

MICHIGAN STRATEGIC FUND BOARD MEETING
November 28, 2012
1:30 p.m.

Michigan Economic Development Corporation
Lake Michigan Conference Room
300 N. Washington Square
Lansing, Michigan

REVISED AGENDA

Call to Order

A. Adoption of Proposed MSF Proposed Meeting Minutes – October 24, 2012 [Action Items]
Public Comment [Please limit public comment to three (3) minutes]
Communication [Information – Ellen Graham]

B. Administrative

1. Authorization of Funds for Michigan Film Office and Digital Production Assistance *Program* [Action Item – Margaret O’Riley]
2. WDA – MSF Memorandum of Understanding [Action Item – Mike Pohnl]
3. NMDC Delegation for MSF [Action Item – Karla Campbell]

C. Tool & Die Recovery Zone [Action Item – Karla Campbell]

1. Tower Tool & Manufacturing Company – Join Existing Tool and Die Recovery Zone – Township of Macomb, Macomb County
2. KEO Cutters, LLC [aka KEO Cutters, Inc.] d/b/a Arch Global Precision – Transfer Recovery Zone Benefits and Extend Duration of Existing Zone, City of Warren, Macomb County
3. Kelm Acubar, LC – Join Existing Tool & Die Recovery Zone – Benton Charter Township, Berrien County
4. Lansing Tool & Engineering, Inc. – Revocation – Lansing Township, Ingham County
5. Ideal Tool, Inc. – Revocation – City of Bay City, Bay County
6. Arbor Gage & Tooling, Inc. – Relocation – City of Grand Rapids, Kent County

D. Renaissance Zone [Action Item – Amy Lux]

1. Eyde Knapps Development – Amendment to Development Agreement – City of Lansing, Ingham County
2. Energetx Composites – Revocation of Existing Renewable Energy Renaissance Zone [RERZ] – Holland Township, Ottawa County
3. Shoreline Fruit, LLC – Revocation – New Agricultural Processing Renaissance Zone – Acme Township, Grand Traverse County

E. 21st Century Jobs Fund Program

1. Van Andel Institute - Funding Allocation [Action Item – Martin Dober]
2. Michigan Business Development Program
 - a. Dart Container of Michigan, LLC [Action Item – Marcia Gebarowski]
 - b. Materne North America Corporation [Action Item – Josh Hundt]
3. Michigan Community Revitalization Program
 - a. 618 South Main, LLC [Action Item – Joe Martin]
 - b. 857 West Washington Street Redevelopment Project [Action Item – Joe Martin]

F. Brownfield MBT Amendment – 205 South Division Avenue LDHA, LP, LP26 Cherry LDHA, LP [*Action Item – Dan Wells*]

G. Brownfield Act 381

1. 833 Michigan Redevelopment Project [*Action Item – Dan Wells*]
2. Harbortown Riverside Apartments Redevelopment Project [*Action Item – Mary Kramer*]

H. Private Activity Bonds [*Action Items – Diane Cranmer*]

1. Evangelical Homes of Michigan – Bond Authorizing
2. Detroit Renewable Energy LLC – Amend Inducement to Extend Expiration Date

I. CDBG - Application Guide Update [*Action Items – Deborah Stuart*]

Special Assistance: *The location of this meeting is accessible to mobility-challenged individuals. Persons with disabilities needing accommodations for effective participation in the meeting should contact Ellen Graham at 517.241.2244 one week in advance to request mobility, visual and hearing or other assistance.*

MICHIGAN STRATEGIC FUND BOARD MEETING
October 24, 2012
PROPOSED MEETING MINUTES

A meeting of the Michigan Strategic Fund [MSF] Board was held on Wednesday, October 24, 2012 at the Michigan Economic Development Corporation, Lake Michigan Room, 300 N. Washington Square, Lansing, Michigan 48933.

MEMBERS PRESENT: Steve Hilfinger, Paul Hodges [via phone], Mike Jackson, Andrew Lockwood [acting for and on behalf of Andy Dillon, designation attached], Bill Martin, Mark Morante [acting for and on behalf of Michael Finney, designation attached], Howard Morris [via phone], Richard Rassel, Shaun Wilson

MEMBERS ABSENT: Sabrina Keeley, Jim Petcoff

CALL TO ORDER: Mr. Morante called the meeting to order at 1:30 p.m.

APPROVAL OF THE SEPTEMBER, 27, 2012 MICHIGAN STRATEGIC FUND [MSF] BOARD MEETING MINUTES, AUGUST 22, 2012, MICHIGAN NEXT ENERGY AUTHORITY BOARD [MNEA] MEETING MINUTES, AND MICHIGAN ECONOMIC GROWTH AUTHORITY [MEGA] BOARD MEETING MINUTES: Mr. Morante asked if there were any questions from the Board. There being none, Mr. Lockwood motioned approval of the September 27, 2012 MSF Board meeting minutes, August 22, 2012 MNEA Board meeting minutes, and August 22, 2012 MEGA Board meeting minutes. Mr. Martin seconded the motion. The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

PUBLIC COMMENT: Mr. Morante asked if there were any comments from the public. There was none.

COMMUNICATIONS: Ellen Graham Board Relations Liaison advised the Board of the following:

1. The Agenda for the meeting had changes:
 - a. Revisions made to the Resolution for Item C1, Business Incubator and Accelerator RFP;
 - b. Item C3a, La-Z Boy, Inc. was removed from the agenda;
 - c. Revisions made to the Resolution for Item D2, Continental Automotive Holdings, US, Inc.;
 - d. Revisions made to the Board Memo for Item H3, Evangelical Homes of Michigan.
2. A recusal letter had been received from Richard Rassel for Nexteer Automotive Corporation.
3. A recusal letter had been received from Shaun Wilson for TKP Holdings/Coastal Container Corporation.
4. Paul Hodges and Howard Morris attended meeting via phone.

ADMINISTRATIVE: Ellen Graham presented the 2013 MSF Board meeting dates to be approved by the Board. Mr. Morante asked if there were any questions. There being none, Mr. Rassel motioned approval of the 2013 MSF Board meeting dates. Mr. Martin seconded the motion. The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

21st Century Jobs Fund Program

Resolution 2012-129 – Business Incubator and Accelerator RFP

Paula Sorrel, Managing Director, Entrepreneurship Services, provided the Board with information regarding this action item.

Ms. Sorrel informed the Board that since 2009 the MSF Board has provided funding to business incubators to stimulate the creation and continued growth of technology-based businesses and jobs by capitalizing on the State of Michigan's growing base of high technology industry, its skilled labor force, its nationally recognized university system, its SmartZones and its business incubators. The MSF has been directed to award grants that total not more than \$8.5 million for business incubators and accelerators for:

- a. A high performance regional business incubator or accelerator that provides services in at least eight counties and received funding as an auto technology business accelerator;
- b. Funding of not less than \$750,000 and not greater than \$1 million awarded to one high performance business incubator or accelerator in a city with a population greater than 650,000;
- c. Funding of not less than \$500,000 and not greater than \$1 million for governmental units in Houghton, Isabella, Kent, Macomb, Oakland, Washtenaw and Midland counties as well as a Mason county business incubator that provides services to Lake, Mason, Manistee and Oceana counties.
- d. Funding of not less than \$275,000 and not greater than \$1 million shall be awarded to one high performance business incubator or accelerator in Ingham County.

The MEDC requests that the MSF release the 2013 Business Incubator Request for Proposals in the amount of \$8.5 million to solicit proposals in response to the guidelines identified in Section 1034 public Act 200 of 2012 as listed above. Ms. Sorrel provided the Board with the proposed timeline for the execution of the RFP. The Joint Evaluation Committee [JEC] recommendation was provided to the Board for their approval.

Recommendation: Staff recommends the MSF approve an allocation of \$8.5 million for the program; approve the RFP; appointment of the JEC; and approve scoring and evaluation criteria.

Board Discussion: Mr. Morante asked if some of the funding had been preselected. Ms. Sorrel stated the legislature had earmarked funding for specific areas. Funding in the amount \$7.025 million had been designated. The remaining \$1.75 million would be distributed as needed to current awardees or new projects. There being no further questions, **Mr. Hilfinger motioned approval for Resolution 2012-129. Mr. Lockwood seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

Credit Suisse Quarterly Update

Emily Heintz, Capital Services Associate, introduced Sean O'Donnell, CFA, Principal, Customized Fund Investment Group and Michael Kell, CFA, Principal, Customized Fund Investment Group from Credit Suisse.

Mr. Kell advised the Board as of March 31, 2012 the Michigan 21st Century Investment Funds have drawn approximately 63.2% of their capital commitments. Many of the funds have multiple years remaining in the investment period and Credit Suisse is actively assessing Michigan investment plans and activity for all fund managers. Mr. O'Donnell further explained that as of September 2012, the Michigan 21st Century Investment Fund managers have invested \$104.9 million into 25 Michigan-based portfolio companies of which have 809 Michigan employees. Fund managers have invested nearly 1.52 times the amount they have drawn from the Fund. Overall, \$611.3 million of equity has been invested into these 25 portfolio companies by all syndicate partners. These portfolio companies continue to be diversified across sectors, including life sciences, manufacturing, healthcare, IT, waste services and media. Further, in 2011, Michigan headquartered firms managed 34 capital funds and Michigan office venture firms

managed 18. Together, these 54 funds have 335 active portfolio companies. The average venture capital fund size among Michigan-based firms is \$41 million and \$60 million among all funds headquartered or with an office in Michigan. As venture firms raise their next funds, the trend for larger fund sizes continues. Michigan now has 6 funds that are greater than \$100 million. There are 8 funds between \$50 and \$100 million and 13 funds less than \$50 million. Mr. Hilfinger asked about the \$9 million new fund in regards to how many have been funded. Mr. O'Donnell responded it was the responsibility of Credit Suisse to only review and make recommendations. Paul Brown, Vice President, Capital Services, MEDC, advised recommendations will be presented to the Board within the next couple of months. Mr. Morante inquired about pay-out as the funds mature and what happens to the money. Mr. Brown advised the money comes back to the permanent fund and the dollars are reallocated. Mr. Rassel asked if the legislature is making the appropriations. Mr. Brown advised they were not. Mr. Morante suggested Credit Suisse to return to report to the Board the long term strategy for 2013. Mr. Hilfinger asked if the Venture Capital is currently attractive as an alternative asset classification. Mr. Brown advised the returns for venture capital have not been as attractive as private equity.

Michigan Business Development Program

Resolution 2012-130 – Access Business Group, LLC

Josh Hundt, Manager, Development Finance, provided the Board with information on this action item.

Mr. Hundt advised the Board that on May 23, 2012, the MSF Board approved a Michigan Business Development Program [MBDP] performance based grant in the amount of \$1.6 million. Due to administrative limitations, all parties have been unable to enter into the Agreement within the allowable 120 days. Due to the delay in entering the agreement, the Company's project has been slowed and the Company is requesting extending the deadline to reach each milestone by four months.

Recommendation: Staff recommends an extension of the deadline to meet the requirements set forth in Distribution Milestone 1 from December 31, 2013 to April 30, 2014; extension of the deadline to meeting the requirements set forth in Disbursement Milestone 2 from December 31, 2014 to April 30, 2015; extension of the deadline to meet the requirements set forth in Disbursement Milestone 3 from December 31, 2015 to April 30, 2016; extension of the Term of the Agreement from Execution Agreement to December 31, 2017 to Execution of Agreement to April 30, 2018; re-approval of the MBDP proposal as outlined in term sheet; closing the MBDP proposal, subject to available funding under the MBDP at time of closing; satisfactory due diligence; finalization of all MBDP transaction documents as well as commitment will remain valid for 90 days with approval for the MSF Fund Manager to extend the commitment an additional 30 days.

Board Discussion: Mr. Morante asked if there were any questions from the Board. There being none, **Mr. Hilfinger motioned approval for Resolution 2012-130. Mr. Martin seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

Resolution 2012-131 – Approval of a Michigan Business Development Program Grant to RNFL Acquisition LLD d.b.a. Michigan Renewable Carbon

Resolution 2012-132 – Transfer of Time Extension for an Existing Renaissance Zones: KI Sawyer Renaissance Zone, County of Marquette: RNFL Acquisition, LLC

Ken Murdoch, Development Finance Manager; Cathi Cole, Business Development Manager; and Amy Lux, Renaissance Zone Analyst, provided the Board with information regarding these actions items and introduced guests: James Mennel, CEO, RNFL Acquisitions, LLC and Lois Ellis, Vice President, Economic Development, Lake Superior Community Partnership.

Mr. Mennel provided the Board with background information on this project. RNFL Acquisition, LLC d.b.a. Michigan Renewable Carbon [MRC] is a wholly owned subsidiary of Biogenic Reagents. The

Company is a producer of renewable reagents and biofuels for use in the metal and energy production markets. MRC recently acquired the abandoned Cliffs Natural Resources RenewalFUEL biomass production facility in Forsyth Township and is actively converting the facility for production of its carbonized biomass products. The Company plans to complete the installation of a 75-foot reactor and the installation of additional process, energy recovery and emission control equipment to produce carbon products from biomass. The Company plans to install a second reactor in 2013 and have the capacity to produce over 200,000 tons of biomass per year. The project is expected to result in private investment of \$16 million and the creation of 27 jobs over the next three years. Mr. Murdoch further advised the Board Forsyth Township has offered a financial commitment to the project in the form of transferring the existing Renaissance Zone to MRC. The Renaissance Zone would expire in 2023 and has an estimated value of \$1.7 million.

Recommendation: Staff recommends approval of the Michigan Business Development Program [MBDP] proposal; closing MBDP Proposal will be subject to available funding under the MBDP at time of Closing; satisfactory completion of due diligence; finalization of all MBDP transaction documents, and commitment will remain valid for 90 days with approval from the Fund Manager to extend the commitment an additional 30 days. Staff further recommends the transfer of the Renaissance Zone benefit for the 5.76 acres of the Zone to RNFL Acquisitions, LLC, provided the Company executes a development agreement between the Michigan Strategic Fund and Marquette County that requires it to meet the job creation and investment numbers related to the MBDP grant requirements.

Board Discussion: Mr. Morante asked if there were any questions from the Board. Mr. Rassel asked the average wage amount. Ms. Ellis advised it was \$17/hour. Mr. Martin asked if there were concerns by residents of release of emissions. Mr. Mennel responded the emissions are so low and the goal is to capture and release gases thereby eliminating any emissions. Ms. Ellis confirmed residents had not expressed concerns regarding emissions generating from the Company. Mr. Morante stated there are two resolutions to be approved for this project. **Mr. Hilfinger motioned approval for Resolution 2012-131, Approval of a Michigan Business Development Program Grant to RNFL Acquisition LLC d.b.a. Michigan Renewable Carbon. Mr. Martin seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent. **Mr. Lockwood motioned approval for Resolution 2012-132, Transfer of Time Extension Renaissance Zone: KI Sawyer Renaissance Zone, County of Marquette: RNFL Acquisitions, LLC. Mr. Wilson seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

Job Creation MBT Credit

[Richard Rassel recused.]

Resolution 2012-133 – Nexteer Automotive Corporation

Ken Murdoch, Development Finance Manager and Brenda Flory, Business Development Manager, provided information regarding this action item and introduced guests: Julie Malesky, Governmental Relations Manager, Nexteer Corporation and JoAnn Crary, President, Saginaw Future.

Ms. Flory advised the Board Nexteer Automotive Corporation was formed in 2009, when Delphi's global steering operations were sold to GM and renamed Nexteer Automotive Corporation. Ms. Malesky further explained the Company represents that it is the only global Tier One automotive supplier exclusively focused on advanced steering and driveline system technology. The Company's current focus is electric power steering, a green technology that offers automakers increased fuel economy and reduced emissions. The Company is headquartered in Buena Vista Township, Michigan and has 20 manufacturing plants, six engineering centers and 14 customer service centers located in North and South America, Europe and Asia. Since the assignment and amendment to the MEGA Tax Credit, the Company has expanded its new

electric power steering [EPS] program for Original Equipment Manufacturers [OEMs]. The Company has indicated that the new EPS production could be done at any of its global locations. The Company estimates that the new production will require an estimated \$60 million of investment and result in the creation of 325 jobs by December 31, 2012. Ms. Crary further stated Buena Vista Township has approved a P.A. 328 abatement for this project for 25 years. Nexteer is the largest manufacturer in Saginaw County.

Recommendation: Staff recommends approval of the increase of the maximum retained jobs by 325, allowing for up to 2,725 retained jobs to be covered under this tax credit for tax years 2012 and 2013, all remaining credit years will allow for the original 2,400 retained jobs and the effective date of these amendments will be set as January 1, 2012. All other terms and conditions of the MEGA Tax Credit Agreement will remain unchanged.

Board Discussion: Mr. Morante asked the value of the project amendment. Mr. Murdoch responded \$1.6 million rehabilitation of the entire plant. There being no further questions, **Mr. Martin motioned approval for Resolution 2012-133. Mr. Wilson seconded the motion.** The motion carried – 8 ayes; 0 nays; 1 recused; 2 absent.

[Richard Rassel returns.]

Resolution 2012-134 – Continental Automotive Holdings US, Inc.

LeTasha Peebles, Program Specialist, provided the Board with information regarding this action item.

Ms. Peebles explained the Board had previously approved a Resolution that allowed for an increase on the maximum amount of Qualified New Jobs the Company could collect on for a period of three years. However, the Resolution incorrectly stated the three year period as September 30, 2015 through September 30, 2018 which was the Company's original fiscal year in the agreement. The period should actually be January 1, 2015 through December 31, 2018, which is the correct fiscal year.

Recommendation: Staff recommends approval of the correct dates of January 1, 2015 through December 31, 2018. All other terms and conditions of the original agreement remain the same.

Board Discussion: Mr. Morante asked if there were any questions from the Board. There being none, **Mr. Wilson motioned approval for Resolution 2012-134. Mr. Lockwood seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

Brownfield MBT Amendments

Resolution 2012-135 – Harbor Shores BHBT Land Development LLC and Powell Construction Services, LLC

Mary Kramer, Program Specialist, provided the Board with information regarding this action item.

Ms. Kramer provided the Board with background information on this project.

The project, known as the "Hideaway," is a site condominium consisting of the construction of new residential cottages in Benton Charter Township, Berrien County. The project is part of a larger, area-wide project known as the Harbor Shores Development. The amendment request for the project is to add 13 qualified taxpayers to Phase 1; revise the project from two to three phases; and reduce the number of cottages from 17 to 15 and add the construction of a clubhouse to the first phase of the project.

Recommendation: Staff recommends approval of the Brownfield MBT Credit amendment request to add 13 qualified taxpayers; change the project scope from two phases to three phases; reduce the number of cottages from 17 to 15 and add the construction of a clubhouse to the project.

Board Discussion: Mr. Morante asked if there were any questions from the Board. There being none, **Mr. Martin motioned approval for Resolution 2012-135. Mr. Wilson seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

Resolution 2012-136 – Former Federal Reserve Building/Detroit

Dan Wells, Community Revitalization Specialist, provided the Board with information regarding this action item.

Mr. Wells advised the Board the project will redevelop the Federal Reserve Bank of Chicago Detroit Branch Building. The project was initially approved to redevelop the vacant building into 84 condominiums and 4,000 square feet of ground floor retail. The original qualified taxpayer subsequently lost control of the property through bank foreclosure. The petitioner purchased the building in February 2012, and requests to be added as a new qualified taxpayer so they can bring the building back to use.

Recommendation: Staff recommends approval of the requested amendment to add a qualified taxpayer, change the scope of the project and add three years to complete eligible investment.

Board Discussion: Mr. Morante asked if there were any questions from the Board. There being none, **Mr. Rassel motioned approval for Resolution 2012-136. Mr. Hilfinger seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

Brownfield Act 381

Resolution 2012-137 - Midland Stadium District Project

Mr. Wells provided information to the Board regarding this action item.

Mr. Wells explained this project will demolish two buildings and will result in the construction of a four-story, 230,265 square-foot mixed-used building that will complement the adjacent Dow Diamond minor league baseball park. This redevelopment will transform the former industrial site into a mixed-use development in downtown Midland. The new mixed-use development will have retail uses on the ground floor and professional office space on the upper three floors. A number of public infrastructure improvements will be made including streetscape upgrades along this entire corridor linking the new development to the existing downtown with matching pedestrian walkways, decorative lighting and street planters.

Recommendation: Staff recommends approval of the local and school tax capture for the MEGA eligible activities.

Board Discussion: Mr. Morante asked if there were any questions from the Board. There being none, **Mr. Martin motioned approval for Resolution 2012-137. Mr. Hilfinger seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

STEP Program

Resolution 2012-138 – Adoption of Revised STEP Eligibility Guidelines for FY 2013

Deanna Richeson, Director, Export Strategy and John Wolf-Meyer, Grant Specialist, provided the Board with information regarding this action item.

Ms. Richeson provided the Board with background information on this project. The SBA's STEP program assists Small and Medium-sized Enterprises [SMEs] which the SBA's definition must have less than 500 employees. STEP is a 3-year program, funded at \$30 million annually, to support President Obama's call to jump start job growth by doubling U.S. Exports in five years. The STEP program allows states to incentivize SMEs to begin to export, or to expand their current exports, by reimbursing 50% on allowable export-related activities. Michigan's pathway to double exports in five years includes a

second-year plan to assist 600 small business clients. Our export program will direct 66% of this grant funding to SME incentives for the cost of export activities, in large part through deploying resources to our regional export network. The MSF previously approved STEP Program and Eligibility Guidelines and staff is proposing revisions to the STEP Program and Eligibility Guidelines based upon the programs past year.

Recommendation: Staff recommends approval of the revised STEP Program and Eligibility Guidelines.

Board Discussion: Mr. Morante asked if there were any questions from the Board. Mr. Hilfinger asked if the requirements were SBA imposed. Ms. Richeson explained the SBA requirements profitability and encourages collaboration. There being no further questions, **Mr. Rassel motioned approval for Resolution 2012-138. Mr. Wilson seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

Private Activity Bonds

[Shaun Wilson recused.]

Resolution 2012-139 – TKP Holdings/Coastal Container Corporation – Request for Change in Documents

Diane Cranmer, IDRB Specialist, provided the Board with information regarding this action item.

Ms. Cranmer explained to the Board Coastal Container Corporation was established in Michigan in November 2006. TKP Holdings, LLC was established in Michigan in 2007 for the purpose of owning and improving the real estate elements of the Coastal Container Corporation. The MSF previously issued a Variable Rate Demand Limited Obligation Revenue Bond to assist in financing the acquisition of land and an approximately 224,000 square foot existing manufacturing facility, the renovation and rehabilitation of the facility and the acquisition and installation of machinery and equipment. The Bonds were initially secured by letter of credit issued by National City Bank, as succeeded by PNC Bank. The PNC Bank letter of credit expires on December 15, 2012. Coastal Container Corporation and TKP Holdings LLC are providing an alternate letter of credit to be issued by US Bank National Association and are replacing the remarketing agent, currently PNC Capital Markets with Robert W. Baird & Company, Inc.

Recommendation: Staff recommends approval to amend the Trust Indenture and related documents reducing the minimum denomination of Bonds held by a bondholder from \$100,000 to \$5,000; delete the 100,000 minimum principal amount for a bondholder tendering a Bond for purchase; delete a bondholder's election to retain a Bond that is subject to mandatory tender; and delete any requirements for a rating of the Bonds in connection with the provision of an Alternate Letter of Credit.

Board Discussion: Mr. Morante asked if there were any questions from the Board. There being none, **Mr. Martin motioned approval for Resolution 2012-139. Mr. Hilfinger seconded the motion.** Ellen Graham, MEDC, took a Roll Call Vote:

ROLL CALL:

Ayes: Steve Hilfinger, Paul Hodges [via phone], Mike Jackson, Andrew Lockwood [acting for and on behalf of Andy Dillon, designation attached], Bill Martin, Mark Morante [acting for and on behalf of Michael Finney, designation attached], Howard Morris [via phone], Richard Rassel

Nays: None

Recused: Shaun Wilson

Motion carried with 8 ayes; 0 nays; 1 recused; 2 absent.

[Shaun Wilson returns.]

Resolution 2012-140 – Van Andel Research Institute – Bond Authorizing

Diane Cranmer, IDRB Specialist, provided the Board with information regarding this action item.

Ms. Cranmer advised the Board the Van Andel Research Institute [VARI] was originated in the State of Michigan October 16, 1996, as a charitable trust. VARI is engaged in the continuous active conduct of medical research and operates as a medical research organization. The proceeds of the refunding bonds will be used to currently refund the MSF's \$220,000,000 Adjustable Rate Demand Limited Obligation Revenue and Revenue Refunding Bonds, Series 2008 issued April 10, 2008. Proceeds of the Series 2008 Bonds were used to refund four prior MSF bond issues totaling \$110,000,000. Proceeds of the Prior Bonds and a portion of the Series 2008 Bonds were used to assist VARI in the financing of land acquisition, the construction of an approximately 160,000 square foot medical research facility and an approximately 250,00 square foot addition, including related parking and land improvements, the acquisition and installation of laboratory and other research equipment, including computer hardware and software and the acquisition and installation of office furniture and fixtures. The refunding bonds will be purchased through a direct bank purchase. One series in the amount of \$110,000,000 will be purchased and held by the US Bank National Association and the other series in the amount of \$100,000,000 will be purchased and held by the Northern Trust Company

Recommendation: Staff recommends the adoption of a Bond Authorizing Resolution for the refunding of bonds in the amount of NTE \$220,000,000.

Board Discussion: Mr. Morante asked if there were any questions from the Board. There being none, **Mr. Lockwood motioned approval for Resolution 2012-140. Mr. Martin seconded the motion.** Ellen Graham, MEDC, took a Roll Call Vote:

ROLL CALL:

Ayes: Steve Hilfinger, Paul Hodges [via phone], Mike Jackson, Andrew Lockwood [acting for and on behalf of Andy Dillon, designation attached], Bill Martin, Mark Morante [acting for and on behalf of Michael Finney, designation attached], Howard Morris [via phone], Richard Rassel, Shaun Wilson

Nays: None

Recused: None

Motion carried with 9 ayes; 0 nays; 0 recused; 2 absent.

Resolution 2012-141 – Evangelical Homes of Michigan

Diane Cranmer, IDRB Specialist, and Eric Hanna, Manager, Debt Capital Program, provided the Board information regarding this action item and introduced guests: Denise Rabidoux, President & CEO; Greg Fronizer, CFO; Craig Hammond, Dickinson Wright.

Ms. Rabidoux provided the Board with background information on the project. Evangelical Homes of Michigan [EHM] is a non-profit 501(c)(3) organization founded in 1879. Its primary purpose is to

provide housing and health care services to seniors living in southeastern Michigan. The organization currently operates skilled nursing facilities in Saline and Sterling Heights, Michigan and an independent and assisted living facility in Saline, Michigan. Mr. Hammond stated EHM has requested the assistance of the MSF in the issuance of bonds to refund the Series 2008 Bonds and to finance costs of renovating, furnishing and equipping an expansion of its Saline skilled nursing facility, refinancing certain bank debt incurred to finance costs of acquiring certain home health services providers, refinancing a portion of certain Series 2008 Bonds issued by the Economic Development Corporation of the City of Saline; costs of a debt service reserve fund for the bonds and costs of issuance. The requested financing will be rated below investment grade for this project. There is no travelling investor letter because of the additional costs. Mr. Hanna interjected staff is proposing streamlining as well as new policy rules consistent with consent by the Attorney General's office.

