

## **MICHIGAN STRATEGIC FUND BOARD MEMBERS**

### **Paul Ajegba**

*Director, Michigan Department of  
Transportation*

### **Ronald W. Beebe**

*Principal Owner & CEO  
Euclid Industries, Inc.*

### **Britany Affolter - Caine, Ph.D.**

*Executive Director  
Michigan's University Research  
Corridor*

### **Jeff Donofrio**

*Director, Department of Labor  
& Economic Opportunity*

### **Rachael Eubanks**

*State Treasurer, Department of  
Treasury*

### **Paul Gentilozzi**

*President, Gentilozzi Real Estate*

### **September Hargrove**

*Vice President, Global  
Philanthropy, JP Morgan Chase*

### **Jeff Mason**

*President and Chairman; CEO:  
Michigan Economic Development  
Corporation*

### **Charles Rothstein**

*Founder & Senior Managing Director  
Beringea, LLC*

### **Susan Tellier**

*President  
JetCo Packaging Solutions*

### **Cindy Warner**

*Technology Executive  
Consultant Founder &  
Chairperson 360ofme, Inc.*

# **MICHIGAN STRATEGIC FUND (MSF) BOARD**

## Meeting Packet

## January 2020

**MICHIGAN STRATEGIC FUND BOARD  
FINAL MEETING AGENDA  
JANUARY 22, 2020  
10:00 am**

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

***Communications***

Chief Compliance Officer Quarterly Report – *Information Only*

**A. Consent Agenda**

Proposed Meeting Minutes – December 17, 2019

Inteva Products LLC – MBDP Amendment – Jeremy Webb

Jackson Downtown Partners, LLC – MCRP Amendment – Lori Mullins

**B. Community Vitality**

Jefferson Van Dyke 2, LLC – Brownfield Act 381 Work Plan and MCRP Award – Brittney Hoszkiw

3820 West End LLC – Brownfield Act 381 Work Plan and MCRP Award – Brittney Hoszkiw

Mosaic Eastern Market Redevelopment Project – Brownfield Act 381 Work Plan – Brittney Hoszkiw

Lofts on Alabama, LLC – MCRP Amendment – Lori Mullins

**C. Business Investment**

**a. Business Growth**

Dakkota Integrated Systems, LLC – NMDC Renaissance Zone and MBDP Grant Request – Jibrán Ahmed

General Motors – MEGA Amendment – Joshua Hundt

**D. Continuing Education**

Public Sector Consulting Benchmarking Study – Tim Dempsey

**E. Informational**

Quarterly Reports

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2020-001**

**APPROVAL OF JANUARY 2020 CONSENT AGENDA  
FOR THE MICHIGAN STRATEGIC FUND BOARD**

**WHEREAS**, the Michigan Strategic Fund (“MSF”), at its February 2014 board meeting, approved the use of consent agendas at future board meetings pursuant to defined guidelines.

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

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

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

Consent Agenda Items:

Proposed Meeting Minutes – December 17, 2019  
Inteva Products LLC – MBDP Amendment  
Jackson Downtown Partners, LLC – MCRP Amendment

Ayes: Britany L. Affolter-Caine, Ronald W. Beebe, Susan Corbin (on behalf of Director Donofrio, designation attached), Paul Gentilozzi, September Hargrove, Michael B. Kapp (on behalf of Director Ajegba, designation attached), Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Jeff Mason, Charles P. Rothstein, Cindy Warner

Nays: None

Recused: None

Lansing, Michigan

January 22, 2020



GRETCHEN WHITMER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF LABOR AND ECONOMIC OPPORTUNITY  
LANSING

JEFF DONOFRIO  
DIRECTOR

November 13, 2019

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

Re: Michigan Strategic Fund Board Meeting Designee

Dear Ms. Bishop:

Pursuant to MCLA 16.51, I hereby confirm my designation of Susan Corbin as the person authorized and empowered to act in my stead as a member of the Michigan Strategic Fund Board for scheduled meetings I am unable to attend.

If you need anything additional, please contact Monica Chrzaszcz at (517) 897-6108.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Donofrio".

Jeff Donofrio  
Director

Cc: Susan Corbin



STATE OF MICHIGAN  
DEPARTMENT OF TRANSPORTATION  
LANSING

GRETCHEN WHITMER  
GOVERNOR

PAUL C. AJEGBA  
DIRECTOR

August 12, 2019

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

Re: Michigan Strategic Fund Board Meeting Designee

Dear Ms. Bishop:

I hereby confirm and ratify my designation of Michael B. Kapp, Administrator, Michigan Department of Transportation, as the person authorized and empowered to act in my stead for Michigan Strategic Fund meetings that I am unable to attend.

Sincerely,

A handwritten signature in blue ink that reads "Paul C. Ajegba".

Paul C. Ajegba, P.E.  
Director

cc: M. Kapp  
Executive file



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

January 16, 2020

Ms. Rhonda Bishop  
Board Relations Liaison  
Michigan Strategic Fund Office  
300 N. Washington Square  
Lansing, MI 48913

Re: Michigan Strategic Fund Board Meeting Designee for Treasurer Eubanks

Dear Ms. Bishop:

I hereby designate Andrew Lockwood to attend all Michigan Strategic Fund meetings that I am unable to attend in 2020.

If you need anything additional, please contact Kara Kabia at (517) 241-2624.

Sincerely,

A handwritten signature in blue ink that reads "Rachael Eubanks".

Rachael Eubanks  
State Treasurer

Cc: Eric Bussis  
Andrew Lockwood



GRETCHEN WHITMER  
GOVERNOR

STATE OF MICHIGAN  
OFFICE OF THE CHIEF COMPLIANCE OFFICER  
LANSING

KEVIN FRANCCART, ESQ.  
CHIEF COMPLIANCE OFFICER

## MEMORANDUM

January 7, 2020

TO: Honorable Gretchen Whitmer  
Governor and Chairperson of the State Administrative Board.

Jeff Mason  
Chairperson  
Michigan Strategic Fund Board

FROM: Kevin L. Francart  
Chief Compliance Officer

RE: FY2020 Q1 Report of the Chief Compliance Officer.

The Chief Compliance Officer is required to report quarterly to the State Administrative Board and the Michigan Strategic Fund Board regarding compliance with internal policies and procedures and with applicable laws related to 21st century jobs fund programs. I am pleased to report that all compliance matters addressed during the first quarter of the 2020 fiscal year were either successfully resolved, are being appropriately addressed, or are undergoing review and are currently being evaluated.

With respect to the Michigan Strategic Fund Board, the Michigan Strategic Fund Act requires the Chief Compliance Officer to review and evaluate compliance with internal policies and procedures along with applicable state and federal law.

The Chief Compliance Officer assisted the MSF with amending the Pure Michigan contracts with McCann Erickson and Weber Shandwick to account for the lack of funding in the FY20 budget and Work Project funds for the first quarter of FY20. The Chief Compliance Officer assisted the AG with consent agenda policy for later presentation to the MSF Board. The Chief Compliance Officer assisted a Board Member with a question regarding the applicability to the MSF of certain Anti-Money laundering requirements that require financial institutions to perform customer due diligence commonly referred to as "Know-Your-Customer." The Chief Compliance Officer opined that the MSF is exempt from those requirements by regulation. (31 CFR 1010.205) As reported previously, because of staffing changes the site visit guidelines were modified. Because of the staffing changes the site visit guidelines were changed by the MEDC compliance section to no longer require a minimum number of site visits. Site visits are being performed pursuant to the site visit guidelines. The Chief Compliance Officer provided informal advice regarding various issues arising this quarter concerning such topics as the conflict of interest determination, breadth of delegated Board authority, authorized use of 21st century job fund funds, and compliance with established Board policy and limitations.

**MICHIGAN STRATEGIC FUND  
FINAL MEETING MINUTES  
December 17, 2019**

**Members Present**

Britany L. Affolter-Caine  
Ronald W. Beebe  
Jeff Donofrio  
Paul Gentilozzi  
September Hargrove  
Michael B. Kapp (on behalf of Director Ajegba)  
Andrew Lockwood (on behalf of Treasurer Eubanks)  
Jeff Mason  
Charles P. Rothstein

**Members joined by phone**

Susan Tellier  
Cindy Warner

Mr. Mason called the meeting to order at 10:05 am.

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

Mr. Mason introduced the following legislators: Senator Curt VanderWall speaking in support of the Railroad Square public facilities project in Kalkaska and Representative Terry Sabo speaking in support of the Sweetwater Development Partners, LLC project in Muskegon.

**Communications:** Rhonda Bishop, Board Liaison, advised the Board that a letter from Senator Jon Bumstead in support of the Sweetwater Development Partners, LLC project in Muskegon was provided to them at the table; the letter is attached to the minutes. She also advised Board members that a revised Good Jobs for Michigan resolution for the Ford Motor Company project and a revised memorandum and Michigan Community Revitalization Program resolution for the Sugar Hill Residential LLC project was provided to them at the table.

**A. CONSENT AGENDA**

**Resolution 2019-177 Approval of Consent Agenda Items**

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

Proposed Meeting Minutes – November 26, 2019  
Proposed (Retreat) Meeting Minutes – December 4, 2019  
Develop Michigan Inc. – Appointments to the Board of Directors – **2019-178 & 2019-179**

Andrew Lockwood seconded the motion. **The motion carried: 11 ayes; 0 nays; 0 recused.**

## **B. BUSINESS INVESTMENT**

### **B1. Entrepreneurship**

*Britany L. Affolter-Caine, recused from the next four items, leaves the room; a recusal letter is attached to the minutes.*

#### **Resolution 2019-180 Michigan Translational and Commercialization (MTRAC) Statewide Program – Funding Allocation**

*Fred Molnar, Vice President of Entrepreneurship & Innovation, provided the Board with information regarding this action item. Following discussion, Paul Gentilozzi motioned for the approval of Resolution 2019-180. Andrew Lockwood seconded the motion. **The motion carried: 10 ayes; 0 nays; 1 recused.***

#### **Resolution 2019-181 MTRAC Life Science Innovation Hub – Grant Award**

*Fred Molnar, Vice President of Entrepreneurship & Innovation, provided the Board with information regarding this action item. Following discussion, September Hargrove motioned for the approval of Resolution 2019-181. Jeff Donofrio seconded the motion. **The motion carried: 10 ayes; 0 nays; 1 recused.***

#### **Resolution 2019-182 MTRAC Advanced Transportation Innovation Hub – Grant Award**

*Fred Molnar, Vice President of Entrepreneurship & Innovation, provided the Board with information regarding this action item. Following discussion, Ronald W. Beebe motioned for the approval of Resolution 2019-182. Jeff Donofrio seconded the motion. **The motion carried: 10 ayes; 0 nays; 1 recused.***

#### **Resolution 2019-183 Technology Transfer Talent Network (T3N) – Grant Amendment**

*Fred Molnar, Vice President of Entrepreneurship & Innovation, provided the Board with information regarding this action item. Following discussion, Paul Gentilozzi motioned for the approval of Resolution 2019-183. Ronald W. Beebe seconded the motion. **The motion carried: 10 ayes; 0 nays; 1 recused.***

*Britany L. Affolter-Caine rejoined the meeting.*

#### **Resolution 2019-184 FY 2020 Pre-Seed Fund – Request for Proposals and Funding Allocation**

*Fred Molnar, Vice President of Entrepreneurship & Innovation, provided the Board with information regarding this action item. Following discussion, Ronald W. Beebe motioned for the approval of Resolution 2019-184. Paul Gentilozzi seconded the motion. **The motion carried: 11 ayes; 0 nays; 0 recused.***

#### **Resolution 2019-185 SBIR/STTR Michigan Assistance Program – BBCetc Grant Award**

*Margaret McCammon, Portfolio Manager, provided the Board with information regarding this action item. Following discussion, Jeff Donofrio motioned for the approval of Resolution 2019-185. Michael B. Kapp seconded the motion. **The motion carried: 11 ayes; 0 nays; 0 recused.***

Mr. Mason, MSF board chairperson, advised board members that the order of agenda items was being modified due to time constraints. The Ford Motor Company project was moved up.

