher for development, sales, production and proactive distribution of three seasonal Official State of Michigan Travel Guides, featuring articles with a focus on high quality content, editorial expertise, compelling photography and innovative—but proven—proactive distribution solutions.

Seven proposals were received in response to the Pure Michigan Travel Guide RFP. Responses were evaluated based upon a two-step selection process. The first step was an evaluation of which bids satisfactorily met the requirements of the RFP. The JEC determined that all seven proposals met required criteria and were considered for evaluation in Step II. To be considered for Step II, each bidder must have submitted a complete proposal in response the RFP using the format specified in the attached evaluation and scoring summary. The JEC evaluated all proposals and ranked the proposal from Meredith Corporation for *Midwest Living* with highest score. Of the price proposals that were opened, Meredith also was the lowest bid.

The strengths of the *Midwest Living* proposal are noted below:

**Advertising strategy & current customer base**
- Proven results selling to the Michigan travel industry
- Well thought-out overall advertising strategy including an excellent plan to maintain existing advertisers as well as a plan to target new in-state as well as corporate advertisers
- Experienced Michigan-based sale’s team with an extensive, long term relationship with the Michigan travel industry
- Bidder promises to deliver $800,000 in ad sales revenue annually, which off-sets just over half of the total cost ($1,552,300) to produce the three seasonal travel guides

**Distribution strategy**
- Strategically-targeted distribution that is consistent with the current Travel Michigan advertising target markets
• Ability to execute an unparalleled pro-active distribution strategy at a fraction of traditional direct-mail costs
• Utilize research-driven distribution tactics to continue to organically attract the best prospects for Michigan

Database Options
• The database options and direct mail opportunities are a key element of this proposal
• Midwest Living’s database opportunities are of scope and scale alluded to in the RFP and have the ability to proactively deliver up-to 650,000 copies to individual households that are consistent with Travel Michigan target market demographics
• Additionally, Meredith Corporation, the parent company of Midwest Living, currently has 25 million active subscribers and owns some 100 million unduplicated database names from across the US with a very strong presence in Travel Michigan’s current target markets

Innovative added-value components
• Added-value components demonstrate marketing ingenuity and ability to significantly extend the Pure Michigan brand message via additional print, television and digital platforms as well as additional custom publishing opportunities
• Readership survey
• Pure Michigan Governor’s Conference on Tourism premiere sponsorship

Content & Creative Deliverables
• Michigan-based travel writers, photographers and editors who have an intimate understanding of Michigan and the state’s extensive travel product
• Turnkey editorial and creative services
• Ability to deliver content for use across michigan.org website and across all of Travel Michigan’s social media platforms each month
• Free access to the Midwest Living’s extensive photography library for all of Travel Michigan’s print, advertising and web uses

Succinct understanding of the problems outlined in the RFP
• Bidder's response demonstrates a distinctly clear and thorough understanding of the purpose, goals and challenges presented in the RFP
• Bidder has a full grasp of ever-changing travel industry trends and reader interests

Project staffing
• Bidder’s core teams have an extensive first-hand knowledge of the Michigan tourism product
• Entire team of writers, photographers and graphic designers assigned to this initiative are Michigan-based
Agency of Record
While headquartered in Iowa, the company has a significant business presence and tax base in Michigan. Meredith operates offices in Flint, Saginaw and Troy, Michigan. Additionally, the Pure Michigan Travel Guides are printed at Quad Graphics in Midland, Michigan. It is also worth noting that Meredith Corporation’s economic activity in the State of Michigan from April 2014 to March 2015 is exceptional as noted below:

- Employed 183 people in the state
- Paid $12,479,000 in total gross compensation to Meredith’s Michigan employees
- Paid $530,360 in employee income tax in the state
- Paid $134,926 in Michigan property taxes
- Paid $77,910 in corporate income taxes
- Paid $1,511,000 capital budget for new business projects
- Paid $77,910 in annual rent

RECOMMENDATION
MEDC Staff recommends that the MSF award the official Pure Michigan Travel Guide to Meredith Corporation for Midwest Living. The contract period will be effective from approximately October 1, 2015 to September 30, 2018, with an allocation of up to $800,000.00 for each fiscal year of the three-year contract term, and the option of two, additional one-year extensions.
WHEREAS, on February 24, 2015, the Michigan Strategic Fund (“MSF”) issued a Request for Proposals for the Official State of Michigan Travel Guide (“Travel Guide RFP”) and authorized the MSF Fund Manager to appoint a Joint Evaluation Committee (“JEC”) to review the proposals;

WHEREAS, the JEC has evaluated all proposals and ranked the proposal by Meredith Corporation highest among all travel guide proposals;

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

WHEREAS, the MEDC recommends and the MSF desires to select the firm of Meredith Corporation as the vendor for the Official State of Michigan Travel Guide; and

WHEREAS, the MSF also desires to make an allocation of $800,000 from each fiscal year of the term of the Official State of Michigan Travel Guide.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the selection of Meredith Corporation as the vendor for the Official State of Michigan Travel Guide for an initial term of three years with the option to renew the contract for two additional one year terms at the sole discretion of the MSF Fund Manager;

BE IT FURTHER RESOLVED, that the MSF authorizes an allocation of $800,000 from each fiscal year in the term of the Official State of Michigan Travel Guide;

BE IT FURTHER RESOLVED, that the Board authorizes the MSF Fund Manager to negotiate final contract terms and to execute the Official State of Michigan Travel Guide contract on the MSF Board’s behalf so long as the final contract terms and conditions are not materially adverse to the interest of the MSF.

Ayes:

Nays:

Recused:

Lansing, Michigan
August 25, 2015