Recommendation: Staff recommends the adoption of an Inducement Resolution in the amount of \$5,000,000 for this project.

Board Discussion: Mr. Morante asked if there were any questions from the Board. There being none, Mr. Hilfinger motioned approval for Resolution 2012-141. Mr. Lockwood seconded the motion. The motion carried - 9 ayes; 0 nays; 0 recused; 2 absent.

CDBG

[Mark Morante recused. Andrew Lockwood chairs.]

Resolution 2012-142 – Designation of the Community Development Block Grant Revolving Loan Fund Regional Manager for Regions 1-9

Eric Hanna, Manager, Debt Capital Program and Greg West, Capital Services Associated, provided the Board with information regarding this action item.

Mr. Hanna provided the Board with background information regarding this project. Staff has been working to consolidate the existing 42 Community Development Block Grant [CDBG] Revolving Loan Funds [RLF]. The MSF authorized staff to issue a Request for Applications to applicants to become RRLF Managers. A Joint Evaluation Committee [JEC] and scoring and evaluation criteria also was approved by the MSF Board. A total of ten applications were received. The JEC scored and is making recommendations for the nine regions.

Recommendation: Staff recommends the designations as follows to be established for a period of three years from the effective date of November 1, 2012, with the designation being considered terminated upon that date unless the MSF extends the designation by affirmative resolution:

- Region 1 - Northern Economic Initiatives Corporation*
- Region 2 – Traverse City Area Chamber Foundation
- Region 3 – Northern Economic Initiatives Corporation*
- Region 4 – Capital Fund Services, Inc.
- Region 5 – Great Lakes Bay Regional Development Corporation
- Region 6 – Capital Fund Services, Inc.
- Region 7 – Capital Fund Services, Inc.
- Region 8 – I-69 Regional Development Corporation**
- Region 9 - Capital Fund Services, Inc.

*The MSF Fund Manager to consent in writing to final terms and conditions of fee for service contract.

**The MSF Fund Manager to consent in writing to the final terms and conditions of a fee for service contract with an alternate Qualified Contractor meeting substantially the functional requirements generally contemplated in the RFA.

Board Discussion: Mr. Lockwood asked if there were any questions from the Board. Mr. Jackson inquired about the scoring depth, i.e., scoring 19 out of 50. Mr. Hanna responded there were only two funds within this particular region with only one being engaged. Mr. Wilson inquired about the ineligibility of certain counties. Mr. Hanna advised these were entitlement counties and were not eligible to receive CDBG funding. There being no further questions, **Mr. Russel motioned approval for Resolution 2012- 142. Mr. Jackson seconded the motion.** The motion carried – 8 ayes; 0 nays; 1 recused; 2 absent.

[Mark Morante returns.]

Renaissance Zones

Amy Lux, Program Specialist, provided the Board with information regarding these action items.

Resolution 2012-143 – Western UP Recycling Center, LLC – Revocation

Ms. Lux advised the Board Western UP Recycling Center, LLC came in to existence around the time their relationship with the Michigan Strategic Fund first began. The Company is in the business of recycling, ultimately aiming to be capable of processing metal, plastic, paper, etc. The Township of Wakefield applied for and received an Extension of Time for 13 years on behalf of Western Recycling for the 20-acre portion of the Subzone owned by the Company on June 24, 2009, bringing the full term of the Renaissance Zone designation to 15 years to end on December 31, 2024. In their most recent progress report, Western Recycling is reported to be improving and receipts show that small capital investments are being made toward expanding the business. However, the Company has been non-responsive to inquiries and originally self-reported inaccurate information. After an informal investigation by the MEDC, the Company turned in their most recent progress report for the 2011 year, which contained quantitative information that more closely resembled what was observed on site and in their tax documentation indicating the thresholds in the Agreement had not been met. The Company was notified of noncompliance and give 90 days to cure the violation. The cure period has expired and the Company has been notified that due to its breach of the Agreement, the MEDC would seek revocation of the Extension of Time.

Recommendation: Staff recommends revocation of the time extension for Western Recycling and that Western Recycling begin paying all taxes previously abated by the Renaissance Zone effective January 1, 2013 and December 31, 2012 for property tax purposes. No repayment of foregone taxes is being requested.

Board Discussion: Mr. Morante asked if there were any questions from the Board. There being none, **Mr. Hilfinger motioned approval for Resolution 2012-143. Mr. Lockwood seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

Resolution 2012-144 – Michigan Biodiesel, LLC – Revocation

Ms. Lux advised the Board Michigan Biodiesel, LLC is in the business of converting biomass or other competitively priced oils into biofuels, to ultimately be used in creating a biodiesel fuel mixture that is more environmentally friendly than traditional petroleum. The City of Bangor applied for and received an Agricultural Processing Renaissance Zone for 10 years on behalf of Michigan Biodiesel to expire on December 31, 2016. The Company entered into a Development Agreement with the MSF on January 1, 2006. Michigan Biodiesel, LLC did meet its initial investment commitment, but

the Company has not and is not compliant with their job creation obligation, operating with less than full employment. The Company has also ceased producing ASTM Standard 6751-09 biodiesel. The business has struggled and is currently working through bankruptcy and will no longer be in control of the property. The MEDC has confirmed the Company has lost control of the land and operations have very nearly, if not completely, come to a halt.

Recommendation: Staff recommends the MSF to approve the associated resolution, recommending the State Administrative Board revoke the Agricultural Processing Renaissance Zone for Michigan Biodiesel and for Michigan Biodiesel to begin paying all taxes previously abated by the Renaissance Zone effective January 1, 2013 and December 31, 2012 for property tax purposes. No repayment of foregone taxes is being requested.

Board Discussion: Mr. Morante asked if there were any questions from the Board. There being none, **Mr. Lockwood motioned approval for Resolution 2012-144. Mr. Jackson seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

Tool & Die Recovery Zones

Karla Campbell, MSF Fund Manager, provided the Board with information regarding these action items.

Resolution 2012-145 – Praet Tool & Engineering, Inc.

Ms. Campbell advised the Board the Michigan Economic Development Corporation [MEDC] has received a new resolution passed by Macomb Township requesting the MSF to approve an extension for an additional five years for Praet Tool & Engineering, Inc., bringing the total to ten years with a new expiration date of 2020 rather than 2015. The Macomb Township resolution included an additional parcel #08-18-326-021.

Recommendation: Staff recommends extension of the Recovery Zone duration on the real property parcel #08-18-326-022 only, previously designated for Praet Tool & Engineering, Inc. at 51214 Industrial Drive, Macomb.

Board Discussion: Mr. Morante asked if there were any questions from the Board. There being none, **Mr. Wilson motioned approval for Resolution 2012-145. Mr. Lockwood seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

Resolution 2012-146 – Revocation of an Existing Tool & Die Renaissance Recovery Zone Designation Due to Relocation: Paramount tool & Die, Inc.

Resolution 2012-147 – Relocation of an Existing Tool & Die Renaissance Recovery Zone Designation: Paramount Tool & Die, Inc.

Ms. Campbell explained to the Board Paramount Tool & Die was established in 1997. This tool and die manufactures molds for firms that produce plastic parts through the injection molding process. The MEDC received notice that Paramount Tool & Die, Inc. has relocated in Wright Township, Ottawa County. Paramount Tool & Die, Inc. obtained a resolution from Wright Township approving the remaining duration of seven years as a Recovery Zone for the Company's new location effective January 1, 2012, with an expiration of December 31, 2019. The Great Lakes Tool & Die Collaborative, LLC members are supportive and in unanimous agreement of Paramount Tool & Die, Inc.'s. new location and continuation in the Collaborative. The Recovery Zone contact person provided written confirmation to the MEDC that paramount remains a current member in good standing with their Collaborative.

Recommendation: Staff recommends approval of the property for Paramount Tool & Die, Inc. to be designated as a Recovery Zone for its new location and continue being a member of the Great Lakes Tool & Die Collaborative, LLC.

Board Discussion: Mr. Morante asked if there were any questions from the Board. There being none, he reminded the Board two resolutions were to be approved for this project. **Mr. Martin motioned approval for Resolutions 2012-146 and Resolution 2012-147. Mr. Jackson seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

Resolution 2012-148 – Revocation of an Existing Tool & Die Renaissance Recover Zone Designation Due to Relocation: United Engineered Tooling, Inc.

Resolution 2012-149 – Relocation of an Existing Tool & Die Renaissance Zone Designation: United Engineered Tooling, Inc.

Ms. Campbell advised the Board United Engineered Tooling, Inc. is a full service machine shop with over 30 years of experience and produces quality machined parts, gauges and work holding fixtures for the automotive, aerospace, and oil/natural gas industries. United Engineered Tooling, Inc. was designated with the Northwest Michigan Tooling Coalition as a Recovery Zone by the MSF on December 20, 2006 for a ten year period with an expiration date of 2016. The MEDC has received notice that United Engineered Tooling, Inc. has relocated from its original designated Recovery Zone in Traverse City to a new location. United Engineered Tooling, Inc. obtained a resolution from Garfield Charter Township consenting to the relocation at their new location for the remaining duration of four years, effective January 1, 2013, with an expiration of December 31, 2016. The Northwest Tooling Coalition is in support of United Engineered Tooling, Inc.'s relocation to their new property.

Recommendation: Staff recommends the MSF approved relocation of the Recovery Zone designated for United Engineered Tooling, Inc. from its prior location to its new location at 1974 Cass Hartman Court, Traverse City, located at parcel #28-05-062-010-00 for the remaining duration of four years, effective January 1, 2013 with an expiration date of December 31, 2016.

Board Discussion: Mr. Morante asked if there were any questions from the Board. There being none, Mr. Morante reminded members there were two resolutions for approval for this project. **Mr. Hilfinger motioned approval for Resolution 2012-148 and Resolution 2012-149. Mr. Lockwood seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

Resolution 2012-150 – Centerline Die & Engineering

Ms. Campbell provided the Board with background information. When the former tool and die Company at this site went out of business, Gary and Greg Kiesgen through their Company, True Industries, Inc., purchased the building and equipment of the defunct Company. They reopened the facility in October 2000 as Centerline Die and Engineering with eleven employees initially and currently have 20 full-time employees. The MEDC has received a request from the Eastern Michigan Tool & Die Collaborative, LLC to allow Centerline Die and Engineering to join their existing Recovery Zone that was designated by the MSF on December 21, 2005, effective January 1, 2006. The City of Warren, by resolution, approved the creation of a five year Recovery Zone that would begin January 1, 2013 for the Michigan Business Tax and income tax purposes and end December 31, 2017. For both personal and real property tax purposes, the zone would begin December 31, 2012.

Recommendation: Staff recommends MSF approval of the property for True Industrial Corporation a.k.a. True Industries, Inc., d.b.a. Centerline Die & Engineering to be designated as a Recovery Zone and join the Eastern Michigan Tool & Die Collaborative, LLC.

Board Discussion: Mr. Morante asked if there were any questions from the Board. There being none, **Mr. Lockwood motioned approval for Resolution 2012-150. Mr. Martin seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

Quarterly Delegation Reports

MEGA Quarterly Reports of Administrative Amendments. Karla Campbell, MSF Fund Manager, provided the Board with an update on the MEGA Quarterly Reports of Administrative Amendments. In the second quarter of 2012, ZF Group North American Operations, Inc., an addition of an Affiliated Company and Webasto Roof Systems, Inc., an addition of a related entity for Base purposes only have been executed by the MEGA Board Secretary on behalf of the MEGA Board. In the third quarter of 2012, Proto Manufacturing, Inc., corrected Qualified New Jobs [QNJ] requirement; Danotek Motion Technologies, Inc., name change on Assignment Agreement; Nissan North America, Inc., name change on Assignment Agreement; Siemens Water Technologies Corp., assignment of MEGA Credit to new entity have been executed by the MEGA Board Secretary on behalf of the MEGA Board.

Quarterly Report of Delegated Approvals on Michigan Business Development Program and Michigan Community Revitalization Program: Joshua Hundt, Manager, Development Finance and Joe Martin, Community Revitalization Program and Brownfield, provided the Board with a synopsis of the deals that were approved during the 4th quarter of the 2012 fiscal year. Detailed information is now sent to all Board members as they are approved.

MSF Delegated Authority Update – MSDF and SSBCI Programs: Elisabeth Alexandrian, Capital Services Associate, provided the Board with an update of the MSDF and SSBCI Programs. Between July 1, 2012 and September 30, 2012, nine companies requested MBGF-CSP MSF Support in the amount of \$5,016,774 with Loan Amounts totaling \$12,988,377. Two Companies requested MSDF-MCSP MSF Support in the amount of \$698,600 with loan amounts totaling \$1,400,000.

MSF Delegated Authority Quarterly Update for 21CJF Loan/Grant Portfolio: Martin Dober, Senior Vice President, Entrepreneurship & Innovation, provided the Board with a Quarterly Update for 21 CJF Loan/Grant Portfolio. Full award amounts with actual amount of disbursement were reported for MSU [Final Disbursement], Sonetics Ultrasound [Extension], Evigia Systems, Inc. [Loan Conversion], Everist Genomics [Restructure], KTM Industries, Inc. [Subordination and Restructure], XB TransMED [Restructure], Zeeland Bio-Based Products [Confidentiality], CytoPherx, Inc. [Amend Warrant Agreement], Danotek Motion Technologies [Subordination and Restructure], Tellurex [Subordination and Restructure], Arbor Photonics [Subordination and Restructure], Compendia Bioscience [Termination], Inc., Pixel Velocity [Subordination and Restructure], Forensic Fluids [Loan Payback]

MSF Delegated Authority Quarterly Update for the Pure Michigan Venture Match Fund: Martin Dober, Senior Vice President, Entrepreneurship & Innovation, provided the Quarterly Update for July 1, 2012 and September 30, 2012 for nanoRETE funding of \$500,000.

Meeting adjourned 3:10 p.m.



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

ANDY DILLON
STATE TREASURER

June 21, 2012

Ms. Ellen Graham
Board Relations Liaison
Michigan Strategic Fund Office
300 N. Washington Square
Lansing, Michigan 48913

Dear Ms. Graham:

I hereby designate Andrew Lockwood to represent me at Michigan Strategic Fund meetings I am unable to attend.

Sincerely,

A handwritten signature in cursive script, appearing to read "Andy Dillon".

Andy Dillon
State Treasurer

cc: Andrew Dillon



May 23, 2012

Ms. Ellen Graham
Board Relations Liaison
Michigan Strategic Fund Board
300 N. Washington Square
Lansing, MI 48913

Dear Ms. Graham:

I hereby designate Mark Morante, Senior Vice President, Program Management, to represent me at the Michigan Strategic Fund Board meetings when I am unable to attend.

Sincerely,

A handwritten signature in blue ink that reads "Michael A. Finney".

Michael A. Finney
President and CEO



October 24, 2012

Ms. Ellen Graham
Board Liaison – MEDC
300 N. Washington Square
Lansing, MI

Dear Ms. Graham:

This is to advise that I am recusing myself from voting and will leave the meeting room during the discussion of the following items on the Michigan Strategic Fund Board Meeting Agenda on October 24, 2012:

- CDBG – Designation of the Community Development Block Grant Revolving Loan Fund Regional Manager for Regions 1-9

The reason for my recusal and leaving the meeting room during discussion this item relates to the fact that I may have a potential conflict of interest with respect to the parties involved in this Agenda item[s].

Sincerely,

A handwritten signature in blue ink, appearing to read "Mark Morante".

Mark Morante
Senior Vice President
Program Management

BUTZEL LONG

ATTORNEYS AND COUNSELORS

a professional corporation

Richard E. Rassel
Chairman

313 225 7014
rassel@butzel.com

Suite 100 150 West Jefferson
Detroit, Michigan 48226
T: 313 225 7000 F: 313 225 7080
butzel.com

October 23, 2012

Mr. Michael Finney
Chairman
Michigan Strategic Fund
300 North Washington Square
Lansing, MI 48913

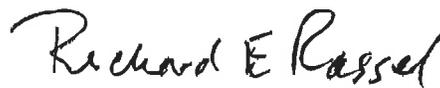
Re: October 24, 2012 Board Meeting

Dear Mr. Finney:

This is to advise that I intend to recuse myself from voting on and will leave the Board Room during discussion on agenda item involving Nexteer Automotive Corporation.

The reason for my recusal and leaving the Board Room during discussion of the aforementioned relates to the fact that my law firm, Butzel Long, is or potentially could act as counsel for parties involved in this agenda item.

Very truly yours,



Richard E. Rassel
Member

RER/vl

FAXED: Ellen Graham (517) 241-5213

Very truly yours,

Ann Arbor Bloomfield Hills Detroit Lansing New York Washington D.C.
Alliance Offices Beijing Shanghai Mexico City Monterrey Member Lex Mundi www.butzel.com



October 23, 2012

Ms. Ellen Graham
Board Liaison – MEDC
300 N. Washington Square
Lansing, MI

Dear Ms. Graham:

This is to advise that I am recusing myself from voting and will leave the meeting room during the discussion of the following items on the Michigan Strategic Fund Board Meeting Agenda on Wednesday, October 24, 2012:

- TKP Holdings/Coastal Container Corporation

The reason for my recusal and leaving the meeting room during discussion for this item relates to the fact that I may have a potential conflict of interest with respect to the parties involved in this Agenda item.

Sincerely,

A handwritten signature in black ink that reads "Shaun W. Wilson". The signature is written in a cursive style with a large, sweeping 'S' at the beginning.

Shaun Wilson
Vice President & Director of Client &
Community Relations
PNC Financial Services Group

MEMORANDUM

DATE: November 28, 2012

TO: Michigan Strategic Fund Board Members

FROM: Margaret O'Riley, Michigan Film Commissioner

SUBJECT: Authorization of Administrative Funds

BACKGROUND

MCL 125.2029h(11) of the Michigan Strategic Fund Act permits the Michigan Strategic Fund board to authorize the use of up to 4% of the annual appropriation for the Michigan Film and Digital Media Production Assistance Program to be allocated for administration of the program.

RECOMMENDATION

The Michigan Film Office staff recommends that the Michigan Strategic Fund authorize the expenditure of 4% of the annual appropriation from the Michigan Film and Digital Media Incentive Program for administrative expenses for fiscal year 2012-2013.

**MICHIGAN STRATEGIC FUND BOARD
RESOLUTION 2012-**

**AUTHORIZATION OF FUNDS FOR ADMINISTRATION OF THE MICHIGAN FILM AND
DIGITAL MEDIA PRODUCTION ASSISTANCE PROGRAM**

WHEREAS, in accordance with MCL 125.2029a, the Michigan Film Office is created within the Michigan Strategic Fund:

WHEREAS, in accordance with MCL 125.2029h(1), the Michigan Film Office shall create and operate the Michigan Film and Digital Media Production Assistance Program (the "Incentive Program") ;

WHEREAS, in accordance with MCL 125.2029h(11), the Michigan Strategic Fund (the "MSF") Board is permitted to authorize the use of up to 4% of the annual appropriation for the Incentive Program to be allocated for administration of this program; and

WHEREAS, to appropriately and fully fund these administrative expenses, the Michigan Film Office recommends that the MSF Board exercise its discretion pursuant to MCL 125.2029h(11), to authorize an expenditure of four percent (4%) of the annual appropriation from the Incentive Program for administrative expenses relating to this program for fiscal year 2012-2013.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board, acting pursuant to the MSF Act, in particular MCL 125.2029h(11), authorizes four percent (4%) of the annual appropriation from the Incentive Program to be incurred for administrative costs related to the administration of the Incentive Program for fiscal year 2012-2013.

Ayes:

Nays:

Recused:

Lansing, Michigan
November 28, 2012

Memorandum

DATE: November 28, 2012

TO: Michigan Strategic Fund Board

FROM: Michael Pohnl, Strategic Opportunities Director
Workforce Development Agency

SUBJECT: Memorandum of Understanding - Michigan Strategic Fund and Workforce
Development Agency

Background:

The Workforce Development Agency (WDA) was made a part of the Michigan Strategic Fund (MSF) through Executive Order 2011 – 4. As part of this consolidation of workforce development and economic development within the MSF, some support activities such as finance and purchasing were consolidated within the MSF and have been carried out on behalf of the MSF by the Michigan Economic Development Corporation (MEDC).

Recently, the United States Department of Labor (USDOL) conducted a Governance Review of the operating relationship between the MSF, WDA, and MEDC. The Governance Review addressed issues such as reporting relationships between the three organizations and whether civil servants were carrying out tasks related to federal funds. As a result of this review, the state was issued one Finding and five Recommendations. The state is required to respond to the Finding.

The Finding states:

Required Action: *The state must properly execute and implement proper written documents (Contracts, Memorandums of Understanding, other) that clearly define and legally support the interactions between the MSF, the WDA, and the MEDC as related to ETA funds. The State must provide sufficient justification for the form of document executed, and all such documents must adhere to all applicable Federal and state rules, regulations and guidance, including but not limited to procurement and internal control requirements. They must also include clear authority for each entity to carry out such activities, as well as other appropriate information based on the form and purpose of the document. Policies, organizational charts, supervisory chains, and other documents, activities and communication carried out by these entities must conform to these documents.*

Recommendation:

Approval of a resolution authorizing the MSF Fund Manager to negotiate and enter into an agreement with the WDA that will address the Finding stated above. The MSF Board has previously granted delegated authority to the Director of the WDA to enter into these types of agreements.

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

**MEMORANDUM OF UNDERSTANDING BETWEEN MICHIGAN STRATEGIC FUND AND
WORKFORCE DEVELOPMENT AGENCY**

WHEREAS, the Workforce Development Agency (“WDA”) was created within the Michigan Strategic Fund (“MSF”) under Executive Order 2011-4 (“EO 2011-4”);

WHEREAS, pursuant to MCL 125.2007(i), the MSF Board may engage personnel as is necessary and engage the services of private consultants, managers, counsel, auditors, engineers, and scientists for rendering professional management and technical assistance and advice;

WHEREAS, it is the desire of the MSF Board and the WDA that the MSF provide certain administrative support services to the WDA as may be requested by the WDA from time to time (“Support Services for the WDA”), consistent with state and federal law; and

WHEREAS, to that end, the MSF Board and the WDA desire to enter into a Memorandum of Understanding (“MOU”) between the MSF and the WDA that describes and defines the respective roles and responsibilities of the MSF, the WDA and any eligible service provider with respect to Support Services for the WDA.

NOW, THEREFORE, BE IT RESOLVED, the MSF shall provide Support Services for the WDA; and

BE IT FURTHER RESOLVED, that the MSF Chairperson or MSF Fund Manager is authorized to negotiate the final terms and conditions of the MOU and to sign the MOU on behalf of the MSF so long as its terms meet the requirements of state and federal law.

Ayes:

Nays:

Recused:

Lansing, Michigan
November 28, 2012



MEMORANDUM

Date: November 28, 2012

To: Michigan Strategic Fund Board

From: Karla Campbell, MSF Fund Manager

Subject: Request for Delegation to MSF Fund Manager
of Certain Administrative Actions for the
Next Michigan Development Corporations

Background

During 2011 and 2012, the MSF has designated all five Next Michigan Development Corporations (NMDCs): I- 69 Corridor, Port Lansing, West Michigan, Grand Traverse and Detroit Aerotropolis. The NMDCs are governed by two acts: PA 275 of 2010, the NMDC Act; as well as PA 376 of 1996, as amended, the Renaissance Zone Act. This request relates to the Renaissance Zone Act.

The Renaissance Zone Act requires several steps to be approved by the Michigan Strategic Fund before an NMDC can bring forward an eligible business to become a qualified business and receive the tax benefits of a Renaissance Zone. The steps are as follows:

1. Designate an NMDC (this has been completed for all NMDCs);
2. Approve the local process for qualifying a business;
3. Approve the establishment of the boundaries for a qualified business to locate within the NMDC district;
4. Approve an eligible business to become a qualified business and receive Renaissance Zone benefits.

Request

Michigan Economic Development Corporation staff is requesting approval from the MSF to delegate authority to the MSF Fund Manager to approve or deny steps 2 and 3 as noted above. No funds or actual benefits occur under these two processes. At the point where an NMDC brings an eligible company before the MSF to become a qualified business and receive actual benefits, staff would attach the previous approvals so the MSF could make an informed decision regarding whether or not the eligible business should become a Renaissance Zone. All companies receiving a Renaissance Zone must come before the MSF and also enter into an agreement with the MSF.

The Renaissance Zone Act also requires that a committee be established to approve the MSF process and approve a committee to review applications. This was completed in 2011. Since that time, the Renaissance Zone Review Committee is now the MSF Incentive Committee. Staff requests that a new Renaissance Zone Committee be established for the purpose of reviewing the Renaissance Zone applications. That committee would be comprised of the MSF Fund Manager, Renaissance Zone Specialist and a representative from the MEDC Business Development team.

Recommendation

MEDC staff recommends that the following be delegated to the MSF Fund Manager:

1. Approval of the local process for qualifying a business to receive possible Renaissance Zone benefits;
2. Approval of the establishment of the boundaries for a qualified business to locate within the NMDC district;
3. Re-establishment of the Renaissance Zone Committee.

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

**NEXT MICHIGAN DEVELOPMENT CORPORATION
PROCESS DELEGATION**

WHEREAS, the Next Michigan Development Act (the “Act”), 2010 PA 275, MCL 125.2951-MSL 125.2959, authorizes the Michigan Strategic Fund (“MSF”) to designate up to five (5) Next Michigan Development Corporations (a “NMDC”) to foster economic opportunities in this state, prevent conditions of unemployment and underemployment, and promote economic growth;

WHEREAS, the MSF has designated all five Next Michigan Development Corporations;

WHEREAS, PA 376 of 1996, the Renaissance Zone Act, in particular, MCL 125.2688h, requires that the MSF approve the Next Michigan development district, appoint a committee to review all applications and approve the application process for eligible next Michigan businesses;

WHEREAS, the MSF has approved the application process for all Next Michigan Development Corporations coming before the MSF under Resolution 2011-14;

WHEREAS, the Renaissance Zone Act requires the MSF to deny or certify an application for an eligible Next Michigan business to become a qualified Next Michigan within forty-nine (49) days of receipt of an application for designation as a NMDC or the application is considered approved;

WHEREAS, the MSF has the authority to delegate certain actions to the MSF Fund Manager.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the delegation for the MSF Fund Manager to approve the local process for qualifying a business, approve the boundaries for a qualified business to locate within the Next Michigan Development Districts, and to appoint a committee including the MSF Fund manager, the renaissance zone specialist and a representative from the MEDC business development team to review all eligible Next Michigan businesses and to make a recommendation to the appropriate MSF subcommittee and to the MSF;

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

Ayes:

Nays:

Recused:

Lansing, Michigan
November 28, 2012



MEMORANDUM

Date: November 28, 2012
To: Michigan Strategic Fund Board Members
From: Karla Campbell, MSF Fund Manager
Subject: Company Joining an Existing Tool & Die Recovery Zone
Existing Zone: Great Lakes Tool & Die Collaborative
Company Joining: **Tower Tool & Manufacturing Company**
Township of Macomb, Macomb County

COMPANY BACKGROUND

Tower Tool & Manufacturing Company is a family owned and operated company since 1955. Tower Tool manufactures prototypes and experimental parts, machine details, fixtures, gages, and tools using the latest equipment in CNC milling, turning, grinding, and inspection. Vendors include Lockheed Martin, General Dynamics, Ford Visteon, GM, and Chrysler.