## **B2. Business Growth**

*Jeff Donofrio, recused from the next item, leaves the room; a recusal letter is attached to the minutes.*

### **Resolutions 2019-186 & 2019-187 Ford Motor Company – Good Jobs for Michigan Award and State Essential Services Assessment Exemptions**

*Erik Wilford, Business Development Project Manager, provided the Board with information regarding these action items.* Following discussion, Michael B. Kapp motioned for the approval of Resolution 2019-186. Charles P. Rothstein seconded the motion. **The motion carried: 10 ayes; 0 nays; 1 recused.** Andrew Lockwood then motioned for the approval of Resolution 2019-187. Michael B. Kapp seconded the motion. **The motion carried: 10 ayes; 0 nays; 1 recused.**

*Jeff Donofrio rejoined the meeting.*

### **B1. Entrepreneurship – continued**

#### **Resolution 2019-188 Michigan Small Business Development Center – Strategic Service Provider Emerging Technology Fund and Business Accelerator Fund Grant Award**

*Margaret McCammon, Portfolio Manager, provided the Board with information regarding this action item.* Following discussion, Jeff Donofrio motioned for the approval of Resolution 2019-188. Britany L. Affolter-Caine seconded the motion. **The motion carried: 11 ayes; 0 nays; 0 recused.**

### **B2. Business Growth - continued**

#### **Resolution 2019-189 Fairlife LLC and Continental Dairy Facilities LLC – MBDP Grant Amendment**

*David Kurtycz, Business Development Project Manager, provided the Board with information regarding this action item.* Following discussion, Jeff Donofrio motioned for the approval of Resolution 2019-189. Andrew Lockwood seconded the motion. **The motion carried: 11 ayes; 0 nays; 0 recused.**

## **C. COMMUNITY VITALITY**

### **Resolution 2019-190 Fulton & Seward L.L.C. – MCRP Loan Participation Agreement Amendment**

*Julius Edwards, Commercial Real Estate Investment Manager, provided the Board with information regarding this action item.* Following discussion, Jeff Donofrio motioned for the approval of Resolution 2019-190. Andrew Lockwood seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused; 1 abstained.**

### **Resolution 2019-191 55 Ionia Partners, LLC – MCRP Loan Participation Agreement Amendment**

*Julius Edwards, Commercial Real Estate Investment Manager, provided the Board with information regarding this action item.* Following discussion, Andrew Lockwood motioned for the approval of Resolution 2019-191. Michael B. Kapp seconded the motion. **The motion carried: 11 ayes; 0 nays; 0 recused.**

*Susan Tellier left the meeting at 12:31 pm.*

**Resolutions 2019-192 & 2019-193 Sweetwater Development Partners, LLC / City of Muskegon Brownfield Redevelopment Authority (Muskegon Mall Redevelopment Project) – Brownfield Act 381 Work Plan Amendment and MCRP Loan Participation Award**

*Sarah Rainero, Regional Director of Community Development, provided the Board with information regarding these action items.* Following discussion, Paul Gentilozzi motioned for the approval of Resolution 2019-192. Andrew Lockwood seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused.** Andrew Lockwood then motioned for the approval of Resolution 2019-193. Jeff Donofrio seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused.**

**Resolution 2019-194 Village of Kalkaska (Railroad Square Public Facilities Project) – CDBG Grant**

*Dan Leonard, Senior Community Assistance Team Specialist, provided the Board with information regarding this action item.* Following discussion, September Hargrove motioned for the approval of Resolution 2019-194. Andrew Lockwood seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused.**

*September Hargrove, recused from the next item, leaves the room; a recusal letter is attached to the minutes.*

**Resolution 2019-195, 2019-196 & 2019-197 Sugar Hill Residential LLC / City of Detroit Brownfield Redevelopment Authority (Sugar Hill Redevelopment Project) – Brownfield Act 381 Work Plan, MCRP Loan and Brownfield MBT Credit Amendment**

*Brittney Hoszkiw, Senior Community Assistance Team Specialist, provided the Board with information regarding these action items.* Following discussion, Jeff Donofrio motioned for the approval of Resolution 2019-195. Andrew Lockwood seconded the motion. **The motion carried: 9 ayes; 0 nays; 1 recused.** Andrew Lockwood then motioned for the approval of Resolution 2019-196. Jeff Donofrio seconded the motion. **The motion carried: 9 ayes; 0 nays; 1 recused.** Finally, Michael B. Kapp motioned for the approval of Resolution 2019-197. Andrew Lockwood seconded the motion. **The motion carried: 9 ayes; 0 nays; 1 recused.**

*September Hargrove rejoined the meeting.*

Mr. Mason adjourned the meeting at 1:14 pm.



STATE OF MICHIGAN  
DEPARTMENT OF TRANSPORTATION  
LANSING

GRETCHEN WHITMER  
GOVERNOR

PAUL C. AJEGBA  
DIRECTOR

August 12, 2019

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

Re: Michigan Strategic Fund Board Meeting Designee

Dear Ms. Bishop:

I hereby confirm and ratify my designation of Michael B. Kapp, Administrator, Michigan Department of Transportation, as the person authorized and empowered to act in my stead for Michigan Strategic Fund meetings that I am unable to attend.

Sincerely,

A handwritten signature in blue ink that reads "Paul C. Ajegba".

Paul C. Ajegba, P.E.  
Director

cc: M. Kapp  
Executive file



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

February 26, 2019

Ms. Rhonda Bishop  
Board Relations Liaison  
Michigan Strategic Fund Office  
300 N. Washington Square  
Lansing, MI 48913

Re: Michigan Strategic Fund Board Meeting Designee for Treasurer Eubanks

Dear Ms. Bishop:

I hereby designate Andrew Lockwood to attend all Michigan Strategic Fund meetings that I am unable to attend in 2019.

If you need anything additional, please contact Kara Kabia at (517) 241-2624.

Sincerely,

A handwritten signature in blue ink that reads "Rachael Eubanks".

Rachael Eubanks  
State Treasurer

Cc: Eric Bussis  
Andrew Lockwood



December 16, 2019

MSF Fund Manager  
MEDC  
300 N. Washington Square  
Lansing, Michigan

Dear Fund Manager,

This is to advise that I am recusing myself from voting and excuse myself during the discussion of the following items on the Michigan Strategic Fund Board Meeting Agenda on Tuesday, December 17, 2019.

- Michigan Translational Research and Commercialization (MTRAC) – Funding Allocation
- Life Science MTRAC Hub – Grant Renewal
- Advanced Transportation MTRAC Hub – Grant Renewal
- Tech Transfer Talent Network (T3N) – Grant Renewal

The reason for my recusal is that I have a potential conflict of interest with respect to the parties involved in the Agenda items.

Sincerely,

A handwritten signature in cursive script that reads "Britany Affolter-Caine".

Britany Affolter-Caine  
Executive Director  
Michigan's University Research Corridor



GRETCHEN WHITMER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF LABOR AND ECONOMIC OPPORTUNITY  
LANSING

JEFF DONOFRIO  
DIRECTOR

December 17, 2019

MSF Fund Manager  
MEDC  
300 N. Washington Square  
Lansing, Michigan

Dear Fund Manager,

This is to advise that I am recusing myself from voting and excuse myself during the discussion of the following items on the Michigan Strategic Fund Board Meeting Agenda on Tuesday, December 17, 2019.

- Ford Motor Company – Good Jobs for Michigan and State Essential Services Assessment Exemption

The reason for my recusal is that I have a potential conflict of interest with respect to the parties involved in the Agenda items.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jeff Donofrio".

Jeff Donofrio  
Director

December 17, 2019

Ms. Rhonda Bishop  
Board Relation Liaison  
Michigan Strategic Fund  
300 N. Washington Square  
Lansing, MI 48913

Re: Sugar Hill Recusal

Dear Ms. Bishop

This is to advise that I am recusing myself from deliberations and voting for the Sugar Hill Redevelopment Project during the Michigan Strategic Fund Board Meeting on Tuesday, December 17, 2019.

The reason for the recusal is that I may have a potential conflict of interest with respect the parties involved in the agenda item.

Regards,



September Hargrove



THE SENATE  
STATE OF MICHIGAN

JON BUMSTEAD

34TH DISTRICT

P.O. BOX 30036

LANSING, MI 48909-7536

PHONE: (517) 373-1635

FAX: (517) 373-3300

[senjbumstead@senate.michigan.gov](mailto:senjbumstead@senate.michigan.gov)

December 16, 2019

Mr. Jeff Mason, President  
Michigan Strategic Fund Board  
300 N. Washington Square  
Lansing, MI 48913

Dear Mr. Mason,

This letter is written in support of the Sweetwater Development Partners, LLC receiving a Michigan Community Revitalization Program Loan Participation award to support the construction of a new six-story mixed-use building in downtown Muskegon. I also support the request from the City of Muskegon Brownfield Redevelopment Authority for approval of a Brownfield Act 381 Work Plan Amendment. These requests will be a direct benefit to this project and the City of Muskegon as a whole.

The project proposed by Sweetwater Development Partners, LLC is a new 51,565 square foot, six-story mixed use building located at 292 W. Western Ave. The building will contain first floor retail space, second and third floor office space, and the remaining three floors will contain 18 one- and two-bedroom residential apartments. The development will include approximately 30 parking spaces, both underneath and behind the building.

This parcel is a part of the existing Muskegon Mall Work Plan approved in 2005 to demolish and redevelop the properties in the former Muskegon Mall area. There is a wide range of local support for this project, including a 12-year Commercial Facilities Tax Exemption, a 15-year Neighborhood Enterprise Zone abatement, and local brownfield tax increment financing support. I support the request by Sweetwater Development Partners, LLC because of the positive impact it will have on residents and local businesses.

If you have any questions or concerns, please contact my office by phone at (866) 305-2134 or by email at [SenJBumstead@senate.michigan.gov](mailto:SenJBumstead@senate.michigan.gov).

Best regards,

Jon Bumstead  
State Senator  
Michigan Senate District 34

## MEMORANDUM

**Date:** January 22, 2020

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

**From:** Jeremy Webb, Senior Business Development Project Manager

**Subject:** Inteva Products, LLC (“Company”)  
Amendment to the Michigan Business Development Program (“MBDP”) Other Economic Assistance Incentive Agreement

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### Request

This is a request from the Company to amend the MBDP Other Economic Assistance Incentive Agreement (“Agreement”) to waive the condition under the Agreement that requires the Company to maintain at least 77 Qualified New Jobs (“QNJ”) at the Project from the date of satisfaction of Key Milestone Number Three through the date of submission of the Forgiveness Claim Form. This waiver is for the purpose of allowing the Company to regain its employee headcount as a result of the General Motors (“GM”) strike. In addition, the Company is requesting that the Base Employment be reduced by 41 jobs from 805 to 764 due to the roof systems division of the Company being acquired in May of 2019 (collectively, the “MBDP Amendment Request”).

### Background

On August 23, 2016 the MSF approved a \$1,270,000 performance-based other economic assistance incentive award for the Company under the MBDP, of which \$500,000 may be paid back or has the ability to convert to a grant based on job creation. The incentive was awarded to support the Company in the growth of additional production programs as a result of newly awarded automotive contracts. The project involves the creation of 77 QNJ, with the potential for up to 127 total QNJ as a result of the project, and a capital investment of up to \$23,000,000 in the city of Adrian, Lenawee County.

The Company successfully completed all three of its Key Milestones and, as of its 2019 MBDP Progress Report, the Company reported a cumulative investment of \$37,496,352 for the project, which is nearly \$15,000,000 more than the Company anticipated investing in the project. In addition, the Company asserts that they have created jobs in excess of the required QNJ, as well as in excess of the necessary jobs to convert the \$500,000 portion of the performance-based other economic assistance incentive award to a grant. This will be verified by the MEDC Compliance Team after final submission of the Forgiveness Claim Form.