PROJECT BACKGROUND

The Michigan Economic Development Corporation (MEDC) has received a request from the Great Lakes Tool & Die Collaborative to allow Tower Tool & Manufacturing Company, to join their existing Recovery Zone that was designated by the MSF on December 16, 2004, effective January 1, 2005.

Township of Macomb, by resolution, approved the creation of a five year Recovery Zone that would begin January 1, 2013, for Michigan Business Tax (MBT) and income tax purposes and end December 31, 2017. With the repeal of the Michigan Business Tax companies that receive a Tool & Die Recovery Zone designation after December 31, 2011, will only receive the renaissance zone benefits on real and personal property taxes unless the companies have an existing certificated credit as defined in MCL 208.1107.

The Great Lakes Tool & Die Collaborative Recovery Zone members have agreed to allow Tower Tool & Manufacturing Company to join the coalition by unanimous vote. The Act allows the MSF to modify an existing Recovery Zone to add one or more qualified tool and die businesses with the consent of all other qualified tool and die businesses that are participating in the Recovery Zone. The company joining still must meet all the requirements in the Act.

PROJECT DOCUMENTATION

The Great Lakes Tool & Die Collaborative believes that Tower Tool & Manufacturing Company is an asset as a member by adding further diversification to the collaborative with Tower Tool's strong connections in the defense industry.

PROJECT EVALUATION

Staff has determined that the application and documentation meet the requirements of the Act because Tower Tool & Manufacturing Company:

1. Has obtained an authorizing resolution of support from Township of Macomb where the company's property is located;

2. Owns or leases the property to be included in the proposed zone and the property is used primarily for tool and die business operations;
3. Is a qualified tool and die business located on the property and has a NAICS code of 333514;
4. Has fewer than 75 full-time employees; and
5. Has entered into a collaborative agreement with companies that have a NAICS code that falls within 333511-333515 or 332997.

ADDITIONAL INFORMATION

Property Address

15747 Leone Drive, Macomb, Michigan 48042

Real Property Parcel Numbers

#08-18-326-015

Any and all personal property situated on the real property is eligible for the benefit

RECOMMENDATION

The MEDC recommends MSF approval of the property for Tower Tool & Manufacturing, Inc. to be designated as a Recovery Zone and join the Great Lakes Tool & Die Collaborative.

As indicated in the table below, in all cases, the tax benefits will be phased out in 25 percent increments over the last three years of the zone designation.

Year #	Comprises Tax Year	<u>% of Tax Exemption, Deduction, or Credit</u>
1	2013	100%
2	2014	100%
3	2015	75%
4	2016	50%
5	2017	25%
	2018	0%

The entire application is on file with the Michigan Economic Development Corporation.

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

**COMPANY JOINING AN EXISTING TOOL & DIE
RENAISSANCE RECOVERY ZONE: Tower Tool & Mfg. Co.**

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

WHEREAS, the Act authorizes the MSF Board to consider all applications made by tool and die businesses for a Recovery Zone;

WHEREAS, on December 16, 2004, the MSF Board designated a Recovery Zone for the Great Lakes Tool & Die Collaborative, (the “Collaborative”), effective January 1, 2005;

WHEREAS, Section 8d(6) of the Act permits the MSF to modify an existing Recovery Zone to add 1 or more qualified tool and die businesses with the consent of all other qualified tool and die businesses that are participating in the Recovery Zone;

WHEREAS, with the repeal of the Michigan Business Tax, companies that receive a Tool and Die Recovery Zone designation after December 31, 2011, will only receive the renaissance zone benefits on real and personal property taxes unless the companies have an existing certificated credit as defined in MCL 208.1107;

WHEREAS, the Collaborative now includes Tower Tool & Mfg. Co., (the “Company”), a qualified tool and die business under the Act, located at 15747 Leone Drive, Macomb, on parcel #08-18-326-015, (collectively, the “Property”);

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

WHEREAS, the MEDC received a request from the Collaborative to allow the Company to join their existing Recovery Zone for a period of five years that would begin January 1, 2013, (the “Application”);

WHEREAS, all the qualified tool and die businesses within the Collaborative consented to the addition of the Company to the Recovery Zone;

WHEREAS, by resolution, the Township of Macomb, (the “Township”), consented to the addition of the Company to the existing Collaborative Recovery Zone for a period of five years with an expiration date of December 31, 2017; and

WHEREAS, the MEDC fully considered the Application submitted by the Collaborative and recommends the MSF Board approve the Property to be designated as a Recovery Zone and join the Collaborative;

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves Tower Tool & Mfg. Co. at 15747 Leone Drive, Macomb, on parcel #08-18-326-015 be designated as a Recovery Zone, effective December 31, 2012 for property tax calculation purposes, and January 1, 2013 for other tax

purposes, and join the Great Lakes Tool & Die Collaborative for a period of five years with an expiration date of December 31, 2017; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
November 28, 2012



MEMORANDUM

Date: November 28, 2012
To: Michigan Strategic Fund Board Members
From: Karla Campbell, MSF Fund Manager
Subject: Existing Tool & Die Recovery Zone
Transfer of Recovery Zone Benefit and Extend Duration of Existing Zone
Existing Zone: Michigan International Tooling Alliance
Company: **KEO Cutters, LLC (f/k/a KEO Cutters, Inc.) d/b/a Arch Global Precision**
City of Warren, Macomb County

COMPANY BACKGROUND

In December 2011, KEO Cutters, Inc. was purchased by and merged into KEO Cutters, LLC which is owned by Arch Global Precision, LLC. KEO Cutters produces a variety of precision cutting tools such as combined drills and countersinks, counter bores, NC spotting drills, key seat cutters, end mills, as well as, precision cutting instruments for medical and dental applications.

KEO Cutters, LLC has added a CNC Grinder for \$320,000 since designation with plans to purchase another \$375,000 CNC grinder in late 2012 and additional one in 2013. The company has focused on upgrading their technology and installing additional hardware to bring their previously out-sourced service contracts to Michigan-based firms. At time of designation, KEO Cutters employed 52 full-time employees and today, they employ 65 full-time employees. KEO Cutters currently has two shifts running seven days and adding five full time employees in the near future.

TRANSFER OF BENEFITS REQUEST

KEO Cutters, Inc. was designated with the Michigan International Tooling Alliance as a Recovery Zone by the Michigan Strategic Fund (MSF) on December 15, 2010, effective January 1, 2011. The companies in the Michigan International Tooling Alliance were approved for various years. MEDC received a request from Arch Global Precision to transfer the benefit of the Recovery Zone from KEO Cutters, Inc. to KEO Cutters, LLC for the remaining three year duration of the original recovery zone which expires on December 31, 2015. Arch Global Precision has obtained a resolution from the City of Warren approving the transfer of the original designation.

TIME EXTENSION REQUEST

The Michigan Economic Development Corporation (MEDC) received a new resolution passed by City of Warren requesting an MSF approved extension for an additional five years, bringing the total to ten years with a new expiration date of date of 2020 rather than 2015. The MEDC recommends a five year time extension for KEO Cutters, LLC. If approved, the new expiration date would be December 31, 2020.

Under MCL 125.2688d(1), the MSF may extend the duration of Recovery Zone status for one or more periods that when combined do not exceed 15 years, upon the consent of the local governmental unit where the tool and die business is located.

RECOMMENDATION

The MEDC recommends the transfer of the Recovery Zone and a five year extension of the Recovery Zone duration on the real property parcel #13-24-452-021 and #13-24-451-010 previously designated for KEO Cutters, Inc. to KEO Cutters, LLC at 25040 and 25125 Easy Street, Warren, Michigan, Macomb County.

As indicated in the table below, the tax benefits will be phased out in 25 percent increments over the last three years of the zone designation.

<u>Year #</u>	<u>Comprises Tax Year</u>	<u>% of Tax Exemption, Deduction, Or Credit</u>
1	2011	100%
2	2012	100%
3	2013	100%
4	2014	100%
5	2015 original expiration	100%
6	2016	100%
7	2017	100%
8	2018	75%
9	2019	50%
10	2020 new expiration	25%
	2021	0

The entire application is on file with the Michigan Economic Development Corporation.

MICHIGAN STRATEGIC FUND

RESOLUTION

2012-__

**TRANSFER OF THE RECOVERY ZONE BENEFIT and TIME EXTENSION
FOR AN EXISTING TOOL & DIE RENAISSANCE RECOVERY ZONE:**

KEO Cutters, LLC (f/k/a KEO Cutters, Inc.)

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

WHEREAS, on December 15, 2010, the MSF Board designated a Recovery Zone for the Michigan International Tooling Alliance, LLC, (the “Collaborative”), effective January 1, 2011;

WHEREAS, the Collaborative now includes KEO Cutters, Inc., (the “Company”), a qualified tool and die business under the Act, located at 25040 and 25125 Easy Street, Warren on parcel #13-24-452-021 and #13-24-451-010, (the “Property”);

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

WHEREAS, the MEDC received a request from the Company to transfer the benefit of the Recovery Zone designation from KEO Cutters, Inc. to KEO Cutters, LLC for the remaining duration of the original recovery zone of three years with an expiration date of December 31, 2015;

WHEREAS, the MEDC also received a request from the Company to extend the duration of its Recovery Zone designation for an additional five year period, totaling ten years, with a new expiration date of December 31, 2020, (the “Application”);

WHEREAS, by resolution, the City of Warren, (the “City”), consented to transfer the benefit of the Recovery Zone designation from KEO Cutters, Inc. to KEO Cutters, LLC and to an extension for an additional five year period to the remaining duration of three years with an expiration date of December 31, 2020; and

WHEREAS, the MEDC fully considered the Company’s request and recommends the MSF transfer the benefit of the Recovery Zone from KEO Cutters, Inc. to KEO Cutters, LLC for the Property.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the transfer of the Recovery Zone designation from KEO Cutters, Inc. to KEO Cutters, LLC for the remaining duration of original designation and to the extension of the designation for an additional five year period, total ten years, effective January 1, 2013, with an expiration date of December 31, 2020 at 5040 and 25125 Easy Street, Warren on parcel #13-24-452-021 and #13-24-451-010; and

BE IT FURTHER RESOLVED, that the Company shall provide a written report to the MSF by January 31, 2012, and annually each January 31 thereafter through 2020 that includes the following information:

- 1.** the amount of capital investment, including, but not limited to, real and personal property investment, in the Property;

2. the number of individuals employed at the Property at the beginning and the end of the reporting period, as well as the number of individuals transferred to the Property from another entity owned by the Company, if any;
3. new jobs, including full-time jobs, created at the Property and the average wage for these new jobs;
4. the status of the Company's business operations;
5. the most recent State Equalized Value (SEV) and taxable value of the Property and personal property located at the Property, including personal property located at the Property that existed prior to the Effective Date;
6. any other information reasonably requested by the MSF regarding the Property or the extension of the designation described in this Agreement; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
November 28, 2012



MEMORANDUM

Date: November 28, 2012
To: Michigan Strategic Fund Board Members
From: Karla Campbell, MSF Fund Manager
Subject: Company Joining an Existing Tool & Die Recovery Zone
Existing Zone: Berrien Tooling Coalition
Company Joining: **Kelm Acubar LC**
Benton Charter Township, Berrien County

COMPANY BACKGROUND

Kelm Acubar LC was formed in 1986 and provides large CNC lathe machining capabilities for the oil and gas, aerospace, food processing, nuclear, die cast, electrical generation, and plastic injection industries. The company currently has 21 full-time employees and has a profit sharing program, as well as, an apprenticeship program.

PROJECT BACKGROUND

The Michigan Economic Development Corporation (MEDC) has received a request from the Berrien Tooling Coalition to allow Kelm Acubar LC, to join their existing Recovery Zone that was designated by the MSF on December 21, 2005, effective January 1, 2006.

Benton Charter Township, by resolution, approved the creation of an eight year Recovery Zone. However, MEDC's policy only allows up to seven years for a new company joining an existing coalition. Thus, the Recovery Zone would begin January 1, 2013, for Michigan Business Tax (MBT) and income tax purposes and end December 31, 2012. With the repeal of the Michigan Business Tax, companies that receive a Tool and Die Recovery Zone designation after December 31, 2011, will only receive the renaissance zone benefits on real and personal property taxes unless the companies have an existing certificated credit as defined in MCL 208.1107.

The Berrien Tooling Coalition Recovery Zone members have agreed to allow Kelm Acubar LC to join the coalition. There was a unanimous vote to accept Kelm Acubar LC as a member.

The Act allows the MSF to modify an existing Recovery Zone to add one or more qualified tool and die businesses with the consent of all other qualified tool and die businesses that are participating in the Recovery Zone. The company joining still must meet all the requirements in the Act.

PROJECT DOCUMENTATION

The Berrien Tooling Coalition wants Kelm Acubar LC as a member because the company will provide unique capabilities for the Tool and Die industry with their large CNC lathe machining strengthening the coalition to further their initiative and mission in becoming a leader in the global market.

PROJECT EVALUATION

Staff has determined that the application and documentation meet the requirements of the Act because Kelm Acubar LC:

1. Has obtained an authorizing resolution of support from Charter Township of Berrien where the company's property is located;
2. Owns or leases the property to be included in the proposed zone and the property is used primarily for tool and die business operations;
3. Is a qualified tool and die business located on the property and has a NAICS code of 333515;
4. Has fewer than 75 full-time employees; and
5. Has entered into a collaborative agreement with companies that have a NAICS code that falls within 333511-333515 or 332997.

ADDITIONAL INFORMATION

Property Address

1055 North Shore Drive, Benton Harbor, Berrien County

Real Property Parcel Numbers

#11-03-9999-0031-008 and #11-03-0007-0022-00-1

Any and all personal property situated on the real property is eligible for the benefit

RECOMMENDATION

The MEDC recommends MSF approval of the property for Kelm Acubar LC to be designated as a Recovery Zone for a period of seven years and join the Berrien Tooling Coalition.

As indicated in the table below, in all cases, the tax benefits will be phased out in 25 percent increments over the last three years of the zone designation.

Year #	Comprises Tax Year	<u>% of Tax Exemption, Deduction, or Credit</u>
1	2013	100%
2	2014	100%
3	2015	100%
4	2016	100%
5	2017	75%
6	2018	50%
7	2019	25%
		0%

The entire application is on file with the Michigan Economic Development Corporation.

MICHIGAN STRATEGIC FUND

RESOLUTION

2012-__

**COMPANY JOINING AN EXISTING TOOL & DIE
RENAISSANCE RECOVERY ZONE: Kelm Acubar LC**

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

WHEREAS, the Act authorizes the MSF Board to consider all applications made by tool and die businesses for a Recovery Zone;

WHEREAS, on December 21, 2005, the MSF Board designated a Recovery Zone for the Berrien Tooling Coalition, (the “Collaborative”), effective January 1, 2006;

WHEREAS, Section 8d(6) of the Act permits the MSF to modify an existing Recovery Zone to add 1 or more qualified tool and die businesses with the consent of all other qualified tool and die businesses that are participating in the Recovery Zone;

WHEREAS, with the repeal of the Michigan Business Tax, companies that receive a Tool and Die Recovery Zone designation after December 31, 2011, will only receive the renaissance zone benefits on real and personal property taxes unless the companies have an existing certificated credit as defined in MCL 208.1107;

WHEREAS, the Collaborative now includes Kelm Acubar LC, (the “Company”), a qualified tool and die business under the Act, located at 1055 North Shore Road, Benton Harbor, on parcels #11-03-9999-0031-00-8 and #11-03-0007-0022-00-1, (collectively, the “Property”);

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

WHEREAS, the MEDC received a request from the Collaborative to allow the Company to join their existing Recovery Zone for a period of seven years that would begin January 1, 2013 (the “Application”);

WHEREAS, all the qualified tool and die businesses within the Collaborative consented to the addition of the Company to the Recovery Zone;

WHEREAS, by resolution, the Benton Charter Township, (the “Township”) consented to the addition of the Company to the existing Collaborative Recovery Zone for a period of eight years; and

WHEREAS, the MEDC fully considered the Application submitted by the Collaborative and recommends the MSF Board approve the Property to be designated as a Recovery Zone for a period of seven years

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves Kelm Acubar LC at 1055 North Shore Road, Benton Harbor on parcel #11-03-9999-0031-00-8 and #11-03-0007-0022-00-1, be designated as a Recovery Zone, effective December 31, 2012 for property tax calculation purposes,

and January 1, 2013 for other tax purposes, and join the Berrien Tooling Coalition for a period of seven years with an expiration date of December 31, 2019; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
November 28, 2012



MEMORANDUM

Date: November 28, 2012
To: Michigan Strategic Fund Board Members
From: Karla K. Campbell, MSF Fund Manager
Subject: Revocation of an Existing Tool & Die Recovery Zone
Existing Zone: United Tooling Coalition
("Recovery Zone") Company: **Lansing Tool & Engineering, Inc.**
Lansing Township, Ingham County

COMPANY BACKGROUND

The Lansing Tool & Engineering, Inc. was designated with United Tooling Coalition as a Recovery Zone by the Michigan Strategic Fund (MSF) on July 26, 2006 for a ten year period of time with an expiration date of 2014.

PROJECT BACKGROUND

The Michigan Economic Development Corporation (MEDC) received written notification from the U.S. Tool & Engineering, LLC, a subsidiary of Revstone Industries, LLC, of their purchase the assets of Lansing Tool & Engineering, Inc. on March 26, 2010 and stated that the Company closed and ceased qualified operations at the Property. The company is no longer a member and participating in the collaborative agreement with the members of United Tooling Coalition.

Under MCL 125.2688d(3), the MSF may revoke the designation of a Recovery Zone for a qualified tool and die business if the qualified tool and die business fails or ceases to participate in or comply with a qualified collaborative agreement.

The MEDC confirmed that the Company ceased tool and die business operations and notified the coalition that a recommendation would be made to the MSF at its November 28, 2012 meeting to formally revoke the Company's Recovery Zone designation.

RECOMMENDATION

The MEDC recommends the MSF revoke the designation of the existing Recovery Zone property for Lansing Tool & Engineering, Inc. located at 1313 S. Waverly Road, Lansing, Michigan, 48917. All properties will go back on the tax rolls effective December 31, 2012 for personal property tax purposes.

It is also staff's recommendation that the MSF support the collection of taxes previously abated in years 2011 and 2012 and will send such recommendation to the Michigan Department of Treasury and other taxing jurisdictions.

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

**REVOCATION OF AN EXISTING TOOL & DIE RENAISSANCE
RECOVERY ZONE DESIGNATION: Lansing Tool and Engineering, Inc.**

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

WHEREAS, on December 16, 2004, the MSF Board designated a Recovery Zone for the United Tooling Coalition, (the “Collaborative”), effective January 1, 2005;

WHEREAS, Section 8d(3) of the Act permits the MSF to revoke the designation of all or a portion of a recovery zone with respect to 1 or more qualified tool and die businesses if those qualified tool and die businesses fail or cease to participate in or comply with a qualified collaborative agreement;

WHEREAS, the Collaborative included Lansing Tool and Engineering, Inc., (the “Company”), a qualified tool and die business under the Act. On July 26, 2006, the MSF Board granted a Tool and Die designation to Lansing Tool and Engineering, Inc. located at 1313 S. Waverly Road, Lansing, on parcel #33-21-01-19-301-003, (collectively, the “Property”);

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

WHEREAS, the MEDC received notification from the US Tool & Engineering, LLC, a subsidiary of Revstone Industries, LLC, of their purchase of the assets of Lansing Tool and Engineering, Inc. on March 26, 2010 and stated that the Company has closed and ceased qualified operations at the Property;

WHEREAS, the Company is no longer a participating member in the collaborative agreement with the members of the United Tooling Coalition;

WHEREAS, the MEDC recommends that the MSF Board support the repayment of abated taxes during tax years 2011 and 2012; and

WHEREAS, the MEDC fully considered and investigated the notification submitted by the US Tool & Engineering, LLC and recommends revocation of the Lansing Tool and Engineering, LLC’s tool and die renaissance recovery zone.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board revokes the Recovery Zone designation for Lansing Tool and Engineering, LLC for the Property located at 1313 S. Waverly Road, Lansing, on parcel #33-21-01-19-301-003, effective January 1, 2013;

BE IT FURTHER RESOLVED, the MSF Board supports the repayment of abated taxes during tax years 2011 and 2012; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
November 28, 2012



MEMORANDUM

Date: November 28, 2012

To: Michigan Strategic Fund Board Members

From: Karla K. Campbell, MSF Fund Manager

Subject: Revocation of an Existing Tool & Die Recovery Zone
Existing Zone: American Tooling & Manufacturing Coalition
("Recovery Zone") Company: **Ideal Tool, Inc.**
Bay City, Bay County

COMPANY BACKGROUND

Ideal Tool, Inc. was designated with the American Tooling & Manufacturing Coalition as a Recovery Zone by the Michigan Strategic Fund (MSF) on November 25, 2008 for a seven year period of time with an expiration date of December 31, 2015.

PROJECT BACKGROUND

The Michigan Economic Development Corporation (MEDC) received an application and supporting documentation from Ideal Tool, Inc., (the "Company"), to relocate their current Recovery Zone designation from 406 6th Street, Bay City on parcel #09-160-021-4610-001-00, (collectively, the "Original Property") to 1707 Marquette Avenue, Bay City, (the "New Property"). The company remains a member and participant in the collaborative, American Tooling & Manufacturing Coalition.

After reviewing the application, MEDC staff completed a site visit and had numerous communications with Ideal Tool, Inc. It was determined that although the Company had saved \$37,570.84 in property taxes and doubled in sales since 2008, their workforce has decreased from 11 full-time employees at time of designation to 6 full-time employees currently. Though the company is moving to a bigger location and investing in HVAC, electrical work and paint, the benefits of these investments will ultimately go to the owner of the building and not the tool and die company for which this program is intended under MCL125.2682;

"The legislature of this state finds and declares that there exists in this state the continuing need for programs to assist certain local governmental units in encouraging economic development, the consequent job creation and retention, and ancillary economic growth in this state. To achieve these purposes, it is necessary to assist and encourage the creation of renaissance zones and provide temporary relief from certain taxes within the renaissance zones."

Under MCL 125.2688d(3), the MSF may revoke the designation of a Recovery Zone for a qualified tool and die business if the qualified tool and die business fails or ceases to participate in or comply with a qualified collaborative agreement.

The MEDC notified the Company, Coalition, and City that a recommendation would be made to the MSF at an upcoming Board meeting to formally revoke the Company's Recovery Zone designation.

RECOMMENDATION

The MEDC recommends the MSF revoke the designation of the existing Recovery Zone property for Ideal Tool, Inc. located at its designated zone of 406 6th Street, Bay City, Michigan, 48708 on parcel #09-160-021-4610-001-00 and, furthermore, recommends that the designation should not be transferred to the new property at 1707 Marquette Avenue, Bay City, Michigan, 48708.

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

**REVOCATION OF AN EXISTING TOOL & DIE RENAISSANCE
RECOVERY ZONE DESIGNATION: Ideal Tool, Inc.**

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

WHEREAS, on November 25, 2008, the MSF Board designated a Recovery Zone for the American Tooling & Manufacturing Coalition, (the “Collaborative”), effective January 1, 2009;

WHEREAS, Section 8d(3) of the Act permits the MSF to revoke the designation of all or a portion of a recovery zone with respect to 1 or more qualified tool and die businesses if those qualified tool and die businesses fail or cease to participate in or comply with a qualified collaborative agreement;

WHEREAS, the Collaborative included Ideal Tool, Inc. (the “Company”), a qualified tool and die business under the Act, located at 406 6th Street, Bay City on parcel #09-160-021-4610-001-00, (collectively, the “Original Property”) for a duration of seven years, effective January 1, 2009, with an expiration date of December 31, 2015.

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

WHEREAS, the MEDC received an application and supporting documentation (the “Application”) from the Company to relocate their current Recovery Zone designation from the Original Property to 1707 Marquette Avenue, Bay City on parcel #09-160-015-176-008-00, (the “New Property”);

WHEREAS, the MEDC fully considered and investigated the request submitted by the Ideal Tool, Inc., and found said company has failed to meet the standards set under the Michigan Renaissance Zone Act 125.2982.

WHEREAS, MEDC recommends the revocation of the designation at the Original Property and non-transfer of the designation to the New Property.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board revoke the Recovery Zone designation for Ideal Tool, Inc. for the Property located at 406 6th Street, Bay City on parcel #09-160-021-4610-001-00, effective January 1, 2013; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
November 28, 2012



MEMORANDUM

Date: November 28, 2012

To: Michigan Strategic Fund Board Members

From: Karla Campbell, MSF Fund Manager

Subject: Existing Tool & Die Recovery Zone
Revoking Prior Location and Adding New Location
Extend Duration of Existing Zone
Existing Zone: Michigan International Tooling Alliance
("Recovery Zone") Company: **Arbor Gage & Tooling, Inc.**
City of Grand Rapids, Kent County

COMPANY BACKGROUND

Arbor Gage & Tooling, Inc. has 34 years as a fixture and gage shop and continues to make significant investments in technology to streamline processes and improve product services. They are able to provide 3D and 2D model designs which enables them to assist their clients throughout the concept, design, build, and certification phases of every project. Their past capital investments included over \$200,000 in a control system, a CNC machine, an engraver, a vertical mill, and a CMM inspection equipment which calibrates specifications to meet the highest standards of quality. In October 2012, Arbor Gage & Tool moved into a much larger facility which will allow them to absorb a greater volume of work plus increase the capability of designing and building of larger and heavier work pieces. This building was owned previously by Rapid Die and Engineering has been vacant for three years. The building investment was at a cost of \$1,500,000. The Company's continued growth has allowed them to hire an additional 15 full time employees over the last 18 months and they anticipate an additional 10 full time hires in 2013. Arbor Gage & Tooling is investing \$500,000 in the purchase of a large 5-axis CNC machine which should be in-house December 3, 2012.

They state that the Tool and Die Recovery Zone program has allowed them to recover from the recent difficult years of trying to survive and has allowed them to grow as a company. At least 75% of the dollars Arbor Gage & Tooling generates comes from other states and other countries and almost 100% of their purchases are from Michigan companies.

PROJECT BACKGROUND

Arbor Gage & Tooling, Inc. was designated with the Michigan International Tooling Alliance as a Recovery Zone by the Michigan Strategic Fund (MSF) on December 15, 2010 for a five year period with an expiration date of 2015. The companies in the Michigan International Tooling Alliance were approved for various years. The company's original designated location was at 203 Logan SW, Grand Rapids, Kent County, (the "Original Property").

The Michigan Economic Development Corporation (MEDC) received notice from Arbor Gage & Tooling requesting to relocate their current Recovery Zone designation from the Original Property to 2031 Calvin SE, Grand Rapids, Kent County, (the "New Property"), effective December 31, 2012. MEDC also received a request from the Company to extend the duration of its Recovery Zone designation for an additional five year period, totaling ten years, with a new expiration date of December 31, 2020.

Arbor Gage & Tooling, Inc. obtained a resolution from City of Grand Rapids approving an additional five year period, totaling ten years, with a new expiration date of December 31, 2020 and the approval of the relocation of the Recovery Zone designation from the Original Property to the New Property.

The Michigan International Tooling Alliance members support in unanimous agreement the revocation of the Original Property and inclusion of the New Property including the five year time extension of Arbor Gage & Tooling, Inc.'s Recovery Zone for a total of 10 years duration. The Recovery Zone contact person provided written confirmation to the MEDC that Arbor Gage & Tooling, Inc. is a current member in good standing with their collaborative.

PROJECT DOCUMENTATION

Staff of the Recovery Zone program received a Recovery Zone application and supporting documentation from Arbor Gage & Tooling, Inc. Staff has reviewed the materials submitted and has determined the requirements of the Act have been satisfied. Attached to this memorandum is a summary of the application for the company's new location and identification of the parcels to be included in the existing Recovery Zone.

PROJECT EVALUATION

Staff has determined that the application and documentation meet the requirements of the Act because Arbor Gage & Tooling, Inc.:

1. Has obtained an authorizing resolution of support from City of Grand Rapids where the company's new property is located;
2. Owns or leases the property to be included in the proposed zone and the property is used primarily for tool and die business operations;
3. Is a qualified tool and die business located on the property and has a NAICS code of 333514 and 332997;
4. Has fewer than 75 full-time employees; and
5. Has entered into a collaborative agreement with companies that have a NAICS code that falls within 333511-333515 or 332997.

ADDITIONAL INFORMATION

Collaborative Agreement

A collaborative agreement has been entered into between the Michigan International Tooling Alliance and Arbor Gage & Tooling, Inc.

RECOMMENDATION

The MEDC recommends that the MSF approval of the revocation of the Original Property and the relocation of their Recovery Zone designation to the New Property for Arbor Gage & Tooling, Inc. Furthermore, MEDC recommends that the MSF approve the time extension of five years, totaling ten years with a new expiration date of December 31, 2020, and the continuation of Arbor Gage & Tooling, Inc. as a member of the Michigan International Tooling Alliance.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2012-___**

**REVOCATION OF AN EXISTING TOOL & DIE RENAISSANCE
RECOVERY ZONE DESIGNATION DUE TO RELOCATION: Arbor Gage and Tooling, Inc.**

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

WHEREAS, on December 15, 2010, the MSF Board designated a Recovery Zone for the Michigan International Tooling Alliance, (the “Collaborative”), effective January 1, 2011;

WHEREAS, Section 8d(3) of the Act permits the MSF to revoke the designation of all or a portion of a recovery zone with respect to 1 or more qualified tool and die businesses if those qualified tool and die businesses fail or cease to participate in or comply with a qualified collaborative agreement;

WHEREAS, the Collaborative included Arbor Gage and Tooling, Inc., (the “Company”), a qualified tool and die business under the Act, located at 203 Logan SW, Grand Rapids, Michigan, on parcel #41-13-36-205-001, (collectively, the “Original Property”);

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

WHEREAS, the MEDC received written notification from the Company that the Company has moved from the Original Property to 2031 Calvin SE, Grand Rapids, Michigan on parcels #41-16-08-203-007, #41-18-08-203-008, and #41-18-08-203-16 (the “New Property”);

WHEREAS, the Company has ceased operations at the Original Property;

WHEREAS, the Company is no longer participating in, with respect to the Original Property, the collaborative agreement with the members of the Collaborative;

WHEREAS, the Company has requested the Recovery Zone designation for the Original Property be revoked in order for the Company to apply for a transfer of Recovery Zone designation to the New Property (the “Application”); and

WHEREAS, the MEDC fully considered the Application and recommends the MSF revoke the Recovery Zone designation for the Original Property in order for the Company to apply for a transfer of Recovery Zone designation to the New Property.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board revokes the Recovery Zone designation for Arbor Gage and Tooling, Inc. for the Original Property located at 203 Logan SW, Grand Rapids, Michigan, on parcel #41-13-36-205-001, effective January 1, 2013; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
November 28, 2012

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

RELOCATION AND TIME EXTENSION OF AN EXISTING TOOL & DIE RENAISSANCE RECOVERY ZONE DESIGNATION: Arbor Gage and Tooling, Inc.

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

WHEREAS, the Act authorizes the MSF Board to consider all applications made by tool and die businesses or qualified local governmental units for a Recovery Zone;

WHEREAS, on December 15, 2010, the MSF Board designated a Recovery Zone for the Michigan International Tooling Alliance, (the “Collaborative”), effective January 1, 2011;

WHEREAS, the Collaborative included Arbor Gage and Tooling, Inc., (the “Company”), a qualified tool and die business under the Act, located at 203 Logan SW, Grand Rapids, Michigan 49503 on parcel #41-13-36-205-001, (collectively, the “Original Property”);

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

WHEREAS, the MEDC received an application and supporting documentation (the “Application”) from the Company to relocate their current Recovery Zone designation from the Original Property to 2031 Calvin SE, Grand Rapids, Michigan on parcels #41-16-08-203-007, #41-18-08-203-008, and #41-18-08-203-16 (the “New Property”);

WHEREAS, the MEDC received a request from the Company to extend the duration of its Recovery Zone designation for an additional five year period, totaling ten years, with a new expiration date of December 31, 2020, (the “Application”);

WHEREAS, by resolution, the City of Grand Rapids, (the “City”), consented to the relocation of the Recovery Zone designation from the Original Property to the New Property and consented to the extension of the Recovery Zone Designation for an additional five year period, totaling ten years, with a new expiration date of December 31, 2020;

WHEREAS, the Collaborative consented to the relocation and extension of the Recovery Zone designation from the Original Property to the New Property for an additional five year period, totaling ten years, with a new expiration date of December 31, 2020; and

WHEREAS, the MEDC fully considered the Company’s request and recommends the MSF approve the transfer of the Recovery Zone designation from the Original Property to the New Property and extend the Company’s Recovery Zone designation for an additional five year period, for a total of ten years, with a new expiration date of December 31, 2020.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the Application submitted by Arbor Gage and Tooling, Inc. for the relocation of their Recovery Zone designation from the Original Property to the New Property and for a time extension of five years effective January 1, 2015, for an additional five year period, total ten years, with a new expiration date of December 31, 2020 for

Property located at 2031 Calvin SE, Grand Rapids, Michigan on parcels #41-18-08-203-007, #41-18-08-203-008, and #41-18-08-203-016; and

BE IT FURTHER RESOLVED, that the Company shall provide a written report to the MSF by January 31, 2013, and annually each January 31 thereafter through 2020 that includes the following information:

1. the amount of capital investment, including, but not limited to, real and personal property investment, in the Original Property;
2. the number of individuals employed at the Original Property at the beginning and the end of the reporting period, as well as the number of individuals transferred to the Original Property from another entity owned by the Company, if any;
3. new jobs, including full-time jobs, created at the Original Property and the average wage for these new jobs;
4. the status of the Company's business operations;
5. the most recent State Equalized Value (SEV) and taxable value of the Original Property and personal property located at the Original Property, including personal property located at the Original Property that existed prior to the Effective Date;
6. any other information reasonably requested by the MSF regarding the Original Property or the extension of the designation described in this Agreement; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
November 28, 2012

MEMORANDUM

Date: November 28, 2012

To: Michigan Strategic Fund Board Members

From: Amy Lux, Renaissance Zone Program Specialist

Subject: City of Lansing Renaissance Zone
City of Lansing, Ingham County
Amendment to Development Agreement – Knapp’s Centre Subzone
Eyde Knapp Development, LLC

COMPANY BACKGROUND

Eyde Knapp Development, LLC is an entity created to combine two of Lansing’s land and building companies George F. Eyde Limited Family Partnership and Louis J. Eyde Limited Family Partnership (the “Eyde Companies”). Eyde Knapp Development, LLC was created to bring together the expertise of these long-time land development companies while emphasizing a focus on rejuvenating an iconic downtown Lansing building, the aging Knapp’s Department Store Building.

PROJECT BACKGROUND

On May 25, 2011, the Michigan Strategic Fund Board (the “MSF”) awarded a Subzone to George F. Eyde Limited Family Partnership and Louis J. Eyde Limited Family Partnership to revitalize the former J.W. Knapp Department Store Building (the “Knapp’s Building”) located in downtown Lansing, which has sat vacant since around 2002. The Eyde Companies are committed to renovating the Knapp’s Building inside and out, while adhering to historical preservation standards, bringing retail, office, and loft housing space to the downtown. On the date of designation, the Eyde Companies and the MSF entered in to a development agreement that conditioned the subzone designation on certain investment and financing conditions (the “Agreement”).

PROJECT DESCRIPTION

The Agreement originally included a condition that a federal Brownfield Economic Development Initiative grant (BEDI) be obtained by May 25, 2012, by referencing a separate development agreement between the City of Lansing and the Eyde Companies (the “Lansing Agreement”), which listed this requirement in Section 4.3(I) of the Lansing Agreement. The Lansing Agreement has since been amended and Section 4.3(I) now conceives the obtainment of a U.S. Housing and Urban Development Section 108 Loan Guarantee (the “HUD loan”) and an interest reserve fund arrangement between the City of Lansing and the Eyde Companies. The BEDI grant was never obtained, but the City of Lansing was able to secure the HUD loan in October of 2012, after the May 25, 2012 deadline in the Agreement. Due to the importance of the project, the MEDC is recommending that the Agreement be amended to bring the Eyde Companies into compliance by removing this outdated condition and the due date, allowing the City and the Eyde Companies to work out the details of their agreement now that financing has been secured.

In addition, the Eyde Companies have created a new entity, Eyde Knapp Development LLC, who has taken over ownership of the Knapp Building and will be managing the renovation of the project. Eyde Knapp Development, LLC is owned by the current parties to the Agreement, and thus, the Agreement must be amended to list this entity as the owner in place of the Eyde Companies.

RECOMMENDATION

The MEDC recommends MSF approve the following amendments to the Agreement, effective immediately:

- 1) Section 3(d)(v) of the Agreement is deleted in its entirety;
- 2) All references to "Owner" in the Agreement now refer to the entity Eyde Knapp Development, LLC. The first paragraph to the Agreement is deleted and restated as follows:

This Development Agreement (the "Agreement") is by and between the Michigan Strategic Fund ("MSF"), a Michigan public body corporate and politic, Eyde Construction Company, LLC (individually "E.C.C." and the "Company"), a Michigan limited liability company, and Eyde Knapp Development, LLC (the "Owner"), a Michigan limited liability company. Collectively, the MSF, the Company and the Owner are referred to in this Agreement as the "Parties."

Except as specifically provided above, the Parties agree that all terms and conditions of the Agreement shall remain unchanged and in effect.

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

AMENDMENT TO DEVELOPMENT AGREEMENT

Knapp's Centre Subzone

WHEREAS, Section 4(4) of the Michigan Renaissance Zone Act (the "Act"), 1996 PA 376, as amended, authorized the Michigan Strategic Fund ("MSF") to designate qualified additional distinct geographic areas if the additional distinct geographic area will increase capital investment or job creation (a "Subzone");

WHEREAS, on May 25, 2011, via Resolution 2011-072, the MSF Board approved the City of Lansing's Application to designate the former J.W. Knapp Department Store Building as a Renaissance Zone, referred to as the "Knapp's Centre Subzone" (the "Subzone"), and entered in to a development agreement (the "Agreement") with Eyde Construction Company, LLC and the owners of the Subzone property, George F. Eyde Limited Family Partnership and Louis J. Eyde Limited Family Partnership (the "Eyde Companies");

WHEREAS, the Agreement outlined various conditions to receiving the benefits of a Renaissance Zone, including that a federal Brownfield Economic Development Initiative grant ("BEDI") be obtained to ensure ample financing;

WHEREAS, a federal BEDI grant was never obtained for this project, but the City of Lansing and the Eyde Companies have worked out an alternative financing arrangement and a federal U.S. Housing and Urban Development Section 108 Loan Guarantee has been obtained for the project;

WHEREAS, the Michigan Economic Development Corporation ("MEDC") provides administrative services for the renaissance zone program, has reviewed the financing arrangement between the City of Lansing and the Eyde Companies, and recommends that the MSF Board amend the Agreement to remove the aforementioned condition from the Agreement;

WHEREAS, the Eyde Companies have created a new entity, Eyde Knapp Development, LLC, owned by the Eyde Companies, and have transferred ownership of the Subzone property to the new entity;

WHEREAS, the MEDC recommends the Agreement be amended to reflect the change in the ownership of the Subzone property and with it, the obligations of the Agreement;

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board amends the Development Agreement between the MSF and the Eyde Companies with the following amendments:

- 1) Section 3(d)(v) of the Agreement is deleted in its entirety;
- 2) All references to "Owner" in the Agreement now refer to the entity Eyde Knapp Development, LLC. The first paragraph to the Agreement is deleted and restated as follows:

This Development Agreement (the "Agreement") is by and between the Michigan Strategic Fund ("MSF"), a Michigan public body corporate and politic, Eyde Construction Company, LLC (individually "E.C.C." and the "Company"), a Michigan limited liability company, and Eyde Knapp Development, LLC (the "Owner"), a Michigan limited liability company. Collectively, the MSF, the Company and the Owner are referred to in this Agreement as the "Parties."

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

BE IT FURTHER RESOLVED, that, except as provided in this Resolution, the terms of the Agreement shall remain unchanged and in full effect.

Ayes:

Nays:

Recused:

Lansing, Michigan
November 28, 2012



MEMORANDUM

Date: November 28, 2012

To: Michigan Strategic Fund Board Members

From: Amy Lux, Renaissance Zone Program Specialist

Subject: Renewable Energy Renaissance Zone (RERZ)
Energetx Composites, LLC – Holland Charter Township
Revocation of Existing RERZ, designated for Energetx Composites, LLC

COMPANY BACKGROUND

Energetx Composites, LLC is a privately-held company located in Holland, MI. The Company specializes in advanced engineering and manufacturing, especially, large-scale composite fiberglass products. Energetx Composites, LLC is looking to expand in to the wind energy industry.

PROJECT BACKGROUND

At its November 16, 2010 meeting, the State Administrative Board (the “SAB”) approved a Renewable Energy Renaissance Zone (RERZ) after receiving recommendation of approval from the Michigan Strategic Fund (the “MSF”) for Energetx Composites, LLC’s proposed project, which consisted of building and outfitting a new facility focused on manufacturing utility-scale wind turbine blades in Holland Charter Township (the “Project”). The zone designation began on January 1, 2011, for a period of six years.

In 2010, Energetx Composites, LLC entered into a development agreement with the MSF for the RERZ designation. According to the terms of the original development agreement, the Company committed to the following benchmarks:

- Invest a total of \$18.4 million for construction of the facility and machinery and equipment additions by December 31, 2015
- Create 700 new Full-Time Jobs by December 2015
- Commence the project by November 16, 2011

Due to the loss of financial support, the company was not successful in proceeding with the project. The company never broke ground on the facility and does not plan to complete the Project as required under the terms of the development agreement and Section 8e of the Michigan Renaissance Zone Act, 1996 PA 376, as amended (the “Act”).

The Michigan Economic Development Corporation (the “MEDC”) has notified Energetx Composites, LLC of their intent to seek a recommendation of revocation of the RERZ and the 90-day cure period required in the development agreement has since lapsed. The company has confirmed their intent to abandon the project at the Holland Charter Township location and is considering relocating at the deep-water port in Muskegon, which is conducive to shipping of large scale wind turbine blades.

This revocation requires recommendation of approval by the MSF Board and final approval by the State Administrative Board. As the company has been forthcoming regarding the project’s lack of success, payment of previous abated taxes will not be sought.

RECOMMENDATION

The MEDC recommends that the MSF consider recommendation of approval to the State Administrative Board for the revocation of the existing Renewable Energy Renaissance Zone for Energetx Composites, LLC effective January 1, 2013 due to a failure to commence construction of the project as required by the Act.

As the land is owned by the Holland Charter Township, no repayment of previously abated taxes is being requested.

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

REVOCATION OF AN EXISTING RENEWABLE ENERGY RENAISSANCE ZONE DESIGNATION: Energetx Composites, LLC

WHEREAS, Section 8e of the Michigan Renaissance Zone Act, 1996 PA 376, as amended, authorizes the State Administrative Board (“SAB”) to designate up to fifteen (15) renaissance zones for renewable energy facilities upon the recommendations of the Michigan Strategic Fund (“MSF”) and the consent of the local unit of government in which the proposed renaissance zone will be located;

WHEREAS, on October 27, 2010, the SAB approved a Renewable Energy Renaissance Zone for Energetx Composites, LLC (the “Company”) after receiving recommendation of approval from the MSF for the Company’s facility beginning January 1, 2011;

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

WHEREAS, Section 8e(3) of the Act allows the SAB to revoke the designation of all or a portion of a Renewable Energy Renaissance Zone if the SAB determines the renewable energy facility: (1) failed to commence operation; (2) ceases operation; or (3) fails to commence construction or renovation within one (1) year from the date the renaissance zone for the renewable energy facility is designated;

WHEREAS, the Company, among other things, failed to commence construction of its facility and failed to notify the MSF, as required by the terms of its development agreement;

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the renaissance zone program, and verified that the Company had not begun, nor planned to begin construction on a renewable energy manufacturing facility;

WHEREAS, the MEDC has also notified the Company of its intent to revoke their renewable energy renaissance zone designation and the Company has no objection;

WHEREAS, pursuant to the development agreement, staff on behalf of the MSF has sent notice to the Company to cure its noncompliance or it will recommend revocation. The 90-day cure period has passed and the Company remains out of compliance;

WHEREAS, the MEDC recommends that the MSF Board approves for recommendation to the State Administrative Board the revocation of the Company’s renewable energy renaissance zone designation effective January 1, 2013.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves for recommendation to the State Administrative Board the revocation of the Company’s renewable energy renaissance zone designation effective January 1, 2013; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
November 28, 2012



MEMORANDUM

Date: November 28, 2012

To: Michigan Strategic Fund Board Members

From: Amy Lux, Renaissance Zone Program Specialist

Subject: Agricultural Processing Renaissance Zone
Acme Township, Grand Traverse County
Shoreline Fruit, LLC
Revocation – New APRZ Designation

COMPANY BACKGROUND

Shoreline Fruit, LLC (the “Company”) is a manufacturer of dried fruits and fruit concentrates, associated with operations in multiple locations in New York and Michigan. Their plant in Acme Township, Grand Traverse County is focused primarily on cherries, cranberries, apples, and blueberries, supporting the fruit production and processing industry in that region of the State. Despite the extreme weather conditions of the past couple years, the company has been successful and is poised to expand their business, adding greater capacity to produce their product.

PROJECT BACKGROUND

In April of 2011, the State Administrative Board (the “SAB”), upon the recommendation of the Michigan Strategic Fund Board (the “MSF”) awarded the Company with a 15-year Agricultural Processing Renaissance Zone (“APRZ”) for a parcel of land adjacent to their existing facility in order to support their expansion plans. The Company’s expansion involves construction of additional building space to their current facility and purchase of more equipment, such as a new drier, to enable increased production capacity. However, due to the economic downturn and the consecutive failure of the cherry crop, the Company made the business decision that it would not be prudent to pursue a full expansion on the timeline they committed to in the development agreement they entered in to with the MSF in exchange for the APRZ designation.

Instead, the Company has amended their expansion plan to encompass a multi-phase project on a more gradual timeline. However, this new plan envisions expanding in to a geographic area largely outside the boundaries of their current APRZ.

PROJECT DESCRIPTION

At this time, the Company is out of compliance with the development agreement associated with their APRZ, which requires commencement of their expansion project within a year of designation. The Company has been upfront in its intention not to pursue their initial expansion project for which they received the APRZ designation. The Company instead requests revocation of their existing APRZ and consideration of support for their new multi-phase expansion plans with a new APRZ for a different property parcel. The boundaries of the new proposed APRZ is also adjacent to the Company’s existing Acme Township facility, but it encompasses the vast majority of their new planned expansion.

Both the County of Grand Traverse and the Michigan Commission of Agriculture support awarding the Company with the new APRZ. In addition, the Company is willing to enter in to new development agreement with the MSF committing to more job creation and a larger capital investment, over a longer timeline. The Company has shown business acumen in their calculated decision-making, evidenced by their continued

success despite the devastation of the cherry crop and their ability to adjust to the associated changing market conditions. Also, the ancillary benefits of the expansion are significant, supporting local growers with an additional demand of 10,000 acres of tart cherry crop and millions of pounds of increased frozen blueberry and sugar purchases. For these reasons, the MEDC is recommending that the new APRZ be awarded following the revocation of their current APRZ.

PROJECT EVALUATION and COMPARISON

Job Creation

New commitment: 45 jobs by December 31, 2018 (12 new employees have already been hired)

Initial commitment: 40 jobs by December 31, 2014

Employment Information (Job Creation)

\$520 average weekly wage at the end of the first year includes benefit package of health, dental and vision insurance; up to 3.5% employers match of 401K contributions; paid time off and holidays.

Current Workforce

84 (this includes the 12 new jobs the company has created since the original designation)

Private Investment

New commitment: \$12.75 million by December 31, 2018 (\$2.5 million has already been invested)

Initial commitment: \$7.5 million by March 31, 2012

Number of Acres

New: 3.53 acres

Initial: 3.89 acres

Tax Information

An estimated \$177,000 will be abated annually in property taxes.

Period of Designation

15 year designation

Other Incentives

No other public funds or programs will be utilized

RECOMMENDATION

First, the MEDC supports the MSF recommend to the SAB of the revocation of Shoreline Fruit, LLC's Agricultural Processing Renaissance Zone, designated on April 19, 2011, for property parcel 28-01-955-001-00 due to their non-compliance with the development agreement from their failure to commence the project within one year of the APRZ designation.

Second, the MEDC supports the MSF approval to recommend to the SAB to grant the County of Grand Traverse's request for a new Agricultural Processing Renaissance Zone for Shoreline Fruit, LLC, for a 15-year designation on property parcel 28-01-950-002-00, contingent upon the following:

1. On or before December 18, 2013 Shoreline Fruit, LLC shall have commenced the project as described in Grand Traverse County's application for an Agricultural Processing

2. Renaissance Zone by having started and finalized construction of the expansion of the existing facility and started the creation of new jobs; and
3. A development agreement is entered into among Shoreline Fruit, LLC, Cherry Country Fruitworks, LLC and the MSF that incorporates the terms described in the associated Resolution on or before December 31, 2012.

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

REVOCATION OF AN EXISTING AGRICULTURAL PROCESSING RENAISSANCE ZONE DESIGNATION: Shoreline Fruit, LLC

WHEREAS, Section 8c of the Michigan Renaissance Zone Act, 1996 PA 376, as amended, authorizes the State Administrative Board (“SAB”) to designate up to 30 renaissance zones for agricultural processing facilities upon the recommendations of the Michigan Strategic Fund (“MSF”) and the Michigan Commission of Agriculture (“MCA”), and the consent of the local unit of government in which the proposed renaissance zone will be located;

WHEREAS, on April 19, 2011, the SAB approved an Agricultural Processing Renaissance Zone for Shoreline Fruit, LLC (the “Company”) for parcel 28-01-955-001-00, after receiving recommendation of approval from the MSF and MCA for the Company’s facility beginning January 1, 2012;

WHEREAS, Section 8c(5)(a) of the Act requires a development agreement be entered into between the MSF and the agricultural processing facility (the “Agreement”) which committed the Company to numerous milestones with regards to job creation and new investment and filing reports;

WHEREAS, Section 8c(3) of the Act allows the SAB to revoke the designation of all or a portion of an Agricultural Processing Renaissance Zone if the SAB determines the agricultural processing facility: (1) failed to commence operation; (2) ceases operation; or (3) fails to commence construction or renovation within one (1) year from the date the renaissance zone for the agricultural processing facility is designated;

WHEREAS, the Company, has failed to commence construction of the expansion project (the “Project”) outlined in the Agreement within the one (1) year term following the designation for the agricultural processing facility;

WHEREAS, the Company instead intends to pursue an alternative expansion plan largely occurring outside of the boundaries of the original agricultural processing renaissance zone designation;

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the renaissance zone program, and was informed by the Company and Grand Traverse County that the Company had not begun, nor planned to begin construction of the Project;

WHEREAS, the Company is requesting revocation of the agricultural processing renaissance zone and the MEDC has also notified the Company of its intent to revoke their renewable energy renaissance zone designation;

WHEREAS, the MCA met on October 31, 2012, and approved for recommendation to the State Administrative Board the revocation of the Company’s agricultural processing renaissance zone designation; and

WHEREAS, the MEDC recommends that the MSF Board approves for recommendation to the State Administrative Board the revocation of the Company’s agricultural processing renaissance zone designation.

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
November 28, 2012

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

**AGRICULTURAL PROCESSING RENAISSANCE ZONE:
Shoreline Fruit, LLC**

WHEREAS, Section 8c of the Michigan Renaissance Zone Act, 1996 PA 376, as amended, authorizes the State Administrative Board to designate up to 30 renaissance zones for agriculture processing facilities upon the recommendations of the Michigan Strategic Fund (“MSF”) and the Michigan Commission of Agriculture (“MCA”) and the consent of the local unit of government in which the proposed renaissance zone will be located;

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

WHEREAS, the MEDC and the MCA received an application from Grand Traverse County (the “Application”) for renaissance zone designation for Shoreline Fruit, LLC (the “Company”) under Section 8c of the Act supported by Township of Acme, Grand Traverse County;

WHEREAS, the Company qualifies as an agricultural processing facility under the Act;

WHEREAS, the MCA recommended the Application on October 31, 2012, as filed with the MEDC and incorporated by reference, to the State Administrative Board for designation as a renaissance zone; and

WHEREAS, the MEDC recommends that the MSF Board approve the Application for recommendation to the State Administrative Board, for designation of an agricultural processing facility renaissance zone on property parcel 28-01-950-002-00 for a period of fifteen (15) years, effective January 1, 2013, subject to the following conditions:

1. On or before December 18, 2013, Shoreline Fruit, LLC shall have commenced the project as described in Grand Traverse County’s application for an Agricultural Processing Renaissance Zone by having started and finalized construction of the expansion of the existing facility and started the creation of new jobs; and
2. A development agreement is entered into among Shoreline Fruit, LLC, Cherry Country Fruitworks, LLC, the property owners, and the MSF that incorporates the terms described in this Resolution on or before December 31, 2012.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves for recommendation to the State Administrative Board an agricultural processing facility renaissance zone under Section 8c of the Act for Shoreline Fruit, LLC as described in the Application, on property parcel 28-01-950-002-00 for a period of fifteen (15) years effective January 1, 2013, subject to the following conditions:

1. On or before December 18, 2013, Shoreline Fruit, LLC shall have commenced the project as described in Grand Traverse County’s application for an Agricultural Processing Renaissance Zone by having started and finalized construction of the expansion of the existing facility and started the creation of new jobs; and

2. A development agreement is entered into among Shoreline Fruit, LLC, Cherry Country Fruitworks, LLC, the property owners, and the MSF that incorporates the terms described in this Resolution on or before December 31, 2012.