The Company is requesting an amendment to two different items in the Agreement. The first is a request to waive a condition under the Agreement that requires the Company to maintain at least 77 QNJ at the Project from the date of satisfaction of Key Milestone Number Three through the date of submission of the Forgiveness Claim Form. Key Milestone Number Three required the Company to create a total of 77 QNJ by no later than January 31, 2020 and the Company completed the requirement way ahead of schedule on March 31, 2019. All was going well until the GM strike took place and eventually forced the Company to temporarily lay off 521 employees. The Company has since hired back the employees and is continuing forward. The second is a request to reduce the Base Employment from 805 to 764. In May of 2019, the Company’s roof systems business was acquired by CIE Automotive (“CIE Automotive”), a Spanish automotive supplier. As part of the sale, 41 of the Company’s employees working in the roof systems business were transferred to the new entity under CIE. As a result, the Company is requesting the Base Employment level be adjusted to accommodate the decrease. Though not located directly in a geographically disadvantaged area, the Company is located directly across the street from the Adrian geographically disadvantaged areas. As a result, the Company is adjacent to, and created jobs available to residents of this area. Though mostly focusing on the production of door modules, door trim panels, glove boxes, instrument panels, quarter panels, and

more, the Company does have engineering operations at the Adrian facility. What is more, the Company's Technical Center is located within the Headquarters in Troy which houses a recently modernized and updated laboratory with the latest technologies supporting all of the Company's product lines. These high-tech jobs help harness Michigan's talent base to further develop the research & development, as well as industrial design sectors of the state.

**Company Background**

The Company, headquartered in Troy, Michigan, is a leading global automotive supplier providing automakers with innovative, reliable, environmentally friendly products that enhance vehicle quality, safety and performance. The Company has global resources for engineering, manufacturing and customer service for Closure Systems, Interior Systems, and Motors and Electronics. Formed in 2008, the tier-one supplier is focused on achieving sustained global growth, providing excellent customer service and driving innovation.

**Recommendation**

MEDC Staff recommends approval of the MBDP Amendment Request, as outlined in the attached resolution.



GRETCHEN WHITMER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF LABOR AND ECONOMIC OPPORTUNITY  
LANSING

JEFF DONOFRIO  
DIRECTOR

November 13, 2019

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

Re: Michigan Strategic Fund Board Meeting Designee

Dear Ms. Bishop:

Pursuant to MCLA 16.51, I hereby confirm my designation of Susan Corbin as the person authorized and empowered to act in my stead as a member of the Michigan Strategic Fund Board for scheduled meetings I am unable to attend.

If you need anything additional, please contact Monica Chrzaszcz at (517) 897-6108.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Donofrio".

Jeff Donofrio  
Director

Cc: Susan Corbin



STATE OF MICHIGAN  
DEPARTMENT OF TRANSPORTATION  
LANSING

GRETCHEN WHITMER  
GOVERNOR

PAUL C. AJEGBA  
DIRECTOR

August 12, 2019

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

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Dear Ms. Bishop:

I hereby confirm and ratify my designation of Michael B. Kapp, Administrator, Michigan Department of Transportation, as the person authorized and empowered to act in my stead for Michigan Strategic Fund meetings that I am unable to attend.

Sincerely,

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Paul C. Ajegba, P.E.  
Director

cc: M. Kapp  
Executive file



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

January 16, 2020

Ms. Rhonda Bishop  
Board Relations Liaison  
Michigan Strategic Fund Office  
300 N. Washington Square  
Lansing, MI 48913

Re: Michigan Strategic Fund Board Meeting Designee for Treasurer Eubanks

Dear Ms. Bishop:

I hereby designate Andrew Lockwood to attend all Michigan Strategic Fund meetings that I am unable to attend in 2020.

If you need anything additional, please contact Kara Kabia at (517) 241-2624.

Sincerely,

A handwritten signature in blue ink that reads "Rachael Eubanks".

Rachael Eubanks  
State Treasurer

Cc: Eric Bussis  
Andrew Lockwood

## MEMORANDUM

**Date:** January 22, 2020

**To:** Michigan Strategic Fund Board

**From:** Emanuel M. Odom, MCRP Program and Investment Specialist

**Subject:** Request for Approval Michigan Community Revitalization Program (MCRP) Other Economic Assistance Loan Participation Amendment #1  
Jackson Downtown Partners, LLC or Related Entity

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### Request

Jackson Downtown Partners, LLC (“Company”) is requesting approval of an amendment to the Michigan Community Revitalization Program Other Economic Assistance Loan Participation Agreement (“Agreement”) and any related ancillary agreements. The amendment request dated December 2, 2019 includes a request to change the structure of the incentive terms to match that of the Lender.

### Background

The Michigan Strategic Fund Board approved a \$3,066,250 MCRP Other Economic Assistance Performance-Based Loan Participation on February 26, 2019, to Jackson Downtown Partners to support the redevelopment of a vacant former industrial site into a mixed-use building.

The amendment is needed to increase the term of the MSF loan participation from 60 months, as approved by the MSF Board, to 120 months, to match the term of the Lender, County National Bank. The bank wishes to allow an initial term of 120 months to help to ensure that the project will be stabilized and able to support long term debt in advance of the end of the term.

### Recommendation

The MEDC staff recommends approval of an amendment to the MCRP Other Economic Assistance Loan Participation Agreement and any related ancillary agreements to change the term of the loan participation from 60 months to 120 months to match the term of the Lender, per the Company’s request dated December 2, 2019.

## ORIGINAL APPROVAL

### MEMORANDUM

**Date:** February 26, 2019

**To:** Michigan Strategic Fund Board

**From:** Paula Holtz, Community Assistance Specialist, Region 9  
Emanuel Odom, Program and Investment Specialist  
Jake Winder, Program Specialist – Brownfield and MCRP

**Subject:** Request for Approval Michigan Community Revitalization Program (MCRP) Other Economic Assistance Loan Participation and a Request for Approval of an Act 381 Work Plan, The 200 Redevelopment Project, Jackson Downtown Partners, LLC

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#### REQUEST

Jackson Downtown Partners, LLC (“Applicant”) is requesting a MCRP Other Economic Assistance Performance-Based Loan Participation in the amount of \$3,066,250 to support a community development project that will redevelop a vacant, former industrial site in downtown Jackson into a mixed-use building. Additionally, the City of Jackson Brownfield Redevelopment Authority is requesting approval of a Brownfield Act 381 Work Plan, including local and school tax capture for MSF eligible activities in the amount of \$757,679 to support the project. The Applicant anticipates that the project will result in a total capital investment in the amount of \$13,560,651, along with the creation of approximately 9 permanent full-time equivalent jobs with an average hourly wage of \$14.50.

#### FINANCING OPPORTUNITY – MCRP OTHER ECONOMIC ASSISTANCE LOAN PARTICIPATION

The Senior Lender, County National Bank, along with the Applicant, Jackson Downtown Partners, LLC is requesting the MSF participate in up to \$3,066,250 of a total \$10,752,649 in construction to permanent loan financing. The proposed MCRP award would include a \$1,500,000 forgivable portion. The proposed award will provide flexibility in order to help insure the project will be financially viable as well as allow the development team to generate an acceptable rate of return for its investors. It is anticipated that disbursements to the project on the loan will be made on a pro-rata basis. Below outlines a summary of the development sources and the proposed structure of the MSF’s share of the loan participation. With the financing structure described below, it is anticipated that the investors will be able to achieve an internal rate of return (IRR) of under 3% from operations.

#### LOAN TERMS

**MSF Facility:** MCRP Other Economic Assistance Loan Participation

## ORIGINAL APPROVAL

<b>Borrower:</b>	Jackson Downtown Partners, LLC
<b>Senior Lender:</b>	County National Bank
<b>Total Amount of Loans:</b>	Currently estimated at \$10,752,649
<b>Lender Share:</b>	Currently estimated at \$7,686,399
<b>Total Capital Investment:</b>	Currently estimated at \$13,560,651
<b>MSF Eligible Investment:</b>	Currently estimated at \$12,265,000
<b>MSF Share:</b>	Up to the lesser of 25% of “Eligible Investment” or \$3,066,250
<b>Term:</b>	Shall match that of the lender, anticipated to be 60 months, the MSF share will include an interest only period of up to 36 months
<b>Amortization:</b>	Not exceed 300 months, following the interest only period
<b>Interest Rate:</b>	1.0% per annum
<b>Repayment Terms:</b>	Monthly principal and interest payments with the balance due at maturity. <ul style="list-style-type: none"><li>• Up to \$1,500,000 of the MSF Share of the financing to be forgiven upon completion of construction and achievement of other performance milestones.</li><li>• Payments to the MSF will be limited to an amount necessary to maintain a debt service coverage ratio of 1.20 to 1.00.</li></ul>
<b>Collateral:</b>	To match that of the Lender currently anticipated to be first mortgage on the property, assignment of rents and leases at 200 North Jackson Street and an interest in the TIF reimbursements. MSF share of the collateral will be subordinated to the lender.
<b>Guarantee:</b>	To match that of the Lender, currently anticipated to be limited personal guarantees of the Borrower.
<b>MSF Fees:</b>	The MSF shall be paid a one-time fee equal to one percent (1%) of the MSF’s share of the financing. One time “Exit Fee” of up to \$750,000. The Exit Fee will be based on a future value of the property at the time of the MSF’s exit. The trigger for repayment is anticipated to be a future value above \$14,500,000 for the property.

## ORIGINAL APPROVAL

- Deferred Developer Fees:** The developer fees of \$298,000 will be deferred until such time that the project is producing cash flow in excess of that required for priority debt and other operating obligations.
- Funding:** The MSF will disburse its share of the financing to the Lender following closing of the financing and achievement of other performance criteria.
- Reserves:** Lease-up, Operating and Replacement reserves will be required and determined based on Lender’s review of residential and commercial market data, currently anticipated to be \$55,000 for the “Rent Up Reserve”, \$50,000 for the “Operating Reserve”, and 1.4% of Revenues annually for “Replacement Reserves”.
- Other Conditions:** The MSF’s investment will be contingent upon receipt and review the following:
- Construction documents (includes a “Guaranteed Maximum Price” construction contract)
  - Final Development Budget
  - Minimum Owner Equity Investment of \$2,500,000

### **SUMMARY OF DEVELOPMENT SOURCES:**

Bank Share	\$ 7,686,399	56.68%
MSF Share	\$ 3,066,250	22.61%
Deferred Developer Fee	\$ 298,000	2.20%
Developer Equity	\$ 2,510,002	18.51%
<b>TOTAL</b>	<b>\$13,560,651</b>	<b>100.00%</b>

### **SUMMARY OF DEVELOPMENT USES:**

Acquisition	\$ 1
Hard Construction Costs	\$11,800,000
Eligible Soft Costs	\$ 465,000
Other	\$ 1,295,650
<b>TOTAL</b>	<b>\$13,560,651</b>

### **LOCAL SUPPORT**

Local support for the project includes the costs associated with land assembly and land preparation costs in the amount of approximately \$603,740, as well as local Brownfield TIF reimbursement in the amount of \$210,938. The City of Jackson is certified with the MEDC’s Redevelopment Ready Communities (RRC) program. The project qualifies because it is a facility.

### **MCRP PROGRAM AND GUIDELINES**

## ORIGINAL APPROVAL

On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program (MCRP) and on September 22, 2015, the MSF Board approved its restated program guidelines. The primary intended objective of the MCRP is to provide incentives to persons that make eligible investments on eligible property in Michigan. It is the role of the MEDC staff to review for eligibility, completeness, and adherence to the program, the information provided by the applicant and to manage the MSF's investment. As required under the MCRP, all statutory criteria for the project have been considered when making the recommendations in this memo.