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

BE IT FURTHER RESOLVED, that the MSF Board authorizes the MSF President or Fund Manager, in consultation with the Department of the Attorney General, to enter into a development agreement on behalf of the MSF with Shoreline Fruit, LLC and Cherry Country Fruitworks, LLC; and

BE IT FURTHER RESOLVED, that the MSF Board authorizes the MSF President or Fund Manager to transmit the MSF's recommendation to the State Administrative Board.

Ayes:

Nays:

Recused:

Lansing, Michigan
November 28, 2012

MEMORANDUM

Date: November 28, 2012
To: Michigan Strategic Fund Board Members
From: Martin Dober, Senior VP, Entrepreneurship and Innovation
Subject: FY 2013 Van Andel Institute Program

BACKGROUND

Pursuant to Section 1034b of Public Act 200 of 2012, the MSF is directed to allocate \$500,000.00 to the Van Andel Institute to be used as a match for funding received from the department of defense and the national institutes of health for advanced medical research.

REQUEST

The Van Andel Institute provided documentation that in 2012 it was awarded over \$500,000 in federal grants from the national institutes of health. The Van Andel Institute proposes to use the \$500,000 (allocated in legislation above) for Tuberous Sclerosis Complex (TSC) research. TSC is a genetic autosomal dominant multisystem disorder characterized by hamartomas (benign neoplasm) in multiple organ systems, including the brain, skin, heart, kidneys, and lung. These hamartomas cause a diverse set of clinical problems based on their location often resulting in epilepsy, learning difficulties, behavioral problems and renal failure, among other complications. TSC affects upwards of 50,000 individuals in the United States and about 1 million individuals worldwide, many of these children under 10 years of age. In the State of Michigan alone, TSC may affect as many as 750 to 1,000 individuals. The proposed research will have a significant impact on TSC research in the State of Michigan, and importantly make an original contribution to advancing TSC research and patient care.

RECOMMENDATION

MEDC Staff recommends that the MSF Board approves allocating \$500,000 to the Van Andel Institute for a one-year agreement.

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

FUNDING ALLOCATION TO THE VAN ANDEL INSTITUTE

WHEREAS, 2012 PA 200, Section 1034b requires the Michigan Strategic Fund (“MSF”) Board to grant \$500,000 from the funds appropriated for the 21st Century Jobs Fund for FY 2013 to the Van Andel Institute to be used as a match for funding received from the department of defense and the national institutes of health for advanced medical research (the “Van Andel Institute Grant”); and

WHEREAS, the MSF Board desires to approve the Van Andel Institute Grant.

NOW, THEREFORE, BE IT RESOLVED, that consistent with the 2012 PA 200, Section 1034b, the MSF Board approves the Van Andel Institute Grant;

BE IT FURTHER RESOLVED, the MSF Board requests the State Treasurer to transfer \$500,000 from the 21st Century Jobs Trust Fund FY 2013 appropriation to the MSF for the Van Andel Grant; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
November 28, 2012



MEMORANDUM

DATE: November 28, 2012

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

FROM: Marcia Gebarowski, Development Finance Manager

SUBJECT: Approval of Michigan Business Development Request for \$3,000,000
Performance-based Grant to:

Dart Container of Michigan, LLC (“Applicant” or “Company”)
500 Hogsback Road
Mason, Michigan 48854
www.dart.biz

MBDP PROGRAM AND ITS GUIDELINES

On December 21, 2011, the MSF Board approved the Michigan Business Development Program (“MBDP”) and its guidelines. The primary intended objective of the MBDP is to provide incentives to businesses that create qualified jobs, make qualified investments, or a combination of both, in Michigan.

SOURCE OF INFORMATION

It is the role of the Project Management staff (“MEDC Staff”) to review for eligibility, completeness, and adherence to MBDP 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 MEDC staff.

HISTORY OF THE APPLICANT

Dart Corporation was established in 1937 as Dart Manufacturing Company to manufacture products such as plastic key cases, steel tape measures, and identification tags for the armed services. Subsequent experimentation with expandable polystyrene in the late 1950s led to a line of high quality insulated foam cups. Dart Container Corporation was incorporated in 1960 with the production of 6 ounce foam cups. On May 4, 2012 Dart acquired Solo Cup Inc., headquartered in Illinois. Dart Container Corporation and its subsidiary Dart Container of Michigan, LLC are headquartered in Mason, Michigan.

The Applicant has not received any incentives from the MSF previously.

PROJECT DESCRIPTION

The Applicant plans to construct a new office building and warehouse facility as well as expand and reconfigure other buildings at the headquarters campus to integrate Solo Cup operations into Dart's operation in Michigan, make investments and create jobs related to the Corporate or Headquarter Managing Offices.

- a) The Applicant is a "Qualified Business", as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.
- b) The project will be located in Alaideon Township. The township has offered a "staff, financial, or economic commitment to the project" in the form of a PA 198 tax abatement for up to 12 years with an estimated value of \$5.2 million.
- c) The Applicant has demonstrated a need for the funding based on a cost disadvantage for Michigan over the competing site of Lake Forest, Illinois. The Michigan location will require investment for reconfiguration and expansion of the offices. Solo Cup, in Lake Forest, to accommodate the project and Dart could shift job functions there or to other Dart or Solo locations around the world.
- d) The Applicant plans to create 325 Qualified New Jobs above a statewide base employment level of 1167.
- e) The project meets the program guidelines as follows: the proposed project involves a high level of investment which is anticipated to commence in 2012, a high number of new jobs, high wages and has a net positive return to Michigan.

INCENTIVE OPPORTUNITY

This project involves the creation of 325 Qualified New Jobs though the Company anticipates the project will create up to 347 new jobs, a Qualified Investment of \$15 million, and a total capital investment of up to \$47 million in Alaideon Township. The requested incentive amount from the MSF is \$3,000,000 in the form of a performance-based grant. Please see below for more information on the recommended action.

RECOMMENDATIONS

MEDC Staff recommends (the following, collectively, "Recommendation"):

- a) Approval of the MBDP Proposal as outlined in the term sheet attached to the proposed Resolution (collectively, "MBDP Proposal");
- b) Closing the MBDP Proposal, subject to available funding under the MBDP at the time of closing ("Available Funding"), satisfactory completion of due diligence, (collectively, "Due Diligence"), finalization of all MBDP transaction documents, and further subject to the following terms and conditions:
 - a. Commitment will remain valid for 90 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.

The MSF Incentives Subcommittee has indicated its support of the Recommendation.

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
DART CONTAINER OF MICHIGAN, LLC**

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

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

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

WHEREAS, on December 21, 2011, by Resolution 2011-184, the MSF (i) created the MBDP, (ii) adopted the guidelines for the MBDP (“Guidelines”), and (iii) approved the MSF Fund Manager to negotiate the final terms and conditions of the written agreements to be used to memorialize MBDP awards on the MSF’S behalf in accordance with the Guidelines (“Transaction Documents”);

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

WHEREAS, Dart Container of Michigan, LLC (“Company”) has requested a performance based MBDP grant of up to \$3 million (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC has recommended to the MSF Incentive Subcommittee that the MSF approve the Company’s Grant Request in accordance with the Term Sheet, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents within 90 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 (“MBDP Award Recommendation”); and

WHEREAS, the MSF Incentive Subcommittee has indicated its support of the MBDP Award Recommendation.

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

BE IT FURTHER RESOLVED, the MSF Board approves the MSF Fund Manager to negotiate final milestone performance terms from that contained in the Term Sheet, and additional and other terms so long as the additional and other terms are not otherwise materially adverse to the MSF, to accommodate final signing of the Transaction Documents.

Ayes:

Nays:

Recused:

Lansing, Michigan
November 28, 2012



**MICHIGAN BUSINESS DEVELOPMENT PROGRAM
Performance Based Grant - Term Sheet**

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

Date: 11/5/2012

1. **Company Name:** Dart Container of Michigan, LLC. ("Company" or "Applicant")
 - a. **Parent Company Name:** Dart Container Corporation

2. **Company Address:** 500 Hogsback Road
Mason, Michigan 48854

3. **MBDP Incentive Type:** Performance Based Grant

4. **Maximum Amount of MBDP Incentive:** Up to \$3,000,000 ("MBDP Incentive Award")

5. **Base Employment Level** 1,167 The number of jobs currently maintained in Michigan by the Company based on data submitted by the Company to the MEDC reflecting the Company's statewide employment level in Michigan prior to the proposed project. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement ("Agreement") between the MSF and the Company.

6. **Total Qualified New Job Creation:** 325 The minimum number of total Qualified New Jobs the Company shall be required to create in Michigan (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required), and each Qualified New Job must be in excess of the Base Employment Level. The
(above Base Employment Level)

final terms and conditions of the requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.

- a. **Start Date for Measurement of Creation of Qualified New Jobs:** Date of Fully Executed Terms Sheet

- 7. **Company and Parent Company Investment:** \$47,000,000 in new building construction, building renovations, machinery and equipment, Furniture/Fixtures/Equipment, computers *or any combination thereof, for the Project.*

- 8. **Qualified and Parent Company Investment:** \$15,000,000 The total minimum amount of the required Company and Parent Company Investment in Michigan related to the project, which at a minimum must include the following: **the construction contract related to the building of a new warehouse facility** (“Qualified Investment”). The final terms and conditions of the Qualified Investment shall be included in the final Agreement.

- 9. **Municipality supporting the Project:** Alaiedon Township
 - a. **Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide: **a property tax abatement**. The final terms and conditions demonstrating this support shall be included in the final Agreement.

- 10. **Disbursement Milestones:** The final terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award shall be included in the final Agreement, including that before any disbursement is made to the Company, the Company must have maintained: (i) the Base Employment Level (exclusive of the number of Qualified New Jobs then created) and (ii) any Qualified New Jobs created for which disbursements by the MSF have been made, and must otherwise be in compliance with all terms and conditions of the final Agreement, and further shall include:
 - a. **Disbursement Milestone 1:** Up to \$500,000 Upon demonstrated support that the Company has maintained the Base Employment Level, demonstrated completion of \$15 million in Qualified Investment (paid receipt of at least \$15 million related to the construction contract for the warehouse building), and verification of final approval of municipality support by no later than June 30, 2014.

- | | | |
|-------------------------------------|-------------------|---|
| b. Disbursement Milestone 2: | Up to \$1,500,000 | Upon completion of Disbursement Milestone 1, demonstration of a certificate of occupancy for the office building and demonstrated creation of 225 Qualified New Jobs above the Base Employment Level, and by no later than December 31, 2014. |
| c. Disbursement Milestone 3: | Up to \$500,000 | Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 50 additional Qualified New Jobs above the Base Employment Level, by no later than December 31, 2015. |
| d. Disbursement Milestone 4: | Up to \$500,000 | Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, Disbursement Milestone 3, and upon demonstrated creation of 50 additional Qualified New Jobs above the Base Employment Level, by no later than June 30, 2016. |

11. Term of Agreement: Execution of Agreement to June 30, 2018

12. Repayment Provisions:

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

13. Reporting Requirements:

Periodic reporting will be required with this program. The detailed information needed from the Company will be included in the final Agreement, but will include Project reporting for such things as: amount of proposed incentive, amount of actual incentive received by Company; amount of proposed and actual investment made by Company for Project; the committed number of new jobs and the actual number of new jobs created as a result of the Project; the educational attainment of the employees hired; the number of new patents, copyrights, or trademarks applied for and issued to the Company; the number of licensing agreements by the Company and the number of such licensing agreements entered into by the Company with Michigan based firms; and any products commercialized by the Company.

14. Public Announcements:

The Company shall not make, or cause, any announcement of the proposed MBDP Incentive Award parameters outlined in this letter before the date of approval by the MSF of the MBDP Incentive Award, unless prior authorized and coordinated with the MEDC.

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

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by November 7, 2012, the MEDC may not be able to proceed with any recommendation to the MSF.

Dart Container of Michigan, LLC.

By: *Kevin M. F.*

Its: *Authorized Signor*

Dated: *11/5/12*

Acknowledged as received by:

Michigan Economic Development Corporation

By: *Marcia Gebarowski*

Its: *Development Finance Manager*

Dated: *11/5/2012*



MEMORANDUM

Date: November 28, 2012

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

From: Joshua Hundt – Manager, Development Finance

Subject: Re-approval For:
Materne North America, Corp. (“Company” or “Applicant”)
Michigan Business Development Program (“MBDP” or “Program”)

COMPANY NAME

Materne North America, Corp.
20 West 22nd Street
Suite 1604
New York, New York 10010
www.gogosqueez.com

BACKGROUND

On July 25, 2012, the Michigan Strategic Fund (MSF) approved a MBDP performance-based grant in the amount of \$3,000,000 for the Company. The MBDP approval required that an Agreement be entered into within 90 days of the date of the approval, and may be extended for an additional 30 days with approval from the MSF Fund Manager.

Due to administrative limitations, all parties have been unable to enter into the Agreement within the allowable 120 days.

RECOMMENDATION

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

- a) Re-approval of the MBDP Proposal as outlined in the term sheet attached to the original Resolution (collectively, “MBDP Proposal”);
- b) Closing the MBDP Proposal, subject to available funding under the MBDP at the time of closing (“Available Funding”), satisfactory completion of due diligence, (collectively, “Due Diligence”), finalization of all MBDP transaction documents, and further subject to the following terms and conditions:
 - a. Commitment will remain valid until December 31, 2012, with approval for MSF Fund Manager to extend the commitment through January 30, 2013.

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

**APPROVAL OF AN EXTENSION TO FINALIZE A MICHIGAN BUSINESS DEVELOPMENT PROGRAM
GRANT TO MATERNE NORTH AMERICA CORP.**

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

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

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

WHEREAS, on December 21, 2011, by Resolution 2011-184, the MSF (i) created the MBDP, (ii) adopted the guidelines for the MBDP (“Guidelines”), and (iii) approved the MSF Fund Manager to negotiate the final terms and conditions of the written agreements to be used to memorialize MBDP awards on the MSF’S behalf in accordance with the Guidelines (“Transaction Documents”);

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

WHEREAS, on July 25, 2012, by Resolution 2012-75, the MSF approved a performance based MBDP grant award to Materne North America Corp. (“Company”) of up to \$3 million (“Grant”) along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, Resolution 2012-75 approved the MSF commitment to the Company 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 by November 22, 2012 (including any extension to time granted by the MSF Fund Manager) (“Time Period”), or Resolution 2012-75 would have no effect;

WHEREAS, the Company has advised that is in the process of reviewing for approval the draft of the Transaction Documents for the Grant;

WHEREAS, the MEDC recommends that the MSF extend the Time Period to finalize the Transaction Documents for the Grant until December 31, 2012, or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended through January 30, 2013 (collectively, “Time Period Extension”).

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the Time Period Extension.

BE IT FURTHER RESOLVED, the MSF Board approves the MSF Fund Manager to negotiate final milestone performance terms from that contained in the Term Sheet, and additional and other terms so long as the additional and other terms are not otherwise materially adverse to the MSF, to accommodate final signing of the Transaction Documents.

BE IT FURTHER RESOLVED, except as provided by this Resolution, Resolution 2012-75 remains in full force and effect.

Ayes:

Nays:

Recused:

Lansing, Michigan
November 28, 2012

EXHIBIT A
PURE MICHIGAN®

**MICHIGAN BUSINESS DEVELOPMENT PROGRAM
Performance Based Grant - Term Sheet**

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

Date: 6/16/2012

- 1. Company Name:** Materne North America, Corp. ("Company" or "Applicant")
- 2. Company Address:** 20 West 22nd Street
Suite 1604
New York, New York 10010
- 3. Project Address ("Project"):** GoGosqueeZ® Pouches Production Lines P04 through P08
6331 South US 31
Grawn, Michigan 49637
- 4. MBDP Incentive Type:** Performance Based Grant
- 5. Maximum Amount of MBDP Incentive:** Up to \$3,000,000 ("MBDP Incentive Award")
- 6. Base Employment Level** 68 The net number of jobs which will be required to be maintained in Michigan by the Company (not including the Qualified New Jobs (discussed below) that must be created and maintained) based on data submitted by the Company to the MEDC reflecting the Company's current 9 employees in Michigan prior to the proposed Project plus the 59 current employees of Cherry Growers, Inc. proposed to be transferred from Cherry Growers, inc. to employment within Michigan by the Company. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement ("Agreement") between the MSF and the Company.
- 7. Total Qualified New Job Creation:** 65 The minimum number of total Qualified New Jobs the Company shall be required to create in
(above Base Employment Level)

EXHIBIT A

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

- a. **Start Date for Measurement of Creation of Qualified New Jobs:** April 18, 2012
- 8. **Company Investment:** Up to \$23,472,500 in machinery and equipment, computers, or any combination thereof, for the Project.
- 9. **Municipality supporting the Project:** Green Lake Township
 - a. **Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide a property tax abatement in support of the project. The final terms and conditions demonstrating this support shall be included in the final Agreement.
- 10. **Disbursement Milestones:** The final terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award shall be included in the final Agreement, including that before any disbursement is made to the Company, the Company must have maintained: (i) the Base Employment Level (exclusive of the number of Qualified New Jobs then created) and (ii) any Qualified New Jobs created for which disbursements by the MSF have been made, and must otherwise be in compliance with all terms and conditions of the final Agreement, and further shall include:
 - a. **Disbursement Milestone 1:** Up to \$1,500,000. Upon demonstrated creation of 29 Qualified New Jobs above the Base Employment Level, verification that the company has requested to enter into a licensing agreement with the MEDC to include the Pure Michigan® logo on its GoGosqueeZ® product line at the Project site, as well as requesting to include the Pure Michigan® logo on its website, or on its marketing material, and verification of final approval of municipality support by no later than May 31, 2013.

EXHIBIT A

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| b. Disbursement Milestone 2: | Up to
\$1,500,000 | Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 36 additional Qualified New Jobs above the Base Employment Level, by no later than May 31, 2014. |
|------------------------------|----------------------|---|

11. **Term of Agreement:** Execution of Agreement to May 31, 2016. Provided however, certain terms of the Agreement may be effective through a different end date, including the terms requiring Profit Sharing Payments and a possible Cessation of Production Payment (each discussed below), each of which shall include terms that are effective through payment to the MSF of the applicable required payments.

12. **Repayment Provisions:**

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

- a. **Profit Participation.** The final Agreement will include profit participation terms and conditions which will require the Company to make payments to the MSF in an amount equal to at least 1% of the Company's net income per year attributable to the sale of the GoGoSqueeZ[®] product which is produced at the Project, based on an acceptable net income formula (plus any applicable interest, fees and costs if such payments are not timely made). The payments shall be due no later than May 31, 2015 based on net income for the year ending December 31, 2014, and continue to be due May 31st following the end of each year thereafter, through the year ending December 31, 2027 (the foregoing, collectively, "Profit Sharing Payments"). At such time the Company has repaid all of the disbursements made by the MSF to the Company, the Profit Sharing Payments due will be no more than \$10,000 per year through December 31, 2027;
- b. **Cessation of Production of GoGoSqueeZ[®] at Project.** The final Agreement will require that the Company continue production of the GoGoSqueeZ[®] product at the Project site through April 30, 2027, or upon the earlier cessation of such operations, the Company shall immediately pay the MSF the full amount of the disbursements then made to the Company by the MSF, plus a 15% penalty, less any Profit Sharing Payments then made (plus any applicable interest, fees and costs if such payments are not timely made), (the foregoing, collectively, "Cessation of Production Payment") Further, upon the occurrence of an event requiring the Cessation of Production Payment, the Profit Sharing Payments shall no longer be required;
- c. **Other Repayment Terms.** In addition to the terms and conditions requiring Profit Sharing Payments, and the Cessation of Production Payment, the final repayment provisions will also require repayment of some, or up to all, of the disbursements made by the MSF (plus any applicable interest, fees and costs if such payments are not timely made), including if, through December 31, 2016, the Company moves 25% or more of their employees out of Michigan, if the Company fails to maintain the Base Employment Level in Michigan, or if the Company fails to create and maintain the Qualified New Jobs Incented by this Award.

It is possible that the Company may pay the MSF more than the full amount of the disbursements made to the Company by the MSF, subject to limitations as indicated in 12a above.

EXHIBIT A

13. Reporting Requirements:

Periodic reporting will be required with this program. The detailed information needed from the Company will be included in the final Agreement, but will include Project reporting for such things as: amount of proposed incentive, amount of actual incentive received by Company; amount of proposed and actual investment made by Company for Project; the committed number of new jobs and the actual number of new jobs created as a result of the Project; the educational attainment of the employees hired; the number of new patents, copyrights, or trademarks applied for and issued to the Company; the number of licensing agreements by the Company and the number of such licensing agreements entered into by the Company with Michigan based firms; and any products commercialized by the Company.

14. Public Announcements:

The Company shall not make, or cause, any announcement of the proposed MBDP Incentive Award parameters outlined in this letter before the date of approval by the MSF of the MBDP Incentive Award, unless prior authorized and coordinated with the MEDC.

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

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by July 11, 2012, the MEDC may not be able to proceed with any recommendation to the MSF.

Materne North America, Corp.

By: ARNAUD BACHELIER

Its: Treasurer and Group CFO

Dated: July 11th, 2012



Acknowledged as received by:

Michigan Economic Development Corporation

By: Stacy Bowler

Its: Regional Project Manager

Dated: 7/11/2012

Materne North America, Corp.

MEMORANDUM

DATE: November 28, 2012

TO: Michigan Strategic Fund Board Members

FROM: Joseph Martin, MEDC – Manager, Brownfield & Michigan Community Revitalization Program
Lisa Pung, MEDC – Community Assistance Team Specialist

SUBJECT: Approval of Michigan Community Revitalization Request for a \$3,000,000 Performance-based Loan to:

618 South Main, LLC (“Applicant”)
225 South Ashley Street
Ann Arbor, Michigan 48104

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.

HISTORY OF THE APPLICANT

The Applicant is comprised of two members Ann Arbor Life Style, LLC (Managing Member) and Urban 618, LLC. Ann Arbor Life Style, LLC is 100% owned by Robert Wislow, who is the Chairman and CEO of U.S. Equities Realty. U.S. Equities Realty was formed over 33 years ago by Robert A. Wislow, along with Camille Julmy, and is a national, full-service real estate company.

U.S. Equities recent projects include:

- Grand Plaza, a \$195,000,000 apartment/retail project in Chicago, IL
- State Place, a \$100,000,000 condo/retail project in Chicago, IL
- Deerfield Village Centre, a \$35,000,000 apartment, retail and office project in Deerfield, IL
- Hampton Inn Majestic Hotel and Theater Renovation in Chicago, IL \$45,000,000 Project Cost
- Compuware Headquarters in Detroit, MI, a \$400,000,000 Corporate Headquarters and Retail Center

No other individual or entity owns greater than 20% of the Applicant.

This project has received prior MSF approval on September 27, 2012 for an Act 381 Work Plan for local and school tax capture for MEGA eligible activities in the amount of \$2,887,923.

PROJECT DESCRIPTION

The Applicant plans to redevelop a contaminated property into a six to seven story residential building that will be specifically targeted to young professionals. Currently, there is very limited rental housing for young professionals in the city of Ann Arbor and even less in the proximity of downtown.

The 150-170 residential units will be comprised of loft-style apartments, some studios, 1-bedroom & 2-bedroom and many units will have balconies or porches. This new development is on approximately one acre of property located at 606 and 618 South Main Street in the city of Ann Arbor just beyond the core downtown. Parking will include a 120 unit underground parking structure.

- a) The project is a facility as authorized under the program. The Applicant plans to make a private investment of \$37.0 million to the project for the demolition, site preparation, machinery and equipment and new construction, as authorized under the program. Total Eligible Investment is currently estimate at \$26,187,015. The project will be located in the city of Ann Arbor. The city of Ann Arbor Downtown Development Authority has offered a financial commitment to the project in the form a DDA Grant (TIF based) in the amount of \$650,000 for certain infrastructure improvements. Also, Brownfield tax increment financing was approved for local only reimbursement for footing drain disconnects in the amount of \$458,850.
- b) The project is located in a downtown or traditional commercial center. Preference was given to project because it will act as a catalyst for South Main Street and create a new gateway for the southern end of the downtown. The Project will significantly improve an area of the City that has not seen any comparable level of investment in years while providing new housing options for the City's growing high-tech and young professional base.

FINANCING OPPORTUNITY – MCRP REQUEST

The Applicant is seeking a \$3,000,000 MCRP loan to finance the project (“MSF Loan”). The MSF Loan will be subordinate in payments and collateral to the note by Draper and Kramer Mortgage Company (“Senior Loan”). The Senior Loan is proposed for \$28,212,000, with a 40 year term at 4.946% (including a 1.296% initial curtail rate). The MCRP loan is performance based and will not be funded until project completion as defined in the written agreement. The senior lender is seeking the backing of mortgage insurance under Section 221(d)(4) of the national Housing Act. The pre-application for mortgage insurance was approved the by United States Department of Housing and Urban Development (“HUD”) and the project has been invited to submit for a firm commitment.

Whether the project is financially and economically sound:

According to the proposal submitted to HUD, which included a market study, there is a sufficient residential rental market to warrant the proposed development in Ann Arbor. The market study provides a conservative view of the residential market in Ann Arbor. The Applicant believes that the real estate market is stronger and will achieve a minimum 15% cash on cash return on their investment starting in year two and have pledged over \$5.8 million in equity at project closing (including \$4.3 million in cash).

The applicant's financial need for a community revitalization incentive:

To achieve the necessary return on equity and allow the project to be activated, the Applicant has identified an internal hurdle rate that is generally equivalent to 15% annual cash on cash return, with increases in yield predicated on market growth. According to the HUD approved conservative rent rolls from the market study, this would not occur until year 12 without the MSF Loan or year six with the MSF Loan. Using the more optimistic developer rent rolls, without the MSF Loan the internal hurdle rate would not be achieved until at least year six and make the project less attractive to the underlying investors.

LOAN FACILITY

Borrower:	618 South Main, LLC
Senior Lender:	Draper and Kramer Mortgage Company (or related, affiliated or other lender therefrom)
MSF Loan Amount:	Up to \$3,000,000, not to exceed 25% of Eligible Investment
Interest Rate:	Zero
Collateral:	2nd Real Estate Mortgage on Subject Property Note: 2nd REM is behind a HUD 221(d) guaranteed senior loan requiring a standstill on foreclosure and other rights during the existence of the guarantee. Filing to meet HUD's requirements
Guarantee:	Match Senior Lender, subordinate
Loan Fee:	\$30,000.00 assessed annually and paid according to Repayment schedule. When not paid, the fee is added to the loan amount (capitalized).
Repayment:	Notwithstanding anything in this section, HUD requires the project to evidence certain debt service coverage and restricts the ability of the project to distribute project proceeds unless they are defined as ("surplus cash") according to HUD's definition. First, 100% to the senior loan paid according to the terms and conditions of the senior loan. Second, 100% of project cash flows and surplus cash taken collectively as allowed by HUD shall provide for a 15% preferred return to the Sponsors based on a return formula and final equity contribution acceptable to the Project Manager. Third, 100% project cash flow and surplus cash available as allowed by HUD, limited to \$30,000 annually to the MSF Loan. For years where there is not sufficient project cash flow and surplus cash as allowed by HUD to service the Loan Fee, the unpaid portion will be capitalized and due at the end of the Term.
Prepayment:	No prepayment penalty at any time
Term:	40 Years
Funding:	Certificate of Completion and other performance criteria contained in final loan agreement.

MICHIGAN STRATEGIC FUND CONSIDERATIONS

As required under the program, the following 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:

The site plan was approved unanimously based on community engagement and feedback throughout the project's pre-development. The project will significantly improve an area of the City that has not seen any comparable level of investment in years while providing new housing options for the City's growing high-tech and young professional base. The city of Ann Arbor, the Downtown Development Authority and Washtenaw County have approved economic assistance for the project.

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

The project will act as a catalyst for South Main Street and create a new gateway for the southern end of the downtown.

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

The city of Ann Arbor Downtown Development Authority has offered a financial commitment to the project in the form a DDA Grant (TIF based) in the amount of \$650,000 for certain infrastructure improvements. Also, Brownfield tax increment financing was approved for local only reimbursement for footing drain disconnects in the amount of \$458,850.

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

This Project is addressing the contamination at the site and is not qualifying as a Blighted property.

E. Creation of jobs:

Approximately six permanent full-time jobs and eight part-time jobs are anticipated to be created by the project. Wages are estimated to be between \$8 and \$17 per hour.

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

The Applicant plans to make a private investment of \$37.0 million.

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

This Project will increase density significantly with the addition of 150-170 new residential units.

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

This is not a mixed-use development but does promote a walkable community. Public infrastructure is included in the project including streetscape improvements on the southern end of the downtown to promote the walkable experience.

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

The property does not contain any public buildings.

J. Whether the project promotes sustainable development:

The building will be constructed with various green elements such as low flow fixtures, heat recapture, high efficiency lighting, solar panels, and incorporate the reuse of rainwater on the site. This development is anticipated to meet LEED Silver certification.

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

The property does not contain a historic resource.

L. Whether the project addresses area-wide redevelopment:

The project will significantly improve an area of the City that has not seen any comparable level of investment in years while providing new housing options for the City's growing high-tech and young professional base and will be a catalyst for future redevelopment.

M. Whether the project addresses underserved markets of commerce:

Currently, there is very limited rental housing for young professionals in the city of Ann Arbor and even less in the proximity of downtown.

N. The level and extent of environmental contamination:

Soil samples from the property reveal several volatile organic compounds (VOCs) and polynuclear aromatic hydrocarbons (PNAs) in concentrations that exceed the MDEQ's Generic Residential Cleanup Criteria. Contaminated soil will be excavated and properly disposed of and clean, engineered fill will replace the excavated soil.

O. If the rehabilitation of the historic resource will meet the federal Secretary of the Interior's standards for rehabilitation and guidelines for rehabilitating historic buildings (36 CFR 67):

This Project does not contain a historic resource and therefore the federal Secretary of Interior's standards do not apply.

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

There will be minimal impact as residential rental housing is limited within proximity to downtown Ann Arbor.

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

No additional factors need to be considered for this project.

INCENTIVE OPPORTUNITY

This project involves \$26,187,015 in eligible investment and total capital investment of up to \$37,047,208 in the city of Ann Arbor. The requested incentive amount from the MSF is up to \$3,000,000 in the form of a performance based loan.

Please see below for more information on the recommended action.

RECOMMENDATIONS

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

- a) Approval of the MCRP Proposal as outlined in the attached term sheet (collectively, “MCRP Proposal”);
- b) Closing the MCRP Proposal, subject to available funding under the MCRP at the time of closing (“Available Funding”), completion of due diligence, the results of which are satisfactory to the MEDC (collectively, “Due Diligence”), finalization of all MCRP transaction documents, and further subject to the following terms and conditions:
 - a. Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.

The MSF Incentives Subcommittee has indicated its support of the Recommendation.

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM LOAN
AWARD TO 618 SOUTH MAIN, 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”), and (iii) approved the MSF Fund Manager to negotiate the final terms and conditions of the written agreements to be used to memorialize MCRP awards on the MSF’S behalf in accordance with the Guidelines (“Transaction Documents”);

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

WHEREAS, 618 South Main, LLC (“Company”) has requested a performance based loan of up to \$3 million (“Award Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC has recommended to the MSF Incentive Subcommittee 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

WHEREAS, the MSF Incentive Subcommittee has indicated its support of the MCRP Award Recommendation.

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

BE IT FURTHER RESOLVED, the MSF Board approves the MSF Fund Manager to negotiate and include additional or other terms to finalize the Transaction Documents so long as the additional or other terms are not otherwise materially adverse to the MSF.

Ayes:

Nays:

Recused:

Lansing, Michigan
November 28, 2012

EXHIBIT A

Borrower:	618 South Main, LLC
Senior Lender:	Draper and Kramer Mortgage Company (or related, affiliated or other lender therefrom)
MSF Loan Amount:	Up to \$3,000,000, not to exceed 25% of Eligible Investment
Interest Rate:	Zero
Collateral:	2nd Real Estate Mortgage on Subject Property Note: 2nd REM is behind a HUD 221(d) guaranteed senior loan requiring a standstill on foreclosure and other rights during the existence of the guarantee. Filing to meet HUD's requirements
Guarantee:	Match Senior Lender, subordinate
Loan Fee:	\$30,000.00 assessed annually and paid according to Repayment schedule. When not paid, the fee is added to the loan amount (capitalized).
Repayment:	Notwithstanding anything in this section, HUD requires the project to evidence certain debt service coverage and restricts the ability of the project to distribute project proceeds unless they are defined as ("surplus cash") according to HUD's definition. First, 100% to the senior loan paid according to the terms and conditions of the senior loan. Second, 100% of project cash flows and surplus cash taken collectively as allowed by HUD shall provide for a 15% preferred return to the Sponsors based on a return formula and final equity contribution acceptable to the Project Manager. Third, 100% project cash flow and surplus cash available as allowed by HUD, limited to \$30,000 annually to the MSF Loan. For years where there is not sufficient project cash flow and surplus cash as allowed by HUD to service the Loan Fee, the unpaid portion will be capitalized and due at the end of the Term.
Prepayment:	No prepayment penalty at any time
Term:	40 Years
Funding:	Certificate of Completion and other performance criteria contained in final loan agreement.



MEMORANDUM

DATE: November 28, 2012

TO: Michigan Strategic Fund Board Members

FROM: Katharine V. Czarnecki, Community Development Manager
Joseph Martin, Brownfield and Community Revitalization Program Manager

SUBJECT: Approval of Act 381 Work Plan and Michigan Community Revitalization Request
857 West Washington Street Project
City of Marquette, County of Marquette

ACT 381 APPLICANT

City of Marquette Brownfield Redevelopment Authority

MCRP APPLICANT

First National Bank (“Lender” or “Applicant”)
P.O. Box 269
Waupaca, Wisconsin 54981
www.fnbwaupaca.com

BORROWER

Veridea Group, LLC (“Borrower” or “Company”)
925 West Washington Street
Marquette, Michigan 49855
www.verideagroup.com

INCENTIVE REQUEST

The project requests to use both the Brownfield Act 381 Program and the Michigan Community Revitalization Program (“MCRP”) for the project located at 857 West Washington Street in Marquette. The City of Marquette 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 \$14,279,514. First National Bank and the Veridea Group, LLC is requesting \$1,857,151 in the form of other economic assistance under MCRP, not to exceed 25% of Eligible Investment that is currently estimated at \$7,428,605. The Brownfield Act 381 Program covers the entire site in order to prepare it for development and the MCRP request covers Phase 1 of the development which includes demolition, site preparation and new construction of one of the commercial buildings and the parking garage, as describe in more detail below.

MCRP PROGRAM AND ITS GUIDELINES

On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program 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.

Michigan Economic Development Corporation

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.

HISTORY OF THE MCRP BORROWER

The Veridea Group is a real estate development company is solely owned by Robert Mahaney and serves Marquette, Michigan and the Upper Great Lakes Region. Since the early 1990s, Veridea Group has acquired, developed, owned and managed quality retail, office, lodging and residential properties. With experience gained from over 40 completed projects exceeding 500,000 square feet and \$75 million in value, Veridea Group has become one of the Upper Peninsula’s largest providers of premier leaseholds properties. Veridea has previous experience in the revitalization of blighted and obsolete properties, most notably, properties adjoining the site requesting incentives Veridea’s owners and management team have over 60 years combined experience in real estate development, banking and public accounting.

The Applicant and Borrower have not received any incentives from the MSF previously.

PROJECT DESCRIPTION

The Borrower plans to construct approximately 150,000 square feet of space in four phases, each phase encompassing a building. Intended uses across the four phases include retail, office/professional, a regional bank headquarters, residential, restaurant and entertainment on approximately three acres of property located at 857 West Washington Street in the City of Marquette. Two three-story commercial buildings will be constructed at the street, and in order to achieve high density urban use, a 292 stall underground parking garage is also planned that will underlay a four-story mixed use office and residential building that is set back from the street (“Overall Development”). The overall private investment in the project is estimated to be \$31 million. The property is currently owned by Veridea Group.

Phase 1 of the Overall Development includes the demolition of the obsolete bakery building, extensive site preparation work and infrastructure improvements, and the construction of the first commercial building and a portion of the parking garage. This 23,248 square foot office building is 85% pre-leased. Tenants will include a bank establishing a new regional headquarters, an Illinois-based architectural firm opening its first Michigan office, and Veridea Group, whose growth requires new facilities. The MCRP request is limited to Phase 1 of the Overall Project, which totals approximately \$9.7 million of the overall \$31 million investment.

- a) The Overall Development, including Phase 1, is located within the boundaries of the City of Marquette, which is a Qualified Local Governmental Unit, and has been deemed functionally obsolete as verified by a level III assessor. The property is the subject of a Brownfield Plan, duly approved by the City of Marquette on June 25, 2012.
- b) The Borrower plans to make an Eligible Investment of \$7,428,605 on Phase 1 for the demolition, new construction, site improvements, architectural, engineering, and surveying and a contingency as authorized under MCRP.. The City of Marquette has offered a financial commitment to the Project by approving capture of \$7,501,029 in local taxes under the Act 381 Work Plan.
- c) The Overall Development, including Phase 1, is located in a traditional commercial center and gateway into downtown. Preference was given to project based on its high density, mixed-use nature and integration into a local multi-modal pathway that leads into downtown Marquette.

FINANCING OPPORTUNITY

The Lender is proposing to finance a \$7,512,064 five (5) year term loan (“Loan”) to the Borrower to finance the Project. The Lender has requested MSF participation support up to \$1,857,151 of the note (“MSF Share”). Upon the purchase of the participation, the MSF will forgive \$357,151 setting the repaid portion of the loan at \$1,500,000. The forgiven portion must be used by Lender to pay down the principal of the loan.

The MSF will enter into a written agreement with the Lender to purchase the MSF Share upon completion of Phase 1. Completion includes, but not limited to, certificate of completion. The Lender share of the Loan requires monthly payments of interest during the construction period of 12 months and monthly principal and interest payments in years 2 through 5. The MSF share of the note extends monthly interest only payments through the first 3 years, with principal and interest in years 4 and 5. The MSF Participation will share all principal and interest payments and other collections under the Loan in proportion to their respective percentage interests in the Loan.

Whether the project is financially and economically sound:

The Project is 85% pre-leased, with the anchor tenant mBank (a regional financial institution) providing a high quality credit tenant and stable cash flows to service debt and provide a return to the Borrower. Combined with extensive development experience, credit history of the Borrower, and balance sheet guarantors (Robert and Mary Mahaney), the project is determined to be financial and economically sound.

The applicant's financial need for a community revitalization incentive:

The MSF Share, including the forgivable loan, reduced rate and extended interest only payments, allows the project to have adequate Debt Service Coverage Ratios during the term of the loan. The MSF Share permits the Borrower to obtain credit for the high cost associated with the redevelopment project that would exceed standard lending guidelines. The originally proposed loan amount by the Lender was only \$5,654,813, which is roughly only 57% of the project costs. The low loan to cost ratios are caused by the high cost of financing non-income generating brownfield activities (primarily underground parking). With the MSF Share, the loan to cost value increased to 77%. The developer fee valued at \$278,186 will be deferred and paid through project cash flow. No other related party fees were identified in the underwriting material.

LOAN FACILITY

Borrower:	Veridea Group, LLC
Lender:	First National Bank
Loan Amount:	Up to \$7,512,064
Lender Share:	Up to \$5,654,913
MSF Share:	Up to \$1, 857,151 Up to \$357,151 of the participated balance forgiven at purchase and be used to pay down the principle of the loan. Up to \$1,500,000 resulting participated debt (cumulatively the MSF Share not to exceed 25% of eligible investment)

- Payment Terms:** 5 year term / 20 year amortization / both Share's
 Lender Share – year one interest only, year's 2-5 principal and interest
 MSF Share – years 1-3 interest only, year's 4-5 principal and interest.
 MSF will receive payments upon purchase of the participated share in proportion to their respective interest in the Loan.
 MSF will participate in refinance or renewal event, not to exceed a total of 20 years.
- Rate:** Lender Share – 5.25% during year 1, 5% fixed years 2-5
 MSF Share – 1% years 1-5
- Fees:** \$1,200 annual fee to MSF
- Collateral:** Lead Lender will take as collateral the following assets:
- 1st mortgage on property
 - 1st lien on all business assets on property
 - Assignment of Rents and Leases
 - Any chattel, fixture, and/or personal property filings or liens deemed necessary by Lender
- (Claims on collateral will apply first to Lead Lender Sand then to the MSF Share)
- Guarantee:** Lead Lender will take unlimited personal guarantee of Robert and Mary Mahaney
 (Guarantee applies Pari Passu to all loan participants as acceptable by the Lead Lender)

MICHIGAN STRATEGIC FUND CONSIDERATIONS FOR MCRP PHASE 1

As required under the program, the following 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 and overall benefit to the public:**
 The rehabilitation of this downtown gateway property will return a privately owned building, formerly owned by the Sara Lee Corporation, which has been vacant since 2009, back into productive use.
- B. If the project will act as a catalyst for additional revitalization of the community in which it is located:**
 This project will contribute to the continuing revitalization efforts of the underutilized and highly visible commercial Washington Street corridor and encourage like development increasing density and connectivity to downtown.
- C. The amount of local community and financial support for the project:**
 The City of Marquette has provided \$7,501,029 in financial support through brownfield tax increment financing for the project, as described in detail above.

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

This project will demolish a vacant and functionally obsolete factory to build a new commercial building and bring the property back into productive use. Additional phases will include mixed-uses.

E. Creation of jobs and areas of high unemployment:

This project is expected to create approximately 18 new, full-time jobs expected to pay approximately \$50,000-\$80,000 annually, which is above the \$44,239 median income for the County. Marquette County unadjusted jobless rate was 6.2% in September, 2012.

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

The private sector contribution to the Phase 1 is expected to be over \$9 million. Overall project investment in phases 1-4 is expected to be approximately \$31 million.

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

The revitalization of this property is a key component to increasing the density of occupied properties and viable businesses in the Washington Street corridor through its accessibility, mixed-use, and multi-story nature.

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

The development includes a commercial component that eliminates a pedestrian dead zone and reinforces the pedestrian link between the surrounding neighborhoods, downtown Marquette, and a main bike path, the Linear Park. The Linear Park fronts along the property's entire southern boundary and no safe access to the Linear Park currently exists from this section of Washington Street. Veridea's site plan is designed to encourage walkability by linking the development directly into the Linear Park and creating an "urban streetscape" and terrace facing the Linear Park, thereby encouraging pedestrian traffic into the development. This linkage will be extended across Washington Street at the intersection.

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

The project consists of a vacant and functionally obsolete private property that will be used for private use with increased occupancy in a mixed-use, high density, new construction project.

J. Whether the project promotes sustainable development:

Sustainability is a goal and a practice that is integrated in all aspects of the project. The project will significantly increase the area's density; address containment or abatement of hazardous materials on site; maximize recycling of demolition debris; filter storm water run-off into bioswales, graywater, or detention systems; reduce heat island effect by minimizing surface parking and maximizing landscaping; promote alternative transportation on site; utilize porous pavement and an integrated stormwater management system for parking lot and roof runoff; utilize local building materials, efficient light and plumbing fixtures, natural daylighting, and share HVAC systems where possible; utilize solar energy and high efficiency insulation; and promote high indoor air quality through the use of natural ventilation.

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

No contributing historic resources are involved in the project.

L. Whether the project addresses area-wide redevelopment:

This project fits into the ongoing redevelopment efforts consistent with City's Master Plan which recognizes the importance of this location, and encourages high density development in the West Washington corridor.

M. Whether the project addresses underserved markets of commerce:

Commercial tenants will include a bank establishing a new regional headquarters, an Illinois-based architectural firm opening its first Michigan office, and Veridea Group, whose growth requires new facilities. No bank currently serving Marquette has a headquarters in the area. The market also has very limited architectural services, and in fact, Veridea currently goes outside the area for these needs.

N. The level and extent of environmental contamination and due care and remediation activities:

A Phase II Environmental Site Assessment conducted in May 2012 did not identify the presence of contamination in excess of Michigan Department of Environmental Quality (DEQ) Generic Residential Cleanup Criteria. While the property was not identified as a Part 201 Facility, there may be unidentified environmental due care activities that may be necessary during redevelopment. As such, an allocation for environmental eligible activity expenses is included in the Brownfield Plan and, if necessary, will be the subject of a separate Act 381 Work Plan for DEQ Environmental Eligible Activities.

O. 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):

No contributing historic resources are involved in the project.

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

The property will be occupied as commercial and residential and will not result in negatively affecting existing Michigan business, as much of these markets are underserved in the area.

Q. 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:

There are not additional criteria specific to this project.

MICHIGAN STRATEGIC FUND CONSIDERATIONS FOR ACT 381

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

The building has been determined to be functionally obsolete and is not economically feasible to reuse it for its original, or any other purpose. The project does include redevelopment of the three acre parcel abandoned in 2009 by Sara Lee Corporation.

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

The property is burdened with a 75 year old obsolete industrial building that contains lead and asbestos containing materials that needs to be removed and the site prepared to be brought to a developable state. These costs alone exceed \$2 million. A greenfield site was not specifically considered as an alternative to this project.

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.

INCENTIVE OPPORTUNITY

MCRP: Phase 1 involves \$7,428,605 in Eligible Investment and total private capital investment of up to \$9,739,433 in the City of Marquette. The total requested MCRP incentive amount from the MSF is \$1,857,151, in the form of a loan participation with \$357,151 of the participated balance forgiven at the time of purchase.

Act 381 TIF: There are 50.5653 non-homestead mills available for capture, with school millage equaling 24 mills (47.47%) and local millage equaling 26.5635 mills (52.53%). The requested tax capture for eligible activities breaks down as follows:

School tax capture (47.47%)	\$6,778,485
Local tax capture (52.53%)	<u>\$7,501,029</u>
TOTAL	\$14,279,514

COST OF ELIGIBLE ACTIVITIES

Demolition	\$ 500,000
Lead or Asbestos Abatement	28,000
Infrastructure Improvements	6,737,000
Site Preparation	<u>+1,451,257</u>
Sub-Total	\$ 8,716,257
Contingency (15%)	<u>+ 1,307,438</u>
Sub-Total	\$10,023,695
Interest (5%)	<u>+ 4,244,318</u>
Sub-Total	\$14,268,013
Brownfield/Work Plan Preparation	10,000
Review Cost	<u>+ 1,500</u>
TOTAL	\$14,279,514

RECOMMENDATIONS

MEDC Staff recommends (the following, collectively, "Recommendation"):

- a) Approval of local and school tax capture for the Act 381 eligible activities totaling \$14,279,514 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$6,778,485.
- b) Approval of an MCRP loan participation, subordinated to lead lender on collateral totaling \$1,857,151 with \$357,151 of the participated balance forgiven at the time of the purchase.
- c) Closing the MCRP Proposal, subject to available funding under the MCRP at the time of closing ("Available Funding"), completion of due diligence, the results of which are satisfactory to the MEDC (collectively, "Due Diligence"), finalization of all MCRP transaction documents, and further subject to the following terms and conditions:
 - a. Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.

The MSF Incentives Subcommittee has indicated its support of the Recommendation.

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM
LOAN PARTICIPATION AWARD FOR VERIDEA GROUP, 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”), and (iii) approved the MSF Fund Manager to negotiate the final terms and conditions of the written agreements to be used to memorialize MCRP awards on the MSF’S behalf in accordance with the Guidelines (“Transaction Documents”);

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

WHEREAS, First National Bank (“Lender”) has provided a loan commitment to Veridea Group, LLC and /or related entities (“Proposed Borrower”) of up to \$7,512,064 toward financing construction activities and infrastructure improvements to real property (“Project”)

WHEREAS, the Lender has requested performance based loan participation from the MSF under the MCRP for the Project in an amount not to exceed up to \$1,857,151 (“Award Request”), along with other general terms and conditions for the Award Request which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC has recommended to the MSF Incentive Subcommittee that the MSF approve the 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

WHEREAS, the MSF Incentive Subcommittee has indicated its support of the MCRP Award Recommendation.

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

BE IT FURTHER RESOLVED, the MSF Board approves the MSF Fund Manager to negotiate and include additional or other terms to finalize the Transaction Documents so long as the additional or other terms are not otherwise materially adverse to the MSF.

Ayes:

Nays:

Recused:

Lansing, Michigan
November 28, 2012

EXHIBIT A

LOAN FACILITY

Borrower:	Veridea Group, LLC
Lender:	First National Bank
Loan Amount:	Up to \$7,512,064
Lender Share:	Up to \$5,654,913
MSF Share:	Up to \$1, 857,151 Up to \$357,151 of the participated balance forgiven at purchase and be used to pay down the principle of the loan. Up to \$1,500,000 resulting participated debt (cumulatively the MSF Share not to exceed 25% of eligible investment)
Payment Terms:	5 year term / 20 year amortization / both Share's Lender Share – year one interest only, year's 2-5 principal and interest MSF Share – years 1-3 interest only, year's 4-5 principal and interest. MSF will receive payments upon purchase of the participated share in proportion to their respective interest in the Loan. MSF will participate in refinance or renewal event, not to exceed a total of 20 years.
Rate:	Lender Share – 5.25% during year 1, 5% fixed years 2-5 MSF Share – 1% years 1-5
Fees:	\$1,200 annual fee to MSF
Collateral:	Lead Lender will take as collateral the following assets: <ul style="list-style-type: none">• 1st mortgage on property• 1st lien on all business assets on property• Assignment of Rents and Leases• Any chattel, fixture, and/or personal property filings or liens deemed necessary by Lender (Claims on collateral will apply first to Lead Lender Sand then to the MSF Share)
Guarantee:	Lead Lender will take unlimited personal guarantee of Robert and Mary Mahaney (Guarantee applies Pari Passu to all loan participants as acceptable by the Lead Lender)

**RESOLUTION 2012-
MICHIGAN STRATEGIC FUND**

**City of Marquette Brownfield Redevelopment Authority
857 West Washington Street Project
City of Marquette**

At the meeting of the Michigan Strategic Fund (“MSF”) held on November 28, 2012 in Lansing, Michigan.

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 Marquette Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 857 West Washington Street within the City of Marquette, known as the 857 West Washington Street Project (the “Project”);

WHEREAS, the City of Marquette 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 review costs 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 47.47% to 52.53% ratio currently existing between school and local taxes

for non-homestead properties, to reimburse the cost of site preparation, demolition, lead and asbestos abatement and infrastructure improvements as presented in the revised Work Plan dated July 23, 2012. 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 \$10,023,695 for the principal activity costs of non-environmental activities and a contingency, a maximum of \$4,244,318 in interest, and a maximum of \$11,500 for Brownfield/Work Plan preparation and MSF review costs, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$6,778,485.

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 Marquette 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 and MEDC staff. Eligible activities authorized by this resolution must be completed within three (3) years.

BE IT FURTHER RESOLVED, that the MSF Board is authorizing that capture of taxes levied for school operating purposes for the payment of interest, up to a maximum of \$4,244,318 related to the eligible activities for the Project.

Ayes:

Nays:

Recused:

November 28, 2012
Lansing, Michigan



MEMORANDUM

Date: November 28, 2012

To: Michigan Strategic Fund Board Members

From: Dan Wells, MEDC – Community Development Specialist

Subject: Large Brownfield MBT Credit Amendment Approval
 205 South Division Avenue LDHA, LP & 26 Cherry LDHA, LP
 205 South Division Avenue and 26 Cherry Street Project
 City of Grand Rapids, County of Kent

APPLICANTS

205 South Division Avenue LDHA, LP
 c/o Brookstone Capital
 2802 Jefferson Avenue
 Midland, Michigan 48640

26 Cherry LDHA, LP
 c/o Brookstone Capital
 2802 Jefferson Avenue
 Midland, Michigan 48640

Contact: Mai Dong, Manager

	<u>Approved</u>	<u>Proposed</u>
Project Eligible Investment:	\$11,947,447	\$3,456,204
Requested Credit Amount:	\$1,792,117	\$518,431
Requested Credit Percentage:	15%	15%

PROJECT DESCRIPTION

The project was originally approved with two phases on December 13, 2011 with an eligible investment of \$11,947,447 and a Large 15% Urban Development Area Project MBT Credit of \$1,792,117. The construction remains as two new mixed-use, multi-story buildings located at 205 South Division Avenue and 26 Cherry Street S.W. in downtown Grand Rapids. The 205 South Division Avenue building will be six stories, and contain approximately 38 residential rental units and approximately 1,500 square feet of commercial space on the first floor. 26 Cherry Street S.W. will be five stories, and contain approximately 45 residential rental units and some commercial space on the first floor.

The change in scope is related to the percentage of market rate vs. workforce housing that will be covered by the MBT Credit. The credit was originally approved for eligible investment costs on the market rate residential and commercial portions of the overall project (100% of eligible investment on the 205 South Division building and 20% of eligible investment on 26 Cherry). Since the original approval, Low Income Housing Tax Credits were obtained for a large portion of the 205 South Division building (30 units, or 80%), and so the number of market rate units has dropped to 8 (20%). This amendment reduces the amount of eligible investment and credit amount on the market rate units accordingly. Also, project costs have been refined and in addition to the previously approved new construction now include site

improvements related to walkways and concrete work, building improvements for future tenants, and purchase of equipment, furniture and fixtures. The Neighborhood Enterprise Zone that was initially considered for the project has been replaced by the City with a Payment in Lieu of Taxes with a value of approximately \$167,430 over 15 years.

Approximately five permanent full-time jobs are anticipated to be created by the commercial portion of the project at an average hourly wage of \$11.50. The total estimated capital expenditure for the project remains at \$19.5 million.

COST OF ELIGIBLE INVESTMENTS BY PHASE

Phase I (205 South Division)

Site Improvements	\$	79,905
New Construction		1,461,774
Building Improvements		100,000
Purchase of Machinery & Equipment	+	21,209
Phase I Total	\$	1,662,888

Phase II (26 Cherry)

Site Improvements	\$	44,203
New Construction		1,722,398
Purchase of Machinery & Equipment	+	26,715
Phase II Total	\$	1,793,316

TOTAL COST OF ELIGIBLE INVESTMENTS

Site Improvements		124,108
New Construction		3,184,172
Building Improvements		100,000
Addition of Machinery & Equipment	+	47,924
TOTAL	\$	3,456,204

RECOMMENDATION

The MEDC recommends approval of the requested amendment. However, at the time a Certificate of Completion for the project is submitted, the applicant shall: Demonstrate that at least 20% of the completed housing in the residential portions of the 205 South Division building are at market rate, and demonstrate that at least 20% of the completed housing in the residential portions of the 26 Cherry building are at market rate. It is also recommended that the condition placed on the original approval that the applicant receives a Neighborhood Enterprise Zone designation from the City of Grand Rapids is removed.