The project complies with all of the Board-approved MCRP parameters with the exception of the following:

- MEDC staff is requesting an MCRP award above 20% of "Eligible Investment" for a non-historic project. The project will utilize the LEED (Leadership in Energy and Environmental Design) framework in design, construction and operations and will obtain a third-party opinion the project could qualify for a third-party green certification. Therefore, staff is recommending an award of up to 25% of "Eligible Investment".
- MEDC staff is requesting a waiver of the MCRP Incentive Parameter that limits the amount of grant to \$750,000. Staff is proposing up to a \$1,500,000 grant, with up to \$750,000 repayable through a success fee at the time of the MSF's exit from the project.

### TAX CAPTURE SUMMARY

In order to alleviate brownfield conditions and prepare the site for redevelopment, the City of Jackson, a Qualified Local Governmental Unit, has duly approved a brownfield plan for this property on February 27, 2018. The property has been determined to be a facility as verified by the Michigan Department of Environmental Quality (DEQ) on December 26, 2018.

There are 33.2600 non-homestead mills available for capture, with State mills from school operating and SET millages equaling 24 mills (72.16%) and local millage equaling 9.2600 mills (27.84%). Because the property is located in the Downtown Development Authority (DDA), several local millages are being captured by the DDA and are not available for capture under this work plan. Tax increment capture will begin in 2019 and is estimated to continue for 8 years. The requested tax capture for MSF eligible activities breaks down as follows:

State tax capture	(72.16%)	\$	546,741
Local tax capture	(27.84%)	\$	210,938
<b>TOTAL</b>		\$	<b>757,679</b>

### COST OF MSF ELIGIBLE ACTIVITIES

Demolition	\$	7,500
Infrastructure Improvements		102,500
Site Preparation	+	585,515
Sub-Total	\$	696,515
Contingency (7.5%)	+	52,164

## ORIGINAL APPROVAL

Sub-Total	\$	747,679
Brownfield/Work Plan Preparation	+	10,000
<b>TOTAL</b>	<b>\$</b>	<b>757,679</b>

### **PROJECT BACKGROUND**

Jackson Downtown Partners, LLC is redeveloping a vacant site in the heart of downtown Jackson. The development will include new construction of a four-story, mixed-use building known as “The 200”. The building will be on-grade construction with total square footage of 79,004 including 4,100 square feet of commercial rental space on the ground level. The upper three stories, and a portion of the first floor, will be market-rate residential apartments consisting of studio, one-bedroom, and two-bedroom apartments for a total of 86 rental units.

The project is located in the downtown Jackson Smart Energy District and is designed and will be built using strategies aimed at improving performance in: energy savings, water efficiency, carbon dioxide emissions reduction, improved indoor environmental quality, stewardship of resources and sensitivity to their impacts. This development will seek an independent third-party verification that it can qualify for LEED certification, based on the green technologies incorporated into the project.

Brownfield eligible activities will alleviate Brownfield conditions across the site making it suitable for redevelopment, while protecting human health and the environment. Without Brownfield tax increment reimbursement, the cost burden related to Brownfield conditions would make the project financially unfeasible.

### **APPLICANT HISTORY**

Jackson Downtown Partners, LLC has not received previous incentives from the Michigan Strategic Fund (MSF). Mr. Deary received a MBT credit in the amount of approximately \$465,000 through a related entity, Great Lakes Home Health and Hospice in 2006. MEDC has completed the background check in accordance with the MSF policy, and the project may proceed for MSF consideration.

### **RECOMMENDATION**

MEDC staff recommends approval of the following (the “Recommendation”):

- a) Local and school tax capture for the Act 381 eligible activities totaling \$757,679. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$546,741.
- b) A MCRP Other Economic Assistance Performance-Based Loan Participation in the amount of up to \$3,066,250 for Jackson Downtown Partners, LLC on terms and conditions outlined in Exhibit A found in the resolution.
- c) Waiver of the MCRP Incentive Parameter requirement that requires an award exceeding 20% of “Eligible Investment” be restricted to historic properties;
- d) Waiver of the MCRP Incentive Parameter that limits the amount of grant to \$750,000.

ORIGINAL APPROVAL

**APPENDIX A – Project Map and Renderings**

# ORIGINAL APPROVAL



# ORIGINAL APPROVAL



**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2020-003**

**APPROVAL OF AN AMENDMENT TO A MICHIGAN COMMUNITY REVITALIZATION  
PROGRAM OTHER ECONOMIC ASSISTANCE  
LOAN PARTICIPATION AWARD FOR  
JACKSON DOWNTOWN PARTNERS, LLC**

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

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

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

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

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

**WHEREAS**, by Resolution 2019-031 on February 26, 2019 the MSF Board awarded a MCRP Other Economic Assistance Award to Jackson Downtown Partners, LLC, in furtherance of the Project of up to \$3,066,250 (“Award”).

**WHEREAS**, the MEDC is recommending that the MSF Board approve the amendment recommendation to change the term of the loan participation from 60 months to 120 months to match the term of the Lender, with all other requirements remaining in place from the original approval (“MCRP Amendment Recommendation”).

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

Ayes: Britany L. Affolter-Caine, Ronald W. Beebe, Susan Corbin (on behalf of Director Donofrio, designation attached), Paul Gentilozzi, September Hargrove, Michael B. Kapp (on behalf of Director Ajegba, designation attached), Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Jeff Mason, Charles P. Rothstein, Cindy Warner

Nays: None

Recused: None

Lansing, Michigan  
January 22, 2020



GRETCHEN WHITMER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF LABOR AND ECONOMIC OPPORTUNITY  
LANSING

JEFF DONOFRIO  
DIRECTOR

November 13, 2019

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

Re: Michigan Strategic Fund Board Meeting Designee

Dear Ms. Bishop:

Pursuant to MCLA 16.51, I hereby confirm my designation of Susan Corbin as the person authorized and empowered to act in my stead as a member of the Michigan Strategic Fund Board for scheduled meetings I am unable to attend.

If you need anything additional, please contact Monica Chrzaszcz at (517) 897-6108.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Donofrio".

Jeff Donofrio  
Director

Cc: Susan Corbin



STATE OF MICHIGAN  
DEPARTMENT OF TRANSPORTATION  
LANSING

GRETCHEN WHITMER  
GOVERNOR

PAUL C. AJEGBA  
DIRECTOR

August 12, 2019

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

Re: Michigan Strategic Fund Board Meeting Designee

Dear Ms. Bishop:

I hereby confirm and ratify my designation of Michael B. Kapp, Administrator, Michigan Department of Transportation, as the person authorized and empowered to act in my stead for Michigan Strategic Fund meetings that I am unable to attend.

Sincerely,

A handwritten signature in blue ink that reads "Paul C. Ajegba".

Paul C. Ajegba, P.E.  
Director

cc: M. Kapp  
Executive file



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

January 16, 2020

Ms. Rhonda Bishop  
Board Relations Liaison  
Michigan Strategic Fund Office  
300 N. Washington Square  
Lansing, MI 48913

Re: Michigan Strategic Fund Board Meeting Designee for Treasurer Eubanks

Dear Ms. Bishop:

I hereby designate Andrew Lockwood to attend all Michigan Strategic Fund meetings that I am unable to attend in 2020.

If you need anything additional, please contact Kara Kabia at (517) 241-2624.

Sincerely,

A handwritten signature in blue ink that reads "Rachael Eubanks".

Rachael Eubanks  
State Treasurer

Cc: Eric Bussis  
Andrew Lockwood

**MEMORANDUM**

**Date:** January 22, 2020

**To:** Michigan Strategic Fund Board

**From:** Brittney Hoszkiw, Senior Community Assistance Team Specialist  
Julius Edwards, Commercial Real Estate Investment Manager  
Rob Garza, Brownfield and MCRP Senior Program Specialist

**Subject:** Request for Approval Michigan Community Revitalization Program (MCRP)  
Loan and a Request for Approval of an Act 381 Work Plan  
Jefferson Van Dyke 2 LLC Project

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**REQUEST**

Jefferson Van Dyke 2 LLC (“Applicant”) is requesting a MCRP Performance-Based Direct Loan in the amount of \$3,300,000 and the City of Detroit Brownfield Redevelopment Authority is requesting approval of a Brownfield Act 381 Work Plan including state tax capture in the amount of \$1,616,532 to reimburse for MSF eligible activities. The request will support a community development project that will include the demolition of an existing parking structure and the construction of a new mixed-use building and the rehabilitation of surrounding buildings. The project is consistent with the MEDC Strategic Plan by providing equitable opportunities for all Michiganders by reserving the residential units planned for the development at various income levels for 30 years. The project is competitive against our community development goals because it supports the City’s strategic framework plan for the West Village neighborhood. A financing gap exists despite exhausting financing from multiple community development financial institutions, including a \$2,500,000 Affordable Housing Leverage Funds (AHLF) Loan. The AHLF is a partnership between Local Initiatives Support Corporation (LISC), Michigan State Housing Development Authority (MSHDA), and the City Detroit designed to encourage the rehabilitation of naturally occurring affordable housing and construction of mixed-income, mixed-use development in the City of Detroit. This project is the first to be awarded AHLF financing. In addition to the AHLF Loan, the development team has secured \$12,000,000 in senior financing from Capital Impact Partners (CIP), and the ownership team is contributing approximately \$2,800,000 in equity to the project. The remaining gap would be filled by the proposed \$3,300,000 MCRP Award. It anticipated that the MCRP Award would allow the development team to achieve a return of under 5% from operations.

The MCRP Award and Brownfield TIF reimbursements will be used to help offset the high cost of integrated parking as well as the already high costs of construction in southeast Michigan. Additionally, the MCRP funding will aide in the City of Detroit and State’s goal of creating mixed-income housing in the City.

The Applicant anticipates that the project will result in a total capital investment in the amount of \$22,033,151.

**FINANCING OPPORTUNITY – MCRP PERFORMANCE-BASED DIRECT LOAN**

The Applicant is requesting a \$3,300,000 MCRP Award. The MCRP Award would be in the form of a Performance-Based Direct Loan, split into two tranches. One tranche of \$1,800,000 will be amortized over 360 months and another \$1,500,000 tranche that would be interest only for 144 months. Other financing includes a senior loan of \$12,000,000 from Capital Impact Partners of which \$5,000,000 will be participated out to IFF (a mission driven lender with seven offices throughout the Midwest) and LISC, and an AHLF loan of \$2,500,000 administered by LISC.

The project is outside of the MCRP financial underwriting evaluation preferences as developer fees exceed the preferred limitation of 4% of total development costs. MEDC staff is comfortable with the deviation as developer fees are being utilized to leverage additional federal historic tax credits and 100% of the developer fees will be deferred.

Below outlines a summary of the development sources and the proposed structure of the MCRP Award.

**MSF AWARD TERMS**

- MSF Award Amount:** Lesser of 20% of “Eligible Investment” or \$3,300,000
- Borrower:** Jefferson Van Dyke 2 LLC
- Total Capital Investment:** Currently estimated at \$22,033,151
- MSF Eligible Investment:** Currently estimated at \$17,533,640
- Minimum Eligible Investment:** Currently estimated at \$16,500,000
- Deferred Developer Fees:** The developer fees of \$1,400,000 will be deferred until such time that the project is producing cash flow in excess of that required for priority debt and other operating obligations.
- Funding:** The MSF will fund up to \$3,300,000 to be disbursed at closing of the financing and completion of other performance criteria.
- Contingencies/Reserves:** Anticipated to be over \$4,100,000. This includes construction interest, lease up, and operating deficit reserves of approximately \$1,700,000, along with \$2,400,000 in construction and environmental contingencies.
- Other Conditions:** The MSF’s investment will be contingent upon the following:
- A copy of an executed Guaranteed Maximum Price (GMP) construction contract between the Applicant and its contractor.
  - Copies of final construction documents.
  - Final development budget.
  - Minimum owner equity investment of \$2,800,000
  - Other documents may be required for review.