MICHIGAN STRATEGIC FUND

Resolution 2012-

**205 South Division Avenue LDHA & 26 Cherry LDHA, LP
205 South Division Avenue and 26 Cherry Street Project
Brownfield Redevelopment MBT Credit – Amendment #1
City of Grand Rapids, Kent County**

At the meeting of the Michigan Strategic Fund (“MSF”) held on November 28, 2012 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 2011-157 on December 13, 2011, the MEGA Board awarded a Brownfield MBT Tax Credit to 205 South Division Avenue LDHA & 26 Cherry LDHA, LP (the “Applicants”) to make eligible investment up to \$11,947,447 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, the Applicants have submitted a request to amend the Project by reducing the amount of eligible investment to reflect the reduction of market rates units and increase the eligible investments to include site improvements, building improvements, and purchase of machinery and equipment;

WHEREAS, the Applicants are requesting the condition requiring that the Applicants receive a Neighborhood Enterprise Zone designation be removed because the Project has replaced it with a Payment in Lieu of Taxes; 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 Applicants demonstrate to the MSF Fund Manager that at least 20% of the completed housing in the residential portions of each of the 205 South Division and 26 Cherry buildings are at market rate.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board reduces the Eligible Investment from \$11,947,447 to \$3,456,204, capping the maximum credit at \$518,431 and amends the Project by increasing the eligible investments to include site improvements, building improvements, and purchase of machinery and equipment, provided that the Applicants demonstrate to the MSF Fund Manager that at least 20% of the completed housing in the residential portions of each of the 205 South Division and 26 Cherry Street buildings are at market rate;

BE IT FURTHER RESOLVED, that the condition requiring that the Applicants receive a Neighborhood Enterprise Zone designation be removed; and

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2011-157 are reaffirmed and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
November 28, 2012



MEMORANDUM

Date: November 28, 2012

To: Michigan Strategic Fund

From: Sarah L. Rainero, Community Assistance Team
Dan Wells, Community Development Specialist

Subject: Act 381 Work Plan Approval
City of Grand Rapids Brownfield Redevelopment Authority
833 Michigan Street & 411 Houseman Avenue Project
City of Grand Rapids, County of Kent

APPLICANT

City of Grand Rapids Brownfield Redevelopment Authority

Contact: Kara Wood, Economic Development Office

ACT 381 WORK PLAN REQUEST

The City of Grand Rapids Brownfield Redevelopment Authority has submitted an Act 381 Work Plan (hereinafter Work Plan) request for the approval of local and school tax capture for MEGA eligible activities in the amount of \$427,227.

PROJECT DESCRIPTION

This project will redevelop two existing vacant buildings and former lumberyard into a 26,000 square foot medical office and retail campus that will serve the Midtown neighborhood. The property is located on two parcels of land at 833 Michigan Street N.E. and 411 Houseman Avenue N.E. in the City of Grand Rapids. The property is currently owned by Mercantile Bank Mortgage Company (833 Michigan N.E.) and Axel Ewald (411 Houseman N.E.) and will be purchased by Third Coast Development Partners, LLC. Both of the existing buildings and most existing site improvements will be selectively demolished, the site will be leveled and some infrastructure improvements related to site access and curb and gutter repair will be made. The existing two-story brick building located at 411 Houseman will be redeveloped to host retail on the first floor and residential apartments on the second floor totaling 15,000 square feet, and feature an outdoor seating area, conference room, three store fronts on the south side facing Michigan Street. The single story building on 833 Michigan will feature 11,000 square feet of medical office space.

Approximately 10 permanent full-time jobs and 40 part-time jobs are anticipated to be created by the commercial portion of the project. In addition, 50 full-time jobs are anticipated to be relocated to the site. Hourly wages for the part-time jobs are expected to be approximately \$10 per hour, while full-time jobs will be in excess of \$20 per hour with benefits. The total capital investment will be approximately \$5.6 million.

QUALIFYING CRITERIA

The project is located within the boundaries of the City of Grand Rapids, which is a Qualified Local Governmental Unit, and 833 Michigan N.E. has been deemed a facility as verified by Michigan Department of Environmental Quality. 411 Houseman N.E. qualifies as eligible property as it is adjacent

and contiguous to 833 Michigan N.E. The property is the subject of a Brownfield Plan, duly approved by the City of Grand Rapids on October 23, 2012.

KEY STATUTORY CRITERIA

a) Overall Benefit to the Public:

The redevelopment of this site results in both immediate and long term benefits to the public. The immediate benefit is the cleaning up of an abandoned lumberyard. This lumberyard is plagued with vandals who trespass, break windows, and spray graffiti on the buildings. This has tied up police resources for the area and led to an unsafe environment. A new, well lit medical office development will provide an immediate boost to the safety and cleanliness of the area.

b) Jobs Created (Excluding Construction and other Indirect Jobs):

Approximately 10 permanent full-time jobs and 40 part-time jobs are anticipated to be created by the commercial portion of the project. In addition, 50 full-time jobs are anticipated to be relocated to the site.

c) Area of High Unemployment:

The City of Grand Rapids unadjusted unemployment rate was 8.3% in September 2012. This compares to the statewide seasonally adjusted average of 9.3% in September 2012.

d) Level and Extent of Contamination Alleviated:

A total of six soil borings were completed throughout the Subject Property during the Phase II Environmental Site Assessment field activities. A total of six soil samples were collected from the Subject Property for laboratory analysis from soil borings SB-1, SB-2, SB-3, SB-8, SB-9, and SB-10. Results of the Phase II ESA revealed detectible concentrations of standard volatile organic compounds (VOCs) in two of the soil samples, polynuclear aromatic hydrocarbons (PNAs) in four of the soil samples, and metals in five of the soil samples collected from the Subject Property.

e) Reuse of Functionally Obsolete Buildings and/or Redevelopment of Blighted Property:

Presently the site consists of two properties that have been vacant for a number of years.

f) Cost Gap that Exists between the Property and a Similar Greenfield Property:

In addition to the Michigan Community Revitalization Program (MCRP) grant, the Work Plan request is necessary to insure the project is successful.

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.

OTHER STATE AND LOCAL ASSISTANCE

In addition to the local tax increment financing, the City paid 75% of the costs for the Baseline Environmental Assessment through its EPA Assessment grant. The applicant is also requesting a MCRP grant with profit participation at 25% of eligible investment estimated to be \$446,196.

TAX CAPTURE BREAKDOWN

There are 45.4524 non-homestead mills available for capture, with school millage equaling 24 mills (52.80%) and local millage equaling 21.4524 mills (47.20%). The requested tax capture for MEGA eligible activities breaks down as follows:

School tax capture (52.80%)	\$ 225,576
Local tax capture (47.20%)	<u>\$ 201,651</u>
TOTAL	\$ 427,227

COST OF MEGA ELIGIBLE ACTIVITIES

Demolition	\$ 107,000
Infrastructure Improvements	20,000
Site Preparation	<u>+ 238,850</u>
Sub-Total	\$ 365,850
Contingency (15%)	<u>+ 54,877</u>
Sub-Total	\$ 420,727
Brownfield/Work Plan Preparation	5,000
MEGA Review Cost	<u>+ 1,500</u>
TOTAL	\$ 427,227

RECOMMENDATION

The MEDC recommends approval of local and school tax capture for the MEGA eligible activities totaling \$427,227 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$225,576.

**RESOLUTION 2012-
MICHIGAN STRATEGIC FUND**

**City of Grand Rapids Brownfield Redevelopment Authority
833 Michigan Street & 411 Houseman Ave Project
City of Grand Rapids**

At the meeting of the Michigan Strategic Fund (“MSF”) held on November 28, 2012 in Lansing, Michigan.

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 833 Michigan Street N.E. and 411 Houseman Ave N.E. within the City of Grand Rapids, known as 833 Michigan Street & 411 Houseman Ave Project (the “Project”);

WHEREAS, the City of Grand Rapids is a “qualified local governmental unit” and is eligible to provide for a) demolition; b) lead and asbestos abatement; c) public infrastructure improvements; d) site preparation; e) brownfield work plan preparation and review costs 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 52.80% to 47.20% ratio currently existing between school and local taxes

for non-homestead properties, to reimburse the cost of site preparation, demolition, and infrastructure improvements as presented in the revised Work Plan dated November 1, 2012. 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 \$420,727 for the principal activity costs of non-environmental activities and a contingency, and a maximum of \$6,500 for Brownfield/Work Plan preparation and MSF review costs, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$225,576.

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:

November 28, 2012
Lansing, Michigan

MEMORANDUM

Date: November 28, 2012

To: Michigan Strategic Fund

From: Stacy Esbrook, MEDC – Community Assistance Team Specialist
Mary Kramer, MEDC - Brownfield Program Specialist

Subject: Act 381 Work Plan Approval
City of Detroit Brownfield Redevelopment Authority
Harbortown Riverside Apartments Redevelopment Project
City of Detroit, County of Wayne

APPLICANT

City of Detroit Brownfield Redevelopment Authority

Contact: Jennifer Kanalos, Brownfield Redevelopment Program Manager

ACT 381 WORK PLAN REQUEST

The City of Detroit Brownfield Redevelopment Authority has submitted an Act 381 Work Plan (hereinafter Work Plan) request for the approval of local and school tax capture for MEGA eligible activities in the amount of \$2,918,462.

PROJECT DESCRIPTION

This project will construct an 180,000 square foot, five-story, riverfront residential apartment building within the existing Harbortown complex on approximately 4.6 acres of property located at 250 East Harbortown Drive in the City of Detroit. The property will be redeveloped by Harbortown Riverside, LLC who currently owns and manages residential property on the Detroit riverfront. The residential apartment building will include approximately 135 to 145 rental units, and will include a mix of 1 bedroom, 2 bedroom and 3 bedroom apartments. The majority of the apartments will be 2 bedroom units of approximately 1,200 square feet. The 3 bedroom units will be approximately 1,500 square feet and face the Detroit River. All of the units will have a contemporary flair with high end finishes throughout. All units will offer balconies with spectacular views of the Detroit River. The building will be approximately 65 feet tall with adequate surface parking for residents. The project will also include a community building which will house a meeting room, exercise room, and restrooms for use by the Harbortown Riverside tenants. The area will also be occupied by an outdoor swimming pool and two additional parking lots for residents.

Approximately 10 permanent jobs (2 to 4 full-time and the remainder part-time) are anticipated to be created by the property management portion of the project at an average hourly wage of \$17. The total capital investment will be approximately \$18 million.

QUALIFYING CRITERIA

The project is located within the boundaries of the City of Detroit, which is a Qualified Local Governmental Unit, and has been deemed a facility as verified by Michigan Department of Environmental Quality (MDEQ). The property is the subject of a Brownfield Plan, duly approved by the City of Detroit on June 19, 2012.

KEY STATUTORY CRITERIA

a) Overall Benefit to the Public:

The property is a contaminated facility and will be remediated as a result of the project. The construction of the 135 unit residential building will stimulate private investment, produce short-term construction and long-term employment opportunities and will increase the tax base. The project will result in over \$18 million of private investment on property that was part of vacant land with low tax base. When completed, property taxes are estimated to total over \$560,000 per year (following the retirement of Brownfield obligations), as compared to the present use of the site which generates relatively little tax revenue. This project also supports the City of Detroit's development goals in bringing more residents into the City and specifically in the greater downtown area.

b) Jobs Created (Excluding Construction and other Indirect Jobs):

This project is expected to create approximately 10 new, permanent jobs (2 to 4 full-time and the remainder part-time) for property management, maintenance and security. Salaries for these jobs will range from \$35,000 to \$40,000 per year.

c) Area of High Unemployment:

The City of Detroit unadjusted unemployment rate was 18.1% in September 2012. This compares to the statewide not seasonally adjusted average of 8.2% in September 2012.

d) Level and Extent of Contamination Alleviated:

The subsurface investigation completed revealed arsenic and chromium contamination above MDEQ criteria in connection with former industrial activities at the property. Open exposure pathways for the contaminants are in direct contact with soils and groundwater/surface water interface for soils. The proposed due care and response activities will address the existing contamination via excavation, or will eliminate contamination exposure pathways by providing a barrier (soil cover, pavement, buildings) to direct contact with soils.

e) Reuse of Functionally Obsolete Buildings and/or Redevelopment of Blighted Property:

There are no functional obsolete buildings or blighted property associated with this project.

f) Cost Gap that Exists between the Property and a Similar Greenfield Property:

The project is an expansion of an existing development, therefore, a Greenfield site was not considered as an alternative for the project.

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.

OTHER STATE AND LOCAL ASSISTANCE

The project is also seeking support through the Michigan Community Revitalization Program (MCRP).

TAX CAPTURE BREAKDOWN

There are 62.3913 non-homestead mills available for capture, with school millage equaling 23.8308 mills (38.2%) and local millage equaling 38.5605 mills (61.8%). The requested tax capture for MEGA eligible activities breaks down as follows:

School tax capture (38.2%)	\$ 1,114,852
Local tax capture (61.8%)	<u>\$ 1,803,610</u>
TOTAL	\$2,918,462

COST OF MEGA ELIGIBLE ACTIVITIES

Demolition	\$ 24,162
Site Preparation	<u>+1,841,271</u>
Sub-Total	\$1,865,433
Contingency (15%)	<u>+ 279,815</u>
Sub-Total	\$2,145,248
Interest (5%)	<u>+ 759,214</u>
Sub-Total	\$2,904,462
Brownfield/Work Plan Preparation	12,500
Review Cost	<u>+ 1,500</u>
TOTAL	\$2,918,462

RECOMMENDATION

The MEDC recommends approval of local and school tax capture for the MEGA eligible activities totaling \$2,918,462 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$1,114,852.

**RESOLUTION 2012-
MICHIGAN STRATEGIC FUND**

**City of Detroit Brownfield Redevelopment Authority
Harbortown Riverside Apartments Redevelopment Project
City of Detroit**

At the meeting of the Michigan Strategic Fund (“MSF”) held on November 28, 2012 in Lansing, Michigan.

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 250 East Harbortown Drive within the City of Detroit, known as the Harbortown Riverside Apartments 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 review costs 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 38.2% to 61.8% ratio currently existing between school and local taxes for

non-homestead properties, to reimburse the cost of site preparation and demolition as presented in the revised Work Plan dated November 15, 2012. 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 \$2,145,248 for the principal activity costs of non-environmental activities and a contingency, a maximum of \$759,214 in interest, and a maximum of \$14,000 for Brownfield/Work Plan preparation and MSF review costs, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$1,114,852.

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 the MSF Board is authorizing the capture of taxes levied for school operating purposes for the payment of interest, up to a maximum of \$759,214 related to the eligible activities for the Project.

Ayes:

Nays:

Recused:

November 28, 2012
Lansing, Michigan

MEMORANDUM

DATE: November 28, 2012
TO: MSF Board Members
FROM: Diane Cranmer
SUBJECT: Private Activity Bond – Bond Authorizing
Evangelical Homes of Michigan –NTE \$28,000,000 – Refinancing and New
Financing/Non-profit—Locations in Saline and Sterling Heights, Michigan

BACKGROUND

Evangelical Homes of Michigan (EHM) is a non-profit 501(c)(3) organization founded in 1879. Its primary purpose is to provide housing and health care services to seniors living in Southeastern Michigan. It is a faith-based organization related to the United Church of Christ. EHM serves individuals of all faiths and opens their doors to those in need of quality health care, housing and community based services. The organization currently operates skilled nursing facilities in Saline and Sterling Heights, Michigan, and an independent living and assisted living facility in Saline, Michigan. EHM employs approximately 783 individuals and approximately an additional 75 contract employees to assist in serving their elderly clients.

PROJECT DESCRIPTION

The MSF previously issued its \$14,800,000 Variable Rate Demand Limited Obligation Revenue Bonds (Evangelical Homes of Michigan Project), Series 2008 to finance the following capital expenditures at facilities owned and operated by EHM:

- (i) Acquisition of land and the construction of an approximately 33,000 sq. ft. memory support facility located in the City of Saline, Washtenaw County;
- (ii) Renovations to a skilled nursing facility located in the City of Sterling Heights, Macomb County; and
- (iii) Refinancing an outstanding term loan used to make facility renovations at a skilled nursing facility located in the City of Saline.

EHM has requested assistance of MSF in the issuance of bonds to refund the Series 2008 Bonds and to finance the following additional expenditures:

- (i) Costs of renovating, furnishing and equipping the renovation or expansion of various facilities owned and/or operated by EHM, including its Saline skilled nursing facility to provide rehabilitation services in space leased from Trinity Health-Michigan to be known as the Redies Center;
- (ii) Refinancing certain bank debt that was incurred to finance the costs of acquiring certain home health service providers and certain other capital expenditures at EHM's facilities located in Saline and Sterling Heights and financing future capital expenditures at such facilities;
- (iii) Refinancing a portion of certain Series 2008 Bonds issued by the Economic Development Corporation of the City of Saline to finance the construction and furnishing of certain non-housing assisted living facility units located within EHM's Brecon Village facility in Saline; and
- (iv) Costs of a debt service reserve fund for the bonds and costs of issuance.

ADDITIONAL INFORMATION

1. Job Creation:

Over the next three years, EHM projects a total staffing increase of 24 full-time employees resulting from the placing in service of the Redies Center facility.

2. Bond Counsel:

Dickinson Wright PLLC

3. Proposed Underwriting of the Bond Issue:

Cain Brothers & Company, LLC will be acting as underwriter and/or placement agent for the bonds. The bonds may be sold in one or more series. The bonds may be sold as unrated fixed rate bonds or they may be sold directly to a commercial bank or a combination of both.

RECOMMENDATION

After reviewing the Private Activity Bond Authorizing Resolution for Evangelical Homes of Michigan, and based upon a determination by Dickinson Wright PLLC and the State of Michigan Attorney General's office that the Project meets state and federal law requirements for tax exempt financing, staff recommends the adoption of a Bond Authorizing Resolution for the bonds in the amount of NTE \$28,000,000.



MEMORANDUM

DATE: November 28, 2012

TO: MSF Board Members

FROM: Diane Cranmer

SUBJECT: Detroit Renewable Energy LLC
Amend Inducement to Extend Expiration Date

The Michigan Strategic fund induced a \$75,000,000 project on behalf of Detroit Renewable Energy at its December 1, 2010 meeting.

The project included reimbursement of certain costs incurred for the November 2010 acquisition of Detroit Thermal, LLC and the greater Detroit Resource Recovery Facility, as well as to finance certain costs of acquisition, rehabilitation, renovation, construction, and reconstruction of buildings and other facilities and acquisition, rehabilitation and installation of machinery and equipment for the facilities, generally comprising solid waste disposal facilities and local district heating and cooling facilities with addresses at 5700 Russell Street and 541 Madison Avenue, both in Detroit, Wayne County.

Detroit Renewable Energy is requesting an amendment to the inducement resolution to: (a) extend the expiration date by 24 months to November 28, 2014; and (b) enlarge the identified area of the defined project to include all locations, now or to be leased or owned by Detroit Renewable Energy in Detroit.

MEDC staff recommends the approval of the amending resolution to extend the expiration date for the inducement resolution to November 28, 2014 and to enlarge the identified area of the project as described above.

MEMORANDUM

Date: November 28, 2012

To: Michigan Strategic Fund Board Members

From: Deborah Stuart, Director Community Development Incentive Programs

SUBJECT: Community Development Block Grant Program
2012 Application Guide Amendment

Program Background:

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

The State’s responsibilities include ensuring the State’s and their Grantee’s compliance with the statute, HUD regulations, and the Consolidated Plan. On March 28, 2012, the Michigan Strategic Fund (“MSF”) approved the 2012 Consolidated Plan for the CDBG Program. On June 27, 2012, the MSF approved an Application Guide for potential applicants based on the requirements within the Consolidated Plan, Federal regulations and policies developed by staff to ensure consistency with grantees.

Over the last few months, staff has identified areas that need to be updated within the guide to assure the best use of the program funds. Please find the attached excerpt from the Application Guide with tracked changes that identifies those proposed changes in various programs funded by CDBG. These updates are based on conversations with grantees and internal staff that work with the program. The next update to the guide is anticipated this spring to ensure that it is up to date with the annual changes to the Consolidated Plan and improvements to the program’s process.

Recommendation:

Staff recommends MSF approval of the attached Amended Application Guide and Policies for Program Year 2012.

**STATE OF MICHIGAN
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM
Amended Application Guide Excerpt**

ECONOMIC DEVELOPMENT PROGRAM SPECIFIC REQUIREMENTS

All economic development projects must be financially viable and able to document that the business has sufficient management abilities and skills to successfully operate. Please refer to the Economic Development Underwriting (Financial Viability) section for guidance on that evaluation process.

1. Economic Development: Direct Assistance to Business

Eligible under this activity would be assistance to private, for-profit entities as identified in Section 105(a)(17) of Title I of the HCDA. There are five subcategories of projects eligible for direct assistance to private and for-profit businesses: machinery and equipment, job training, rail enhancement, small business expansion and utility/ pipeline projects.

Screening Guidelines: Direct Assistance to Business projects will be evaluated on the following criteria:

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

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

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

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

Economic Impact: Proposed projects are evaluated on their economic impact including the diversification of the economic base of the local and State economies. This includes the significance of added value the project carries, including financial value added through sales, use of existing local and state suppliers and secondary positions created.

Project Type: The following are Project Type specific criteria:

Machinery and Equipment

- These projects are generally supported by the CDBG Revolving Loan Program or other incentive programs available at the MEDC or MSF.

Job Training

- ~~Up to 50% of Grant~~ proceeds may be used for On the Job Training (OJT), but not more than 50% of the company’s OJT expenses may be reimbursed per person. OJT expenses for individual trainees must be completed within six months of their hiring date. Employees trained with CDBG funds must be retained for 90 days after conclusion of training.
- Vendor training expenses must have a minimum of 20% match from the employer. Up to 100% of grant funds may be used for vendor training costs. There is no reimbursement for company trainers or out of state training expenses.
- Grant proceeds can only be used for Michigan residents.

~~All positions must meet the average wage thresholds in the applicable Wage/HR category below to obtain the corresponding CDBG Assistance per Position.~~

Wage/HR	CDBG Assistance Per Position
\$9.00-\$11.99	up to \$4,000/position
\$12.00-\$14.99	up to \$6,000/position
\$15.00-\$16.99	up to \$8,000/position
\$17.00 & up	up to \$10,000/position

Rail Enhancement

- CDBG portion may not exceed more than 50% of total cost of necessary rail improvement.
- The project must provide a minimum of 25 positions.
- MDOT must support rail enhancement projects (minimum 10% MDOT rail funds if available or letter of support if MDOT rail funds are not available).
- All positions must meet the average wage thresholds in the applicable Wage/HR category below to obtain the corresponding CDBG Assistance per Position.

Wage/HR	CDBG Assistance Per Position
\$9.00-\$11.99	Up to \$4,000/position
\$12.00-\$14.99	Up to \$6,000/position
\$15.00-\$16.99	Up to \$8,000/position
\$17.00 & up	Up to \$10,000/position

Small Business Expansion

- These projects do not have any additional criteria for consideration.

Utility and Pipeline Projects

- Funds for this type of project may be used where:
 - existing service placement impedes development and requires relocation; and
 - a significant case can be made for the extension or enhancement of service delivery, including inability of the service provider to fund the necessary cost using a five year recuperation schedule.
- The project must provide a minimum of 25 positions.
- All positions must meet the average wage thresholds in the applicable Wage/HR category below to obtain the corresponding CDBG Assistance per Position.

Wage/HR	CDBG Assistance Per Position
\$9.00-\$11.99	Up to \$4,000/position
\$12.00-\$14.99	Up to \$6,000/position
\$15.00-\$16.99	Up to \$8,000/position
\$17.00 & up	Up to \$10,000/position

Maximum Grant Amount: None.

2. Economic Development – Infrastructure: Business Development

Communities may request grants to provide public infrastructure improvements necessary for the location, expansion, and/or retention of a specific for-profit business firm(s) which is engaged in an economic base activity (e.g. - manufacturing, point-of-destination tourism, headquarter operations, major multi-state distribution facility). A tourism point of destination is an entity with multiple amenities (more than three) that provide hospitality services such as accommodations, foods and beverages, tours and souvenirs, in or near a community or region known for its attraction of tourists. A tourism point of destination can also be an attraction (built attraction), or other area (natural attraction) that is dependent to a significant extent on the revenues accruing from tourism. A tourism point of destination must have the emphasis on promoting a particular region for the purpose of increasing commerce through exporting goods and services to non-local residents. Eligible under this activity would be public improvements, as identified in Section 105(a)(2) of Title I of the HCDA.

Screening Guidelines: Business Development Infrastructure projects will be evaluated on the following criteria:

Minimum Local Participation: Proposed public infrastructure projects are expected to have local government funding for public infrastructure activities. A minimum of ten (10%) percent local government cash match is required.

Economic Impact: Proposed projects are evaluated on their economic impact, including the diversification of the economic base of the local and State economies. This includes the significance of added value the project carries, including financial value added through sales, use of existing local and state suppliers and secondary positions created.

Project Type: Examples of eligible public infrastructure projects include the following items: public water or sanitary sewer lines and related facilities, streets, roads, bridges, sidewalks, parking facilities, pedestrian malls, alleys, drainage systems, waterways, publicly-owned utilities and systems, and projects designed to reduce, eliminate or prevent the spread of identified soil or groundwater contamination.

- Category A:
 - National Objective: Proposed projects are expected to result in the creation of full-time equivalent (FTE) positions of which at least 51% of the created positions will be held by LMI persons. Proposed projects are expected to create and/or retain the largest number of positions with the least amount of CDBG investment. Funding priority will be given to projects where the amount of CDBG funds per position created and/or retained is \$10,000 or less.
 - Minimum Leverage Ratio: Proposed projects are expected to leverage private and other public funds. Funding priority will be given to projects when the leverage ratio of all other private and public funds to CDBG funds is 1:1 or greater.
 - Position Creation: Priority will be given to projects creating ten or more permanent, full-time positions that pay an average hourly rate of at least \$9.00 or 75% of the average hourly wage rate of the applicable county.
- Category B:
 - National Objective: Proposed projects are expected to result in the creation of full-time equivalent (FTE) positions of which at least 51% of the created positions will be held by LMI persons. Proposed projects are expected to create and/or retain the largest number of positions with the least amount of CDBG investment. Funding priority will be given to projects where the amount of CDBG funds per position created and/or retained is \$20,000 or less.
 - Minimum Leverage Ratio: Proposed projects are expected to leverage private and other public funds. Funding priority will be given to projects when the leverage ratio of all other private and public funds to CDBG funds is 2:1 or greater.
 - Position Creation: Priority will be given to projects creating 25, or more, permanent, full-time positions that pay an average hourly rate of at least \$11.00 or 85% of the average hourly wage rate of the applicable county.
- Category C:

- National Objective: Proposed projects are expected to result in the creation of full-time equivalent (FTE) positions of which at least 51% of the created positions will be held by LMI persons. Proposed projects are expected to create and/or retain the largest number of positions with the least amount of CDBG investment. Funding priority will be given to projects where the amount of CDBG funds per position created and/or retained is \$35,000 or less.
- Minimum Leverage Ratio: Proposed projects are expected to leverage private and other public funds. Funding priority will be given to projects when the leverage ratio of all other private and public funds to CDBG funds is 3:1 or greater.
- Position Creation: Priority will be given to projects creating 50, or more, permanent, full-time positions that pay an average hourly rate of at least \$14.00 or 95% of the average hourly wage rate of the applicable county.