**MSF Loan #1:**

MSF Loan Amount: \$1,800,000

Interest Rate: 1.00% per annum

MSF Fee(s): Equal to 1.00% of the loan amount

Term: Anticipated to be 144 months

Amortization: Anticipated to be 360 months

Repayment Terms: Monthly interest only for up to 24 months, followed by monthly principal and interest payments with principal due at maturity.

Collateral: Anticipated to be a security interest in the real estate and TIF reimbursements, and assignment of leases and rents. Priority of security position to be determined by MSF Fund Manager, anticipated to be a 2<sup>nd</sup> or 3<sup>rd</sup> priority interest.

Guarantee(s): To match that of the senior lender, anticipated to be the full and unconditional joint and several construction completion and payment and performance guarantees from Michael W. Higgins, the Michael W. Higgins Living Trust, and any other individual or entity with greater than 20% ownership of the borrowing entity. Priority of interest to be determined by MSF Fund Manager, anticipated to be a 2<sup>nd</sup> or 3<sup>rd</sup> priority interest.

**MSF Loan #2:**

MSF Loan Amount: Up to \$1,500,000

Interest Rate: 1.00% per annum

MSF Fee(s): Equal to 1.00% of the loan amount

Term: Anticipated to be 144 months

Amortization: Anticipated to be 360 months

Repayment Terms: Loan will be paid down through costs savings following construction completion as well as the release of reserves. Monthly interest only payment for 144 months, remaining principal due at maturity.

Collateral: Anticipated to be a security interest in the real estate and TIF reimbursements, and assignment of leases and rents. Priority of security position to be determined by MSF Fund Manager, anticipated to be a 2<sup>nd</sup> or 3<sup>rd</sup> priority interest.

Guarantee(s): To match that of the senior lender, anticipated to be the full and unconditional joint and several construction completion and payment and performance guarantees from Michael W. Higgins, the Michael W. Higgins Living Trust, and any other individual or entity with greater than 20% ownership of the borrowing entity. Priority of interest to be determined by MSF Fund Manager, anticipated to be a 2<sup>nd</sup> or 3<sup>rd</sup> priority interest.

**SUMMARY OF DEVELOPMENT SOURCES:**

Capital Impact Partners Loan	\$	12,000,000	54.48%
MSF Loans	\$	3,300,000	14.98%
AHLF Loan	\$	2,500,000	11.35%
Deferred Developer Fees	\$	1,400,000	6.36%
Developer Equity	\$	2,833,151	12.83%
<b>TOTAL</b>	<b>\$</b>	<b>22,033,151</b>	<b>100.00%</b>

**SUMMARY OF DEVELOPMENT USES:**

Acquisition	\$	590,000
Hard Construction Costs	\$	16,698,640
Eligible Soft Costs	\$	835,000
Other	\$	3,909,511
<b>TOTAL</b>	<b>\$</b>	<b>22,033,151</b>

**LOCAL SUPPORT**

Local support for the project includes local portion of the Brownfield TIF Work Plan request which was approved in October of 2019 and anticipated to be valued at \$2,100,488 as well as the local-only portion of the Brownfield Plan valued at \$460,506. The City has also approved an Obsolete Property Rehabilitation Act (OPRA) tax abatement certificate in October of 2019 with an anticipated value of \$833,123. The City of Detroit is engaged with the MEDC’s Redevelopment Ready Communities (RRC) program. The project is located in a Michigan Geographically Disadvantaged Business Location.

**TAX CAPTURE SUMMARY**

In order to alleviate brownfield conditions and prepare the site for redevelopment, the City of Detroit, a Qualified Local Governmental Unit, has duly approved a brownfield plan for this property on October 22, 2019. The property has been determined to be a facility as verified by the Michigan Department of Environment, Great Lakes, and Energy (EGLE) on October 28, 2019.

There are 65.3227 non-homestead mills available for capture, with State mills from school operating and SET millages equaling 24 mills (36.74%) and local millage equaling 41.3227 mills (63.26%). Tax increment capture will begin in 2021 and is estimated to continue for 24 years. Tax capture is impacted by an OPRA tax abatement and the requested blended tax capture for MSF eligible activities breaks down as follows:

State tax capture	(43.49%)	\$	1,616,532
Local tax capture	(56.51%)	\$	2,100,488
<b>TOTAL</b>		<b>\$</b>	<b>3,717,020</b>

**COST OF MSF ELIGIBLE ACTIVITIES**

Demolition	\$	350,000
Infrastructure Improvements		<u>2,868,278</u>
Sub-Total	\$	3,218,278
Contingency (15%)	+	<u>482,742</u>
Sub-Total	\$	3,701,020
Brownfield/Work Plan Preparation	+	10,000
Brownfield/Work Plan Implementation	+	<u>6,000</u>
<b>TOTAL</b>	<b>\$</b>	<b><u>3,717,020</u></b>

In addition, the project is requesting \$436,534 in TIF from EGLE to assist with environmental eligible activities.

**PROJECT BACKGROUND**

The project will include new construction and rehabilitation of existing structures on two parcels of property. 7891 East Jefferson will include the demolition of an existing parking structure and new construction of a mixed-use building containing a three-story, 65,056 square foot parking structure with 3,062 square feet of first floor commercial space and 36 residential units occupying approximately 27,252 square feet over four floors. 7903 East Jefferson involves the rehabilitation of an existing building to support approximately 11,701 square feet of commercial space including a restaurant on three-stories. 7919 East Jefferson will be rehabilitated to support 1,536 square feet of commercial space that will include a café. 576 Van Dyke will be a rehabilitation and contain 6 residential units occupying approximately 5,942 square feet. 578 Van Dyke will be rehabilitated and contain approximately 542 square feet of commercial space. The entire development will contain approximately 16,841 square feet of commercial space, 33,194 square feet of residential space, and 65,056 square feet of private parking.

There are several factors contributing to the necessity for MSF assistance in order to help make this project a success. In addition to environmental challenges on the site, there has been 20 years of vacancy resulting in structural damage to all of the existing buildings. In order to replace critical commercial parking, the parking garage requires demolition and the new construction of a parking structure to support the development. Reduced rental rates at 50%, 80%, 100%, and 120% Area Median Income (AMI) reduces the revenue available to service traditional debt. Also, the high costs of renovations that are anticipated in order to meet the Secretary of the Interior’s standards at two of the buildings necessitate further support further exasperating rising construction costs in the City of Detroit.

**APPLICANT HISTORY**

Jefferson Van Dyke 2 LLC is led by Michael W. Higgins who has 40 years’ experience with property development and management. He has managed several large, mixed-use projects in downtown Detroit, including the completed Broderick Tower in 2012 which received Brownfield Tax Increment Financing and a Brownfield Michigan Business Tax Credit and was an adaptive reuse 35-story, 200,000 square foot building. In addition, Mr. Higgins also was part of the Elliott Building redevelopment, which was an adaptive reuse of an abandoned seven-story 45,000 square foot building. MEDC has completed the background check in accordance with the MSF policy, and the project may proceed for MSF consideration.

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

**RECOMMENDATION**

MEDC staff recommends approval of the following (the “Recommendation”):

- a) Local and state tax capture for the Act 381 eligible activities totaling \$3,717,020. Utilizing the current state to local capture ratio, the amount of state tax capture for this project is capped at \$1,616,532.
- b) A MCRP performance-based loan in the amount of up to \$3,300,000 for Jefferson Van Dyke 2, LLC on terms and conditions outlined in Exhibit A found in the resolution.

## APPENDIX A – Project Map and Renderings







## APPENDIX B – Programmatic Requirements

### MCRP Program and Guidelines

On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program (MCRP) and on July 23, 2019, the MSF Board approved its restated program guidelines. The primary intended objective of the MCRP is to provide incentives to persons that make eligible investments on eligible property in Michigan. It is the role of the MEDC staff to review for eligibility, completeness, and adherence to the program, the information provided by the applicant and to manage the MSF's investment. As required under the MCRP, all statutory criteria for the project have been considered when making the recommendations in this memo. The project meets the MCRP Guidelines and a financial review has been completed.

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

**A. The importance of the project to the community in which it is located:**

The investment will create community benefits of affordable housing and new commercial space while rehabilitating existing structures within a local historic district. The project will reactivate a significant amount of underutilized space and add both residential and commercial density to a prominent commercial corner.

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

The project will create a mixed-use, highly visible development along a major corridor in the city of Detroit. The development leverages the new complete street and underground infrastructure improvements along Jefferson Avenue. The project will activate a long vacant set of properties and the new parking structure will serve the neighborhood and support additional development.

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

The City of Detroit is participating in the local portion of the Brownfield Tax Increment financing estimated value of \$2,100,488 and the OPRA tax abatement valued at \$833,123.

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

The MCRP Award and Brownfield TIF reimbursements will be used to help offset the high cost of integrated parking, as well as the already high costs of construction in southeast Michigan. Additionally, the MCRP funding will aide in the City of Detroit's goal of creating mix-income housing in the City. A financing gap exists despite exhausting financing from multiple community development financial institutions, including a \$2,500,000 Affordable Housing Leverage Funds (AHLF) Loan. Additionally, the development team has secured \$12,000,000 in senior financing from Capital Impact Partners (CIP), and the ownership team is contributing approximately \$2,800,000 in equity to the project. The remaining gap would be filled by the proposed \$3,300,000 MCRP Award. It anticipated that the MCRP Award would allow the development team to achieve a return of under 5% from operations.

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

The development includes the reuse and rehabilitation of four vacant buildings where two of the buildings are considered historic and will be seeking Federal Historic Tax Credits.

**F. Creation of jobs:**

The developer anticipates the creation of 39 full-time equivalent jobs with an average hourly wage of \$14.50.

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

The development is being financed through both public and private sources including \$14,500,000 or 65% through three Community Development Financial Institutions. The development team is also contributing over 19% or \$4,200,000 through in deferred fees and equity to the project.

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

Upon achieving stabilized occupancy, it is anticipated that the project will be able to achieve an average debt service coverage ratio of greater than 1.25 to 1.00 (excludes payments on AHLF loan, cash flow dependent).

Staff reviewed an appraisal prepared by BBG. Following review of the rent comp study, staff believes that the proposed residential rental rates at an average of \$1.79/sf is acceptable along with commercial rental rates primarily between \$24/sf and \$17/sf. It is anticipated that the residential units should lease quickly to the affordable targeting and the lack of new housing available in the area. Occupancy in the residential and commercial comps are around 5% for both. The project has been underwritten with a 5% residential vacancy and a 10% commercial vacancy by staff.

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

This project increases the residential and commercial density of the area with 42 residential units and approximately 16,841 square feet of commercial space that will serve thousands of customers annually. The project also includes a 150-space parking structure which is critical to the area's continued growth.

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

The project does promote both mixed-use development and walkable communities. The five distinct structures have a variety of uses from residential to commercial, including a mix of affordability. Several of the buildings will have street level activation with first floor commercial and the new mixed-use parking structure will include traditional storefront and public plaza.

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

The project does not convert an abandoned public building to private use.

**L. Whether the project promotes sustainable development:**

The project will feature a combination of green roof and blue roof technology to improve natural planting cover, but will also act as a water management strategy allowing the development team to forgo expensive underground storage and instead use more passive tunnels and roof decks to hold water. The plaza and green spaces will be planted using native and hardy plants. The buildings will be designed for high energy efficiency and to Enterprise Green Communities standards.

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

The project area is in a local historic district, and two of the structures are anticipated to be rehabilitated to meet the Secretary of Interior's Standards for Historic Preservation.

**N. Whether the project addresses area-wide redevelopment:**

The development is part of the City of Detroit's strategic development plans for the Villages neighborhood and will reactivate a critical intersection for two main streets.

**O. Whether the project addresses underserved markets of commerce:**

The project is in a qualified census tract which has very little existing commercial activity and has resulted in high demand for retail.

**P. The level and extent of environmental contamination:**

The property had former uses as a dry cleaners, automotive repair, greasing operations, and other industrial uses. There is evidence of four underground storage tanks on site and concentrations of contaminants that exceed required standards. Underground storage tanks will be removed, soils will be excavated and removed as required, and vapor barriers will be installed with active ventilation under all residential and commercial areas.

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

This project is not qualifying as a historic resource. However, the eligible property falls within a local historic district and meets the requirements of the local historic district commission. Two of the five structures are anticipated to be rehabilitated in a fashion that meets the federal Secretary of the Interior's Standards for Historic Rehabilitation.

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

The project will not compete with or affect any existing Michigan businesses within the same industry.

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

There are no other criteria regarding this project.

**Brownfield Act 381 Program Additional Project Information:**

**A. Reuse of functionally obsolete buildings and/or redevelopment of blighted property:**  
The project is not qualifying as functionally obsolete or blighted.

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

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2020-004**

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM  
PERFORMANCE BASED DIRECT LOAN AWARD TO  
JEFFERSON VAN DYKE 2 LLC  
(JEFFERSON VAN DYKE 2 LLC PROJECT)**

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

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

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

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

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

**WHEREAS**, Jefferson Van Dyke 2 LLC (“Company”) has requested an MCRP Performance Based Direct Loan Award of up to the lesser of 20% of “Eligible Investment” or \$3,300,000, along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (collectively “Award Request”);

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

**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 or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate the above approved MCRP Award Recommendation.

Ayes: Britany L. Affolter-Caine, Ronald W. Beebe, Susan Corbin (on behalf of Director Donofrio, designation attached), Paul Gentilozzi, September Hargrove, Michael B. Kapp (on behalf of Director Ajegba, designation attached), Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Jeff Mason, Charles P. Rothstein, Cindy Warner

Nays: None

Recused: None

Lansing, Michigan  
January 22, 2020

## **“EXHIBIT A”**

### **MSF AWARD TERMS**

<b>MSF Award Amount:</b>	Lesser of 20% of “Eligible Investment” or \$3,300,000
<b>Borrower:</b>	Jefferson Van Dyke 2 LLC
<b>Total Capital Investment:</b>	Currently estimated at \$22,033,151
<b>MSF Eligible Investment:</b>	Currently estimated at \$17,533,640
<b>Minimum Eligible Investment:</b>	Currently estimated at \$16,500,000
<b>Deferred Developer Fees:</b>	The developer fees of \$1,400,000 will be deferred until such time that the Project is producing cash flow in excess of that required for priority debt and other operating obligations.
<b>Funding:</b>	The MSF will fund up to \$3,300,000 to be disbursed at closing of the financing and completion of other performance criteria.
<b>Other Conditions:</b>	The MSF’s investment will be contingent upon the following: <ul style="list-style-type: none"><li>- A copy of an executed Guaranteed Maximum Price (GMP) construction contract between the Applicant and its contractor.</li><li>- Copies of final construction documents.</li><li>- Final development budget.</li><li>- Minimum owner equity investment of \$2,800,000</li><li>- Other documents may be required for review.</li></ul>
<b>MSF Loan #1:</b>	
MSF Loan Amount:	\$1,800,000
Interest Rate:	1.00% per annum
MSF Fee(s):	Equal to 1.00% of the loan amount
Term:	Anticipated to be 144 months
Amortization:	Anticipated to be 360 months
Repayment Terms:	Monthly interest only for up to 24 months, followed by monthly principal and interest payments with principal due at maturity.
Collateral:	Anticipated to be a security interest in the real estate and TIF reimbursements, and assignment of leases and rents. Priority of security position to be determined by MSF Fund Manager, anticipated to be a 2 <sup>nd</sup> or 3 <sup>rd</sup> priority interest.
Guarantee(s):	To match that of the senior lender, anticipated to be the full and unconditional joint and several construction completion and payment and performance guarantees from Michael W. Higgins, the Michael W. Higgins Living Trust, and any other individual or entity with greater than 20% ownership of the borrowing entity. Priority of interest to be determined by MSF Fund Manager, anticipated to be a 2 <sup>nd</sup> or 3 <sup>rd</sup> priority interest.

**MSF Loan #2:**

MSF Loan Amount: Up to \$1,500,000

Interest Rate: 1.00% per annum

MSF Fee(s): Equal to 1.00% of the loan amount

Term: Anticipated to be 144 months

Repayment Terms: Monthly interest only payment for 144 months, remaining principal due at maturity.

Collateral: Anticipated to be a security interest in the real estate and TIF reimbursements, and assignment of leases and rents. Priority of security position to be determined by MSF Fund Manager, anticipated to be a 2<sup>nd</sup> or 3<sup>rd</sup> priority interest.

Guarantee(s): To match that of the senior lender, anticipated to be the full and unconditional joint and several construction completion and payment and performance guarantees from Michael W. Higgins, the Michael W. Higgins Living Trust, and any other individual or entity with greater than 20% ownership of the borrowing entity. Priority of interest to be determined by MSF Fund Manager, anticipated to be a 2<sup>nd</sup> or 3<sup>rd</sup> priority interest.



GRETCHEN WHITMER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF LABOR AND ECONOMIC OPPORTUNITY  
LANSING

JEFF DONOFRIO  
DIRECTOR

November 13, 2019

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

Re: Michigan Strategic Fund Board Meeting Designee

Dear Ms. Bishop:

Pursuant to MCLA 16.51, I hereby confirm my designation of Susan Corbin as the person authorized and empowered to act in my stead as a member of the Michigan Strategic Fund Board for scheduled meetings I am unable to attend.

If you need anything additional, please contact Monica Chrzaszcz at (517) 897-6108.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Donofrio".

Jeff Donofrio  
Director

Cc: Susan Corbin



STATE OF MICHIGAN  
DEPARTMENT OF TRANSPORTATION  
LANSING

GRETCHEN WHITMER  
GOVERNOR

PAUL C. AJEGBA  
DIRECTOR

August 12, 2019

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

Re: Michigan Strategic Fund Board Meeting Designee

Dear Ms. Bishop:

I hereby confirm and ratify my designation of Michael B. Kapp, Administrator, Michigan Department of Transportation, as the person authorized and empowered to act in my stead for Michigan Strategic Fund meetings that I am unable to attend.

Sincerely,

A handwritten signature in blue ink that reads "Paul C. Ajegba".

Paul C. Ajegba, P.E.  
Director

cc: M. Kapp  
Executive file



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

January 16, 2020

Ms. Rhonda Bishop  
Board Relations Liaison  
Michigan Strategic Fund Office  
300 N. Washington Square  
Lansing, MI 48913

Re: Michigan Strategic Fund Board Meeting Designee for Treasurer Eubanks

Dear Ms. Bishop:

I hereby designate Andrew Lockwood to attend all Michigan Strategic Fund meetings that I am unable to attend in 2020.

If you need anything additional, please contact Kara Kabia at (517) 241-2624.

Sincerely,

A handwritten signature in blue ink that reads "Rachael Eubanks".

Rachael Eubanks  
State Treasurer

Cc: Eric Bussis  
Andrew Lockwood

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2020-005**

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN  
CITY OF DETROIT BROWNFIELD REDEVELOPMENT AUTHORITY  
JEFFERSON VAN DYKE 2 LLC PROJECT**

**WHEREAS**, the Michigan Economic Growth Authority (“MEGA”) has been established by 1995 PA 24, as amended (the “Act”);

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

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

**WHEREAS**, captured school operating tax revenues may be used under 1996 PA 381 as amended, for infrastructure improvements that directly benefit eligible property, for lead, asbestos, or mold abatement, and for 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 7891 and 7903 East Jefferson Avenue within the City of Detroit, known as the Jefferson Van Dyke 2 LLC Project (the “Project”);

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

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

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

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as 43.49% to 56.51% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of demolition and infrastructure improvements as presented in the Work Plan dated December 17, 2019. Any change in millage that increases the capture percentage of school taxes in the ratio above 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 costs of MSF eligible activities with a maximum of \$3,701,020 for the principal activity costs of non-environmental activities and a contingency,

a maximum of \$10,000 for Brownfield/Work Plan preparation, and a maximum of \$6,000 for Brownfield/Work Plan implementation, and with the total capture of state school taxes capped at a maximum of \$1,616,532.

**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.

**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: Britany L. Affolter-Caine, Ronald W. Beebe, Susan Corbin (on behalf of Director Donofrio, designation attached), Paul Gentilozzi, September Hargrove, Michael B. Kapp (on behalf of Director Ajegba, designation attached), Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Jeff Mason, Charles P. Rothstein, Cindy Warner

Nays: None

Recused: None

Lansing, Michigan  
January 22, 2020



GRETCHEN WHITMER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF LABOR AND ECONOMIC OPPORTUNITY  
LANSING

JEFF DONOFRIO  
DIRECTOR

November 13, 2019

Ms. Rhonda Bishop  
Board Relations Liaison  
Michigan Strategic Fund  
300 N. Washington Square  
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Sincerely,

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Jeff Donofrio  
Director

Cc: Susan Corbin



STATE OF MICHIGAN  
DEPARTMENT OF TRANSPORTATION  
LANSING

GRETCHEN WHITMER  
GOVERNOR

PAUL C. AJEGBA  
DIRECTOR

August 12, 2019

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

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Paul C. Ajegba, P.E.  
Director

cc: M. Kapp  
Executive file



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
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RACHAEL EUBANKS  
STATE TREASURER

January 16, 2020

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Board Relations Liaison  
Michigan Strategic Fund Office  
300 N. Washington Square  
Lansing, MI 48913

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If you need anything additional, please contact Kara Kabia at (517) 241-2624.

Sincerely,

A handwritten signature in blue ink that reads "Rachael Eubanks".

Rachael Eubanks  
State Treasurer

Cc: Eric Bussis  
Andrew Lockwood

**MEMORANDUM**

**Date:** January 22, 2020

**To:** Michigan Strategic Fund Board

**From:** Brittney Hoszkiw, Senior Community Assistance Team Specialist  
Emanuel Odom, Program & Investment Specialist  
Jake Winder, Brownfield & MCRP Program Specialist

**Subject:** Request for Approval Michigan Community Revitalization Program (MCRP)  
Loan and a Request for Approval of an Act 381 Work Plan  
The Osi Apartments at West End

**REQUEST**

3820 West End, LLC (“Applicant”) is requesting a MCRP performance-based loan in the amount of \$1,200,000 and the City of Detroit Brownfield Redevelopment Authority is requesting approval of a Brownfield Act 381 Work Plan including state tax capture in the amount of \$194,362 to reimburse for MSF eligible activities. The request will support a community development project that will build a new four-story, mixed-use development along the Grand River corridor in the Woodbridge neighborhood of Detroit. The project is consistent with Michigan Economic Development Corporation’s five-year strategic plan by positioning affordable housing options within Detroit’s employment center near local and regional mass transit options. The project also meets local objectives identified in a recent development plan commissioned by Midtown Detroit Inc. and financed in part by MEDC, that encouraged rehabilitation of the site and arts-based programming. A financing gap exists despite the development team exhausting all financing sources from mission-based lenders and contributing over the 10% minimum required equity contribution. As a project deemed to be viable over the long term, the OSI will be the first new construction to include housing on Grand River Ave. in over 40 years. The lower rents that can be realized along this emerging corridor and lack of access to traditional financing are driving the need for MCRP support. The Applicant anticipates that the project will result in a total capital investment in the amount of \$6,641,562.