Maximum Grant Amount: None.

3. Economic Development: Revolving Loan Funds and Regional Revolving Loan Funds

During program year 2012, the MSF will seek to finalize the regionalization of all existing local CDBG funded revolving loan funds (RLFs). The intent of the RLFs is to provide CDBG eligible loans to businesses within the identified regional territory. Repayments of the loans back to the RLF with interest generates “program income” that is used to cover fund administrative expenses and provides additional funding for additional CDBG eligible loans to businesses. As of December 31, 2011, over 75% of the existing funds had been inactive for over 12 months.

The MSF intends to support the formation or identification of no more than nine regional entities, identified as eligible within HCDA 105(a)15. These entities will operate in non-entitlement areas within the state and will coordinate with county governments and UGLG based funds within the region to centralize cash and program income as well as potentially play a role in assisting with the management of loan portfolios in accordance with MSF and HUD requirements. Regionalization will create opportunities for greater access to available capital for the issuance of CDBG eligible loans, gain efficiency through increased underwriting expertise and streamline the MSF approval process. The MSF may also make additional CDBG funds available to UGLG, or RRLF, for the purpose of providing capital for the issuance of CDBG eligible loans to small businesses whose projects meet a national objective.

Eligible under the RLF activity would be assistance to private, for-profit entities as identified in Section 105(a)(17) of Title I of the HCDA. RLFs will provide loans, loan guarantees, collateral enhancement, working capital, and other allowable mechanisms through either existing RLFs based within a specific UGLG or through newly established Regional Revolving Loan Funds (“RRLF”) acting through a Joint Agreement between county governments, MSF and designated Regional Revolving Loan Fund Managers (“RRLFM”).

Screening Guidelines: Proposals and applications are considered on a continuous basis when funded with existing Program Income maintained at, or transferred to, an UGLG or RRLF. Only a RRLF or UGLG is eligible to apply for new CDBG funds. Existing UGLG based funds which require additional grant dollars

from the MSF for an eligible project in order to meet the Continuing Activity definition may be eligible to receive grant dollars provided that 1) they exhaust their cash balance first and 2) the proportion of program income equal to the proportion of total project funding associated with new grant dollars be returned to the state and not retained by the UGLG based RLF. However, preference will be given to RRLFs for new CDBG funds when evaluating projects.

National Objectives: Proposed projects are expected to result in the creation of full-time equivalent (FTE) positions of which at least 51% of the created positions will be held by LMI persons. Proposed projects are expected to create and/or retain the largest number of positions with the least amount of RLF investment. When determined to be reasonable by the MSF, applicants may also utilize Area Wide Benefit standards.

Proposed projects may also result in the Elimination of Slum and Blight if the RLF or RRLF, or its contractor, have allowed for the Elimination of Slum and Blight as an approved National Objective within their Uniform Reuse and Administration Plan or Reuse Plan.

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

Project Type: Eligible project types are located within the Uniform Reuse and Administrative Guide of a RRLF or within an UGLG based RLF's Reuse Plan. All plans must be approved by the MSF. Typically, projects are loans or other commercial credit extensions to for-profit businesses located within the funds service area. The RLF must carry out specific activities outlined below which, in turn, generate payments to the RLF.

Only a UGLG or RRLF that meets the MSF's definition of a Continuing Activity is eligible to apply for CDBG Grants. The MSF defines a "Continuing Activity" as the successful funding of a CDBG eligible loan or extension of commercial credit in the preceding twelve months or, in cases in which the RLF had insufficient funds to advance on a proper loan request, a request for assistance was made of the MSF and a loan/grant was approved, with a loan/grant agreement having been signed. Additionally, the MSF includes within its definition of Continuing Activity that the fund must perform such activity as described above such that normal monitoring of the Fund resulted in no major findings or issues which remain unresolved.

RLFs shall have 12 months to become compliant with the Continuing Activity definition beginning with the approval of this document by the MSF.

The proceeds of loans made under this program are for eligible activities under Section 105(a) of Title 1 of the HCDA and are limited to the following:

- Project based land acquisition
- Construction of a building and other improvements
- Renovation of an existing building to accommodate a business
- Purchase of Capital Equipment

- Purchase an existing building for a known business
- Finance accounts receivables and inventory
- Improve a site for a known business concern
- Assistance to micro-enterprises
- Some specific workforce training projects (seek additional info from State Program)
- Business Acquisition (highly situational-see additional info from State Program)

The Uniform Reuse and Administration Plan (URAP) describe ineligible uses of loan proceeds under this program. RLFs that have not approved the URAP are not subject to its prohibitions but are otherwise subject to the current MSF approved Reuse Plan in place at the time the project is approved.

Financial Viability: In addition to the Financial Viability guidance provided in this document, proposed projects are expected to demonstrate a reasonable expectation of repayment, with the expectation having been supported by meaningful and prudent due diligence on the part of the UGLG based RLF or RRLF, or its contractor.

In addition to project viability, on a no less than annual basis the MSF will review the books and records of all RLFs and RRLF to ensure that each RLF and RRLF is compliant with all state and federal laws and policies as well as operating under sound risk management and financial accounting practices. This will include a review of the UGLG's annual audit documents for either the RLF or RRLF. The MSF reserves the right to decline a project if it is determined that an applicant has not provided accounting and reporting of RLF activities to the standards requested by the MSF, and/or has failed to act, in the judgment of the MSF, prudently with respect to applicable loan decision making or due diligence practices.

Non Program Income loans made by RLFM's: Loans utilizing certain repaid CDBG funds pursuant to and compliant with HCDA Section 105(a)(15) are no longer Program Income but are subject to MSF oversight via the URAP as amended from time to time. The MSF will monitor and review these transactions in accordance with the URAP.

Maximum Grant Amount: None.

4. Economic Development: Unique Business Development Grants

Innovative and creative funding requests may be considered by the MSF based on special and/or unique needs or situations requiring innovative program approaches not specifically provided for in regular economic development, downtown development, planning, blight elimination, and infrastructure programs. This may include, but is not limited to, brownfield site redevelopment, targeted industry development, position training, general public infrastructure, building and building rehabilitation activities, CDBG Section 108 loan guarantees, activities and services listed in the above categories which do not meet identified screening or selection criteria and/or projects associated with other State or Federally funded initiatives.

Selection guidelines, project periods, and grant amounts will be determined and tailored for each specific project proposal, but will always take into account the national objective, leverage ratio,

position creation, local participation and financial viability. All funding considerations shall be subject to the approval and oversight authority of the MSF and must be made in compliance with federal CDBG regulations and requirements and other applicable laws.

Maximum Grant Amount: None.

DOWNTOWN DEVELOPMENT PROGRAM SPECIFIC REQUIREMENTS

For Downtown Development Projects, the term “**traditional downtown**” is defined as a grouping of 20 or more commercial parcels of property that include multi-story buildings of historical or architectural significance. The area must have been zoned, planned or used for commercial development for 50+ years. The area must consist of, primarily, zero-lot-line development; have pedestrian friendly infrastructure, and an appropriate mix of business and services.

All Downtown Development Projects benefiting a business must be financially viable and the UGLG must be able to document that the business has sufficient management abilities and skills to successfully operate. Please refer to the Economic Development Underwriting (Financial Viability) section for guidance on that evaluation process.

1. Downtown Development- Infrastructure: Downtown Position Creation

The Downtown Infrastructure Program enables a community to improve the downtown’s infrastructure quality and reduce redevelopment costs to make a project feasible. This program is restricted to downtown infrastructure improvements tied to new commercial/mixed-use development activities that require additional infrastructure to create new economic opportunities and position creation activity. Eligible under this activity would be public improvements, as identified in Section 105(a)(2) of Title I of the HCDA. Public infrastructure includes items located on public property, such as: parking facilities, streetscape, public water or sanitary sewer lines and related facilities, demolition as part of a larger project, streets, roads, bridges, private utilities and public utilities.

Screening Guidelines: Downtown infrastructure projects will be evaluated on the following criteria:

National Objective: Proposed projects are expected to result in the creation of full-time equivalent (FTE) positions of which at least 51% of the created positions will be held by LMI persons. Proposed projects are expected to create and/or retain the largest number of positions with the least amount of CDBG investment. Funding priority will be given where the funds per position created is up to \$25,000 based on the number of positions created or retained.

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

Project Type: Projects will be located in a traditional downtown, should be located in a Downtown Development Authority or other like-district. Projects will be evaluated on completeness of project and must have local organizational capacity to successfully complete this project.

Position Creation: Priority will be given to projects creating the greatest amount of permanent full-time positions.

Minimum Local Participation: Proposed projects are expected to have local government funding participation. A minimum of ten (10%) percent local government cash match is required. Funding priority will be given to projects with the highest percentage of local matching funds.

Maximum Grant Amount: The maximum individual grant award will not exceed \$750,000.

2. Downtown Development- Façade Improvements

Grants are available for communities that seek to target areas of traditional downtowns for facade improvements which will have a significant impact on the downtown/community. The Downtown Façade Program is structured to provide commercial/mixed-use building façade improvements to sustain and minimize deterioration of traditional downtowns. This program is based on the premise that the exterior improvements will stimulate additional private investment in the buildings and the surrounding area, attract and increase additional customers, thereby resulting in additional downtown economic opportunities. Eligible under this activity would be rehabilitation and reconstruction of buildings, as identified in Section 105(a)(4) of Title I of the HCDA.

Screening Guidelines: Downtown Façade projects will be evaluated on the following criteria:

National Objective: Proposed projects are expected to meet the national objective of either benefiting a population of individuals of whom at least 51% reside in LMI households, or projects that will result in the creation of full-time equivalent (FTE) positions of which at least 51% of the created positions will be held by LMI persons. Preference will be given to projects with position creation commitments. For position creation or retention projects, funding priority will be given to projects creating five or more permanent, full-time equivalent positions and where the amount of CDBG funds per position created is \$25,000 or less.

Communities that are qualified as LMI communities with a population over 15,000 must include at least five properties to meet the area wide benefit national objective for this initiative. Those communities under 15,000 must have at least two properties to meet the area wide benefit national objective.

Minimum Leverage Ratio: None required for this program.

Project Type: Projects will be located in a traditional downtown, should be located in a Downtown Development Authority or other like-district and all projects must meet the Secretary of Interior's Standards for Rehabilitation. Projects will be evaluated on completeness of project and must have local organizational capacity to successfully complete this project. Priority will be given to communities based on the following:

- Category A: Higher priority projects will demonstrate majority of the following characteristics:
 - within traditional downtown
 - located in a highly visible location
 - located in a DDA or other like district;
 - prior use of downtown development incentives (TIFs, abatements, etc.);
 - local organizational capacity to successfully complete this project;

- have a full-time downtown development professional or community staff member able to administer the project; and
- consists of four or more buildings:
 - multi-story ~~Building~~
 - mixed-use components
 - ~~Projects with F~~façade only scope (no interior)
 - ~~Main Street Communities~~
 - ~~Currently has a local façade program~~
 - completed the Main Street Façade Design Program
 - eligible for Historic or Contributing Designation
 - partially or completely vacant building being returned to active use.
- located within a community that has the following:
 - an adopted ~~adopted a~~ downtown development plan;
 - designated as a Main Street or Redevelopment Ready Community;
 - a local façade program.
- Category B: Lower Priority projects will demonstrate majority of the following characteristics:
 - Within traditional Downtown
 - Located in a highly visible location
 - Located in a DDA or other like district
 - Prior use of downtown development incentives (TIFs, abatements, etc.)
 - Local organizational capacity to successfully complete this project
 - Have a full-time downtown development professional or community staff member able to administer the project
 - The project will consist of two or more buildings that have the following characteristics:
 - Multi-story Building
 - Single use buildings
 - Not eligible for Historic or Contributing Designation
 - The community has adopted a downtown development plan.

Position Creation: Priority will be given to projects creating the greatest amount of permanent full-time positions.

Minimum Local Participation: Funding priorities will be given to communities with the highest percentage of private matching funds (committed funds only), but all projects must have a contribution of at least 25% of the total project costs. Preference will also be given to communities that provide additional local support either through tax abatement, direct grant or other financial assistance to the project. Communities that do not request administrative costs or use administrative costs as match will also be considered as providing additional local support. Only complete interior rehabilitation projects will be considered for private match.

Maximum Grant Amount: The maximum individual grant award will not exceed \$400,000 and must be for a minimum amount of \$30,000.

3. Signature Building

Grants are available for communities seeking acquisition of vacant, partially vacant or substantially underused buildings located in traditional downtowns for rehabilitation into a commercial/mixed use building that will result in position creation. CDBG funding can only be utilized for property acquisition activities.

The CDBG funding allows the community and/or the developer to acquire property that a developer would not typically purchase and redevelop due to the substantial amount of money required to rehabilitate, that its current owners are experiencing challenges with developing and/or maintaining, and it is currently being underused. Therefore, this program gives the community availability/accessibility to funding to stimulate economic opportunity within a traditional downtown. Eligible under this activity would be acquisition of real property, as identified in Section 105(a)(1) of Title I of the HCDA. Ineligible activities for this initiative include exclusively residential structures; government owned buildings, except for Land Bank properties, in-kind donations, renovation of building, appraisals, and structural analysis or other soft costs.

Screening Guidelines: Downtown Signature Building projects will be evaluated on the following criteria:

National Objective: Proposed projects are expected to meet the national objective of creating positions and 51% of the created positions will be held by LMI persons. For position creation or retention projects, funding priority will be given to projects creating five or more permanent, full-time equivalent positions and where the amount of CDBG funds per position created is \$25,000 or less.

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

Project Type: Projects will be located in a traditional downtown, should be located in a Downtown Development Authority or other like-district, and the project must be accompanied by at least one appraisal, along with the current SEV, documentation that all taxes are current, as well as verification that non-mortgage liens have not been placed on the property. Projects will be evaluated on completeness of project and must have local organizational capacity to successfully complete this project. Priority will be given to communities based on the following:

- Category A: Higher priority projects will demonstrate majority of the following characteristics:
 - signature, troubled building in the downtown
 - Multi-story building
 - Mixed use
 - Reuse will address an underserved market
 - Zero lot line building
 - Significant structure within the downtown district;
 - property is in a historic district or is historically registered;
 - vacant for three years or more;
 - the property has sufficient parking for a rehabilitated building or the parking will be created as part of the project;
 - structural analysis has been completed for the building;

- a full time downtown development professional or community staff member able to administer the project; and
- located in a Main Street or Redevelopment Ready Community.
- Category B: Lower priority projects will demonstrate majority of the following characteristics:
 - a signature, troubled building in the downtown
 - Single-story building
 - Significant structure within the downtown district;
 - ~~The property is~~ in a historic district or is historically registered;
 - vacant, partially vacant or underused for three years or more;
 - property has sufficient parking for a rehabilitated building or the parking will be created as part of the project;
 - structural analysis has been completed for the building
 - A full time downtown development professional or community staff member able to administer the project

Position Creation: Priority will be given to projects creating the greatest amount of permanent full-time positions.

Minimum Local Participation: Funding priorities will be given to communities with the highest percentage of private and/or public matching funds (committed funds only), but all projects must have a contribution of at least 25% of the total acquisition costs. Preference will also be given to communities that provide additional local support either through tax abatement, direct grant or other financial assistance to the project.

Financial Viability: The business must be financially viable and able to document that it has sufficient management abilities and skills to rehabilitate the building and create positions. The business may be subject to a background check.

Maximum Grant Amount: The maximum individual grant award will not exceed \$500,000.

4. Unique Downtown Development Grants

Innovative and creative funding requests may be considered by the MSF based on special and/or unique needs or situations requiring innovative program approaches not specifically provided for in regular economic development, downtown development, planning, blight elimination, and infrastructure programs. This may include, but is not limited to, incubator/entrepreneur development, agricultural development, small business growth~~rural community development~~, brownfield site redevelopment, general public infrastructure, building and building rehabilitation activities, CDBG Section 108 loan guarantees, activities and services listed in the above categories which do not meet identified screening or selection criteria and/or projects associated with other State or Federally funded initiatives.

Selection guidelines, project periods, and grant amounts will be determined and tailored for each specific project proposal, but will always take into account the national objective, leverage ratio, position creation, local participation and financial viability. Funding considerations shall be subject to the

approval and oversight authority of the MSF and must be made in compliance with federal CDBG regulations and requirements and other applicable laws.

National Objective: Proposed projects are expected to meet the national objective of either benefiting a population of individuals of whom at least 51% reside in LMI households, or projects that will result in the creation of full-time equivalent (FTE) positions of which at least 51% of the created positions will be held by LMI persons. Preference will be given to projects with position creation commitments.

Minimum Leverage Ratio: Proposed projects are expected to leverage private and other public funds.

Project Type: Projects will be located in a traditional downtown, should be located in a Downtown Development Authority or other like-district. Projects will be evaluated on completeness of project and must have local organizational capacity to successfully complete this project. Priority will be given to communities with project that demonstrates majority of the following characteristics:

- in-fill development;
- multi-story building;
- mixed-use components;
- reuse will address an underserved market;
- zero lot line building;
- eligible for Historic or Contributing designation;
- vacant for three years or more; and
- have a full time downtown development professional or community staff member able to administer the project.

Minimum Local Participation: Funding priorities will be given to communities with the highest percentage of private and/or public matching funds (committed funds only), but all projects must have a contribution of at least 25%. Preference will also be given to communities that provide additional local support either through tax abatement, direct grant or other financial assistance to the project.

Maximum Grant Amount: None.

PLANNING PROGRAM SPECIFIC REQUIREMENTS

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

1. Planning: Economic Development Planning

Projects will only be considered that can demonstrate that the planning grant will likely lead to an eligible implementation project. The planning study must be specific, with identified goals and outcomes.

Screening Guidelines: Economic development planning proposals will be evaluated on the following criteria:

National Objective: Proposed projects are expected to meet the national objective of likelihood for near term position creation where at least 51 percent of the positions are held by LMI persons.

Minimum Leverage Ratio: None required for this program.

Minimum Local Participation: Funding priorities will be given to communities with a higher percentage of matching funds (committed funds only), but a cash match equal to the awarded CDBG funds is required.

Financial Viability: Evaluation not required for this program.

Maximum Grant Amount: The maximum individual grant award will not exceed \$100,000.

2. Planning: Downtown Planning

The Downtown Planning Program enables a community to identify and determine what activities the community could do to increase the viability/accessibility of economic opportunities to revitalize and stimulate position creation within the downtown area. Planning projects will only be considered that can demonstrate that the planning grant will likely lead to an eligible implementation project. The planning study must be building or area specific, with identified goals and outcomes. Ineligible activities for this initiative include activities that create, update, or provide information solely for a community to meet legislatively mandated requirements (DDA, TIF, Master Plans) and/or engineering and design work for a specific project.

Screening Guidelines: Downtown development planning grant proposals will be evaluated based on the following criteria:

National Objective: Proposed projects are expected to meet the national objective of likelihood for near term position creation where at least 51 percent of the positions are held by LMI persons.

Project Type: Projects will be evaluated on completeness of project and must have local organizational capacity to successfully complete this project. Projects may be considered in either an on-going basis or a competitive round. For the competitive rounds, projects must be located within a traditional downtown, demonstrate timely completion of the project, have site control of the property or cooperation from the property owner, and a complete application. Funding priority will be given to projects that demonstrate majority of the following items:

- ~~• Within traditional downtown, in a highly visible location (see definition under Downtown Development Programs).~~
- located in a DDA or other like district;

- located in a Main Street or Redevelopment Ready Community;
 - located in a community that does not have any open grants that have not been drawn down;
 - Two/four-years-likely potential for 51% low/mod position creation and private investment;
 - High impact on downtown;
 - involves a multi-story building;
 - will lead to a the rehabilitation of a historic resource and/or address brownfield conditions; and
 - addresses an underutilized downtown theater.
- Project elements, match, location, and potential outcomes of project are weighed heavier than other items in competitive rounds.

Minimum Leverage Ratio: None required for this program.

Minimum Local Participation: Funding priorities will be given to communities with a higher percentage of matching funds (committed funds only), but a cash match equal to the awarded CDBG funds is required.

Financial Viability: Evaluation not required for this program.

Maximum Grant Amount: The maximum individual grant award will not exceed \$100,000.

BLIGHT ELIMINATION PROGRAM SPECIFIC REQUIREMENTS

The Michigan CDBG Program for blight elimination is allowable anywhere within the community that is designated a slum or blighted area. Eligible under this activity would be property acquisition, clearance/demolition, historic preservation, and building rehabilitation (only to the extent necessary to eliminate specific conditions detrimental to public health and safety), as identified in Section 105(a) of Title I of the HCDA. Ineligible activities for this initiative include privately owned structures (unless related to renovation), exclusively residential structures, demolition of historic structures and state owned buildings, except for Land Bank Properties.

Screening Guidelines: Blight Elimination grants will be evaluated on the following criteria.

National Objective: Proposed projects must meet the national objective of elimination or prevention of slums and blight on a spot or area wide basis. For a property to be eligible, it must meet the definition of blight as defined in the Brownfield Redevelopment Financing Act 381 of 1996, MCL 125.2652 (e)(i-iv) and (vii).

Minimum Leverage Ratio: None required for this program.

Project Type: Funding priority will be given to the demolition of vacant, deteriorated and abandoned buildings which are considered to be detrimental to public health and safety. Projects will be evaluated on completeness of project and must have local organizational capacity to successfully complete this project.

- Category A: Higher priority **projects will demonstrate that they are:**
 - within traditional Downtown or neighborhood or high pedestrian areas;
 - meet multiple definitions for blight; and
 - provide a minimum match of 25%
- Category B: Lower priority **projects will demonstrate that they are:**
 - outside of traditional Downtown, but still located in pedestrian oriented area;
 - tax foreclosed properties; and
 - provide higher match amount than 25%.

Minimum Local Participation: Proposed projects are expected to have local funding participation. A minimum of 25% committed cash match is required. Funding priority will be given to projects with the highest percentage of local matching funds.

Project Viability: The community must be able to demonstrate that their proposed project is clearly eliminating objectively determinable signs of blight and is strictly limited to eliminating specific instances of blight (spot blight).

Maximum Grant Amount: The maximum grant amount shall not exceed \$1,000,000.

INFRASTRUCTURE (AREA BENEFIT) PROGRAM SPECIFIC REQUIREMENTS

Infrastructure grants are available to help communities upgrade existing public infrastructure systems either by replacing deteriorating, obsolete systems or by adding capacity to existing public infrastructure services in need of upgrade will be given priority. Public infrastructure includes items located on public property, such as: parking facilities, streetscape, public water or sanitary sewer lines and related facilities, streets, roads, bridges, privately owned utilities and publically owned utilities. Eligible under this activity would be public facilities and improvements and privately owned utilities, as identified in Section 105(a)(2) of Title I of the of the HCDA.

1. Infrastructure Grants: Downtown Infrastructure Grants

Downtown Infrastructure Grants (DIG) are available for public infrastructure projects that upgrade existing public infrastructure systems in a traditional downtown. Announcement of this activity will be made to eligible communities as funding becomes available. Competitive ranking of projects will be based on the Proposals received and awards will be based on the availability of funds.

Screening Guidelines: Downtown infrastructure projects will be evaluated based on the following criteria:

National Objective: Proposed projects are expected to meet the national objective of providing benefit to a population of individuals of whom at least 51 percent reside in low to moderate-income households.

Minimum Leverage Ratio: Projects with the higher combined matching funds (all matching funds including local-committed funds only) will be given priority.

Project Type: Eligible projects will demonstrate that:

- they are located in a traditional downtown;
- the community has not received a 201~~1~~⁹ DIG grant;
- ~~the community did not apply for a 2011 Farm to Food grant;~~
- the community has a maintenance plan for the proposed projects; and
- the project is able to be completed within one year of the grant agreement sign date.

Priority will be given to communities that demonstrate:

- the community does not have any open grants that have not been drawn down;
- the project is in a DDA, or PSD/BID/BIZ, or similar; and
- the community has incorporated innovative design elements.

Project elements, match, and leverage of funds are weighted heavier than other items in scoring of projects.

Minimum Local Participation: Proposed projects are expected to have local government funding participation. A minimum of ten (10%) percent local government committed cash match is required. Funding priority will be given to projects with the highest percentage of local matching funds.

Financial Viability: Evaluation not required for this program.

Maximum Grant Amount: The maximum individual grant award will not exceed \$750,000. Applications will be accepted and grants awarded as funding availability allows.

2. Infrastructure Grants: Infrastructure Capacity Enhancement

Grants are available for public works projects that upgrade existing public infrastructure systems either by replacing deteriorating or obsolete systems or by adding capacity to existing systems. Announcement of this activity will be made to eligible communities as funding becomes available. Competitive ranking of projects will be based on the Proposals received and awards will be based on the availability of funds.

Screening Guidelines: Infrastructure Capacity Enhancement projects will be evaluated based on the following criteria:

National Policy Objective: Proposed projects are expected to meet the national objective of providing benefit to a population of individuals of whom at least 51 percent reside in low to moderate-income households.

Project Type: While community and recreational facilities are eligible as are new infrastructure projects, public infrastructure projects that address necessary improvements to existing public infrastructure services in need of upgrade will be given priority. Priority will be given to communities that demonstrate:

- the project will commence within the current calendar year;
- the project has the highest combined matching funds; and
- the project has a low cost per resident rate. Minimum Local Participation: Funding priority will be given to communities with the higher percentage of local matching funds (committed funds only) and all other matching funds from other sources (committed funds only) for the applicant's proposed project.

Maximum Grant Amount: The maximum individual grant award will not exceed \$1,000,000. Applications will be accepted and grants awarded as funding availability allows.

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

**APPROVAL OF AMENDED COMMUNITY DEVELOPMENT BLOCK GRANT
2012 APPLICATION GUIDE**

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

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

WHEREAS, the MSF adopted the 2012 Application Guide ("Guide") on June 06, 2012 authorized with Resolution 2012-067;

WHEREAS, the CDBG program desires to amend the policies, criteria, and parameters which are enumerated in the attached Amended Guide;

WHEREAS, CDBG program staff reviewed the Amended Guide and concluded that the policies meet the enabling legislation, federal regulations, and the requirements of the Consolidated Plan which the MSF authorized with Resolution 2012-028; and

WHEREAS, CDBG program staff recommends that the MSF adopt the attached Amended Guide to update the current Application Guide adopted on June 06, 2012 and to ensure consistency in the CDBG program.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board adopts the attached Amended Guide as the policies, criteria, and parameters for projects being considered and funded with 2012 Program Year funds; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
November 28, 2012