**FINANCING OPPORTUNITY - LOAN**

The Applicant is requesting a \$1,200,000 MCRP award in the form of a Performance-Based Direct Loan. Below outlines a summary of the development sources and the proposed structure of the loan. The project dips below our standard 1.2:1.0 debt service coverage ratio (“DSCR”) in years 2 through 12 and below 1:1 DSCR in years 13 to 19, once the tax abatement ends. However, MSF, LISC, and Invest Detroit are social lenders with the ability to provide flexibility should this project require financial restructuring to remain viable. It is also the development team’s intention to refinance the senior debt at stabilization, allowing for more reasonable terms. To achieve positive cashflow, the MCRP loan will have an initial interest only period of 48 months. With the financing structure described below, it is anticipated that the investors will be able to achieve a 2.2% return.

## LOAN TERMS

<b>MSF Facility:</b>	MCRP Performance-Based Direct Loan
<b>Borrower:</b>	3820 West End LLC
<b>Total Capital Investment:</b>	Currently estimated at \$6,641,562
<b>MSF Eligible Investment:</b>	Currently estimated at \$5,130,628
<b>Minimum Eligible Investment:</b>	Currently estimated at \$4,105,000
<b>Loan Amount:</b>	Up to the lesser of 25% of “Eligible Investment” or \$1,200,000.
<b>Term:</b>	Up to 48 Months
<b>Amortization:</b>	Up to 300 Months
<b>Interest Rate:</b>	1.00%
<b>Repayment Terms:</b>	Monthly interest only payments for up to 48 months, with principal due at maturity. At maturity, an evaluation will be conducted to determine the financial health of the project. Repayment at maturity will occur up to the point where the projected DSCR is 1.2 to 1 on all debt. Potentially, any portion of the MCRP incentive that would reduce the DSCR below that threshold could be forgiven. The DSCR analysis would be performed using a 1% interest rate and 20-year amortization period on the MCRP loan.
<b>Collateral:</b>	Anticipated to be secured by a third-priority security interest and lien upon the real estate located at 3820 Grand River Avenue, Detroit, Michigan 48208, TIF Reimbursements, and assignment of leases and rents.
<b>Guarantee:</b>	To reasonably match that of the Lender, currently anticipated to be Corporate Payment Guaranty by URGE Development Group LLC and N’Namdi Holdings. Personal Payment Guarantees by Roderick Hardamon and George N’Namdi. All guarantees will be joint and several.
<b>MSF Fees:</b>	The MSF shall be paid a one-time fee equal to 1% of the CRP incentive.
<b>Reserves/Contingencies:</b>	Interest, Lease-up and Operating and Replacement reserves currently anticipated to be approximately \$520,000. Contingencies of approximately \$412,000.

- Developer Fees:** The development team chose to forgo developer fees.
- Funding:** The MSF will fund up to \$1,200,000 following construction completion and achievement of other performance criteria.
- Other Conditions:** The MSF’s investment will be contingent upon the following:
- a. Executed Construction Documents (includes “Guaranteed Maximum Price” construction contract) that includes all hard costs in the pro forma.
  - b. Final Development Budget.

**SUMMARY OF DEVELOPMENT SOURCES:**

LISC Loan	\$	4,250,000	63.99%
Invest Detroit Loan	\$	400,000	6.02%
MCRP Loan	\$	1,200,000	18.07%
Developer Equity	\$	791,562	11.92%
<b>TOTAL</b>	<b>\$</b>	<b>6,641,562</b>	<b>100.00%</b>

**SUMMARY OF DEVELOPMENT USES:**

Acquisition	\$	250,000
Hard Construction Costs	\$	5,024,500
Eligible Soft Costs	\$	420,000
Other	\$	947,062
<b>TOTAL</b>	<b>\$</b>	<b>6,641,562</b>

**LOCAL SUPPORT**

Local support for the project includes the local portion of the Brownfield Tax Increment Financing with an estimated value of \$32,405. The project also anticipates the approval of a Public Act 210 Commercial Rehabilitation Act tax abatement with an estimated value of \$840,000. City of Detroit is engaged with the MEDC’s Redevelopment Ready Communities (RRC) program. The project is located in a Michigan Geographically Disadvantaged Business Location.

**TAX CAPTURE SUMMARY**

In order to alleviate brownfield conditions and prepare the site for redevelopment, the City of Detroit, a Qualified Local Governmental Unit, has duly approved a brownfield plan for this property on November 5, 2019. The property has been determined to be a facility as verified by the Michigan Department of Environment, Great Lakes, and Energy (EGLE) on November 27, 2019.

There are 65.3227 non-homestead mills available for capture, with State mills from school operating and SET millages equaling 24.0000 mills (36.74%) and local millage equaling 41.3227 mills (63.26%). Tax increment capture will begin in 2020 and is estimated to continue for 13 years. The state tax capture is recommended to be capped at \$194,362, which is the amount of tax increment revenue anticipated to be generated in 13 years. Total MSF eligible activities are estimated at \$226,767. Due to a PA 210

Commercial Rehabilitation Act tax abatement, the blended ratio for the MSF eligible activities breaks down as follows:

State tax capture	(85.71%)	\$	194,362
Local tax capture	(14.29%)	\$	32,405
<b>TOTAL</b>		\$	<b>226,767</b>

**COST OF MSF ELIGIBLE ACTIVITIES**

Demolition		\$	60,000
Infrastructure Improvements			100,000
Site Preparation		+	30,884
Sub-Total		\$	190,884
Contingency (15%)		+	28,633
Sub-Total		\$	219,517
Brownfield/Work Plan Preparation		+	7,250
<b>TOTAL</b>		\$	<b>226,767</b>

In addition, the project is requesting \$140,655 in TIF from EGLE to assist with environmental eligible activities.

**PROJECT BACKGROUND**

The West End Gallery District, as identified by a community development plan commissioned by Midtown Detroit Inc. in 2016, envisioned as a local and regional destination that celebrates arts and culture and is home to creative entrepreneurs. The first project will be an infill, mixed-use development located at the .36-acre vacant site of 3820 Grand River in the Woodbridge neighborhood. In total, the project is 26,114 square feet with 16,297 square feet dedicated to 30 studio, one-bedroom, and two-bedroom units and 4,976 for first floor retail space.

The development team has exhausted all other financing sources through senior debt contributed by LISC, a community development financial institution, and is making an equity contribution of approximately 12%. As emerging developers, they have chosen to forgo 100% of their developer fee to enhance the success of the project. Information provided in the appraisal for this project indicates that this project will demonstrate the market in this area of the city and will eventually outperform the current rent roll which was developed without adequate comparable projects in the area.

**APPLICANT HISTORY**

3820 West End, LLC, is a Detroit-based real estate development company established in 2018. The team is comprised of the development firms URGE Development Group led by Roderick Hardamon, LLC and N’Namdi Holdings led by George N’Namdi. Roderick’s background is in banking and he returned to Detroit to do ethical development in Detroit neighborhoods. George N’Namdi is founder of N’Namdi Center for Contemporary Art in Midtown. Neither have received previous incentives from the Michigan Strategic Fund (MSF). MEDC has completed the background check in accordance with the MSF policy, and the project may proceed for MSF consideration.

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

**RECOMMENDATION**

MEDC staff recommends approval of the following (the “Recommendation”):

- a) Local and state tax capture for the Act 381 eligible activities totaling \$226,767. Utilizing the current state to local capture ratio, the amount of state tax capture for this project is capped at \$194,362.
- b) A MCRP performance-based loan in the amount of up to \$1,200,000 for 3820 West End, LLC on terms and conditions outlined in Exhibit A found in the resolution.

**APPENDIX A – Project Map and Renderings**



## APPENDIX B – Programmatic Requirements

### MCRP Program and Guidelines

On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program (MCRP) and on July 23, 2019, the MSF Board approved its restated program guidelines. The primary intended objective of the MCRP is to provide incentives to persons that make eligible investments on eligible property in Michigan. It is the role of the MEDC staff to review for eligibility, completeness, and adherence to the program, the information provided by the applicant and to manage the MSF's investment. As required under the MCRP, all statutory criteria for the project have been considered when making the recommendations in this memo. The project meets the MCRP Guidelines and a financial review has been completed.

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

**A. The importance of the project to the community in which it is located:**

This project will enhance the walkability of the Grand River corridor. New residents and commercial traffic will bear witness to new, attractive, high demand housing options.

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

The project hopes to build on the momentum along the Grand River Corridor and the Woodbridge, North Corktown, and Core City neighborhoods. The West End Gallery District is envisioned as a local and regional destination that celebrates arts and culture and is home to creative entrepreneurs and emerging businesses, development opportunities, and cultural activities. The West End will showcase a moderate density mixed-use area where galleries, retail, restaurants, bars and creative businesses coexist with nearby residential neighborhoods through the utilization of creativity as a driver for sustainable and equitable development.

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

The City of Detroit is supporting the project through the local portion of the Brownfield Tax Increment Financing and anticipates the approval of a PA 210 Commercial Rehabilitation Act tax abatement. The estimated value of the local tax abatement is \$840,000.

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

The MCRP Award and Brownfield TIF reimbursements will be used to address the financial gap for this project caused by the high costs of construction in southeast Michigan and the impact of lower rental rates in a submarket in which new construction had been almost nonexistent for several years. The financial gap is also the result of the projects inability to access traditional financing due to its location leading to a higher cost of capital financing from the Local Initiatives Support Corporation and Invest Detroit. The ownership team is contributing \$791,562, approximately 12% of the total development cost. It is anticipated that the MCRP Award would allow the development team to achieve a return of 2.2%.

The MCRP funding will aid in the City of Detroit goal of creating more mix-income housing in the City. Without a Michigan Community Revitalization Program award, this project is simply not financially feasible.

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

The project does not reuse a vacant or historic building.

**F. Creation of jobs:**

The development team anticipates the creation of approximately 2 jobs with an average hourly wage estimated to be \$15.

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

The project is being financed at 64% of total project costs by LISC and an additional 6% in sub debt from local community development financial institution, Invest Detroit. The development team is bringing 12% cash equity and seeking to fill the remaining gap with MCRP.

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

Upon achieving stabilized occupancy, it is anticipated that the project will be able to achieve an average debt service coverage ratio of greater than 1.1 to 1.0.

Staff reviewed an appraisal prepared by BBG. Following review of the rent comp study, staff believes that the proposed residential rental rates at an average of \$2.24/sf is acceptable along with commercial rental rates \$19.25/sf. It is anticipated that the residential units should lease at an acceptable rate due to affordable targeting and the lack of new housing available in the area. The project has been underwritten with a 7% residential vacancy and a 10% commercial vacancy by staff.

The appraisal returned an "As-Complete and Stabilized" valuation of \$5,400,000. In addition to the valuation, the appraisal included a rent comp study that displayed a residential occupancy level of nearly 95% and rent levels above the proposed project for comparable projects. The proposed rental rates are priced near the 80% AMI rental rates. Given the location of the market in the midst of revitalization, the rates are deemed to be reasonable with potential upside. Rental rates for retail space for this project have been assessed to be achievable and lower than comparable rates in the local market. The project is expected to generate a 2.2% developer return.

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

The Osi will bring both new residential and commercial traffic to Grand River with the emphasis on enhancing the walkability of the Grand River corridor with a short commute to the City center and surrounding communities.

- J. Whether the project promotes mixed-use development and walkable communities:**  
The Osi is a mixed-use development that encompasses 4,976 square feet of retail and commercial plaza that activates the Grand River Avenue block between Avery and Commonwealth streets.
- K. Whether the project converts abandoned public buildings to private use:**  
The project does not convert an abandoned public building into private use.
- L. Whether the project promotes sustainable development:**  
It is expected that the project will qualify for a third-party green building certification. The project will meet HUD's FHA requirement for green building discount and/or LEED. Sustainable features include Energy Star program, stormwater runoff control and surface stormwater management, water metering and efficient plumbing layout, water conserving fixtures and advanced water conservation, air filtering, and sustainable materials.
- M. Whether the project involves the rehabilitation of a historic resource:**  
The project does not involve the rehabilitation of a historic resource.
- N. Whether the project addresses area-wide redevelopment:**  
The project is the first for the West End Gallery District, a destination for art galleries in Greater Corktown. The West End plans to showcase moderate mixed-use density where arts-based businesses coexist with nearby residential neighborhood through creativity as a driver for sustainable and equitable development.
- O. Whether the project addresses underserved markets of commerce:**  
The project is located in an underserved market of commerce.
- P. The level and extent of environmental contamination:**  
Based on the Phase II, the contaminated soil from the rear portion of the site will be excavated, disposed and backfilled. The results of the Phase II ESA indicated the presence of trichloroethene, selenium, chromium and arsenic.
- Q. If the rehabilitation of the historic resource will meet the federal Secretary of the Interior's standards for rehabilitation and guidelines for rehabilitating historic buildings (36 CFR 67):**  
The project does not involve the rehabilitation of a historic resource.
- R. Whether the project will compete with or affect existing Michigan businesses within the same industry:**  
The project will not compete with an existing Michigan business.
- S. Any other additional criteria approved by the board that are specific to each individual project and are consistent with the findings and intent of this chapter:**  
There are no other additional criteria specific to this project.

**Brownfield Act 381 Program Additional Project Information:**

**A. Reuse of functionally obsolete buildings and/or redevelopment of blighted property:**  
The project does not qualify as functionally obsolete or blighted.

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

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2020-006**

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM  
PERFORMANCE BASED DIRECT LOAN AWARD TO  
3820 WEST END LLC  
(THE OSI APARTMENTS AT WEST END)**

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

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

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

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

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

**WHEREAS**, 3820 West End LLC (“Company”) has requested a MCRP Performance Based Direct Loan Award of up to the lesser of up to \$1,200,000 (“Award Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

**WHEREAS**, the MEDC has recommended that the MSF approve the 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 240 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 120 days (“MCRP Award Recommendation”); and

**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 or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate the above approved MCRP Award Recommendation.

Ayes: Britany L. Affolter-Caine, Ronald W. Beebe, Susan Corbin (on behalf of Director Donofrio, designation attached), Paul Gentilozzi, Michael B. Kapp (on behalf of Director Ajegba, designation attached), Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Jeff Mason, Charles P. Rothstein, Cindy Warner

Nays: None

Recused: September Hargrove

Lansing, Michigan  
January 22, 2020

## **“EXHIBIT A”**

### **LOAN TERMS**

<b>MSF Facility:</b>	MCRP Performance-Based Direct Loan
<b>Borrower:</b>	3820 West End LLC
<b>Total Capital Investment:</b>	Currently estimated at \$6,641,562
<b>MSF Eligible Investment:</b>	Currently estimated at \$5,130,628
<b>Minimum Eligible Investment:</b>	Currently estimated at \$4,105,000
<b>Loan Amount:</b>	Up to the lesser of 25% of “Eligible Investment” or \$1,200,000.
<b>Term:</b>	Up to 48 Months
<b>Amortization:</b>	Up to 300 Months
<b>Interest Rate:</b>	1.00%
<b>Repayment Terms:</b>	Monthly interest only payments for up to 48 months, with principal due at maturity. At maturity, an evaluation will be conducted to determine the financial health of the project. Repayment at maturity will occur up to the point where the projected DSCR is 1.2 to 1 on all debt. Potentially, any portion of the MCRP incentive that would reduce the DSCR below that threshold could be forgiven. The DSCR analysis would be performed using a 1% interest rate and 20-year amortization period on the MCRP loan.
<b>Collateral:</b>	Anticipated to be secured by a third-priority security interest and lien upon the real estate located at 3820 Grand River Avenue, Detroit, Michigan 48208, TIF Reimbursements, and assignment of leases and rents.
<b>Guarantee:</b>	To reasonably match that of the Lender, currently anticipated to be Corporate Payment Guaranty by URGE Development Group LLC and N’Namdi Holdings. Personal Payment Guarantees by Roderick Hardamon and George N’Namdi. All guarantees will be joint and several.
<b>MSF Fees:</b>	The MSF shall be paid a one-time fee equal to 1% of the CRP incentive.
<b>Reserves/Contingencies:</b>	Interest, Lease-up and Operating and Replacement reserves currently anticipated to be approximately \$520,000. Contingencies of approximately \$412,000.
<b>Developer Fees:</b>	The development team chose to forgo developer fees.
<b>Funding:</b>	The MSF will fund up to \$1,200,000 following construction completion and achievement of other performance criteria.
<b>Other Conditions:</b>	The MSF’s investment will be contingent upon the following: <ol style="list-style-type: none"><li>a. Executed Construction Documents (includes “Guaranteed Maximum Price” construction contract) that includes all hard costs in the pro forma.</li><li>b. Final Development Budget.</li></ol>



GRETCHEN WHITMER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF LABOR AND ECONOMIC OPPORTUNITY  
LANSING

JEFF DONOFRIO  
DIRECTOR

November 13, 2019

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

Re: Michigan Strategic Fund Board Meeting Designee

Dear Ms. Bishop:

Pursuant to MCLA 16.51, I hereby confirm my designation of Susan Corbin as the person authorized and empowered to act in my stead as a member of the Michigan Strategic Fund Board for scheduled meetings I am unable to attend.

If you need anything additional, please contact Monica Chrzaszcz at (517) 897-6108.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Donofrio".

Jeff Donofrio  
Director

Cc: Susan Corbin



STATE OF MICHIGAN  
DEPARTMENT OF TRANSPORTATION  
LANSING

GRETCHEN WHITMER  
GOVERNOR

PAUL C. AJEGBA  
DIRECTOR

August 12, 2019

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

Re: Michigan Strategic Fund Board Meeting Designee

Dear Ms. Bishop:

I hereby confirm and ratify my designation of Michael B. Kapp, Administrator, Michigan Department of Transportation, as the person authorized and empowered to act in my stead for Michigan Strategic Fund meetings that I am unable to attend.

Sincerely,

A handwritten signature in blue ink that reads "Paul C. Ajegba".

Paul C. Ajegba, P.E.  
Director

cc: M. Kapp  
Executive file



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

January 16, 2020

Ms. Rhonda Bishop  
Board Relations Liaison  
Michigan Strategic Fund Office  
300 N. Washington Square  
Lansing, MI 48913

Re: Michigan Strategic Fund Board Meeting Designee for Treasurer Eubanks

Dear Ms. Bishop:

I hereby designate Andrew Lockwood to attend all Michigan Strategic Fund meetings that I am unable to attend in 2020.

If you need anything additional, please contact Kara Kabia at (517) 241-2624.

Sincerely,

A handwritten signature in blue ink that reads "Rachael Eubanks".

Rachael Eubanks  
State Treasurer

Cc: Eric Bussis  
Andrew Lockwood

January 22, 2020

Ms. Rhonda Bishop  
Board Relations Liaison  
Michigan Strategic FUnd  
300 N. Washington Square  
Lansing, MI 48913

Re: The Osi Apartments at West End & Mosaic Eastern Market Redevelopment Project

Dear Ms. Bishop

This letter is to advise that I am recusing myself from deliberations and voting on The Osi Apartments at West End and Mosaic Eastern Market Redevelopment Project during the Michigan Strategic Fund board meeting on Wednesday, January 22, 2020.

The reason for the recusal is that I may have a potential conflict of interest with respect to the parties involved in the agenda item.

Regards,



September Hargrove

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2020-007**

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN  
CITY OF DETROIT BROWNFIELD REDEVELOPMENT AUTHORITY  
THE OSI ART APARTMENTS @ WEST END**

**WHEREAS**, the Michigan Economic Growth Authority (“MEGA”) has been established by 1995 PA 24, as amended (the “Act”);

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

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

**WHEREAS**, captured school operating tax revenues may be used under 1996 PA 381 as amended, for infrastructure improvements that directly benefit eligible property, for lead, asbestos, or mold abatement, and for 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 3820 Grand River Avenue within the City of Detroit, known as The Osi Art Apartments @ West End (the “Project”);

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

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

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

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as 85.71% to 14.29% 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 Work Plan dated December 10, 2019. Any change in millage that increases the capture percentage of school taxes in the ratio above 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 costs of MSF eligible activities with a maximum of \$219,517 for the principal activity costs of non-environmental activities and a contingency, and a maximum of \$7,250 for Brownfield/Work Plan preparation, and with the total capture of state school taxes capped at a maximum of \$194,362.

**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 Detroit, 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.

**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: Britany L. Affolter-Caine, Ronald W. Beebe, Susan Corbin (on behalf of Director Donofrio, designation attached), Paul Gentilozzi, Michael B. Kapp (on behalf of Director Ajegba, designation attached), Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Jeff Mason, Charles P. Rothstein, Cindy Warner

Nays: None

Recused: September Hargrove

Lansing, Michigan  
January 22, 2020



GRETCHEN WHITMER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF LABOR AND ECONOMIC OPPORTUNITY  
LANSING

JEFF DONOFRIO  
DIRECTOR

November 13, 2019

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

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Jeff Donofrio  
Director

Cc: Susan Corbin



STATE OF MICHIGAN  
DEPARTMENT OF TRANSPORTATION  
LANSING

GRETCHEN WHITMER  
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PAUL C. AJEGBA  
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August 12, 2019

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Paul C. Ajegba, P.E.  
Director

cc: M. Kapp  
Executive file



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
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GRETCHEN WHITMER  
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RACHAEL EUBANKS  
STATE TREASURER

January 16, 2020

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300 N. Washington Square  
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Rachael Eubanks  
State Treasurer

Cc: Eric Bussis  
Andrew Lockwood

January 22, 2020

Ms. Rhonda Bishop  
Board Relations Liaison  
Michigan Strategic FUnd  
300 N. Washington Square  
Lansing, MI 48913

Re: The Osi Apartments at West End & Mosaic Eastern Market Redevelopment Project

Dear Ms. Bishop

This letter is to advise that I am recusing myself from deliberations and voting on The Osi Apartments at West End and Mosaic Eastern Market Redevelopment Project during the Michigan Strategic Fund board meeting on Wednesday, January 22, 2020.

The reason for the recusal is that I may have a potential conflict of interest with respect to the parties involved in the agenda item.

Regards,



September Hargrove

**MEMORANDUM**

**Date:** January 22, 2020

**To:** Michigan Strategic Fund Board

**From:** Brittney Hoszkiw, Senior Community Assistance Team Specialist  
Lisa Edmonds, MCRP and Brownfield Program Specialist

**Subject:** Request for Approval of an Act 381 Work Plan  
Mosaic Eastern Market Redevelopment Project

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**REQUEST**

The City of Detroit Brownfield Redevelopment Authority is requesting approval of a Brownfield Act 381 Work Plan including state tax capture in the amount of \$2,272,342 to reimburse for MSF eligible activities. The request will support a community development project that will rehabilitate an existing structure in Detroit's Eastern Market into a mixed-use food hub. The project is consistent with the MEDC Strategic Plan by transforming underutilized properties into vibrant areas. The project aligns with Community Development goals by supporting a development that aligns with local economic development plans while maintaining the industrial building type and scale appropriate to the district. A financing gap exists due to the high rate of construction costs in Southeast Michigan and the poor condition of the building, which requires significant investment. The development team anticipates that the project will result in a total capital investment in the amount of \$24,128,542.

**LOCAL SUPPORT**

Local support for the project includes the local portion of the Brownfield Tax Increment Finance valued at \$1,467,615. There are also local-only brownfield activities in the amount of \$2,319,980 to complete due care and predevelopment activities on the site along with interest. The project is also anticipating approval of a 12-year Obsolete Property Rehabilitation Act abatement valued at approximately \$5.2 million. The City of Detroit is engaged with the MEDC's Redevelopment Ready Communities (RRC) program. The project is located in a Michigan Geographically Disadvantaged Business Location.

**TAX CAPTURE SUMMARY**

In order to alleviate brownfield conditions and prepare the site for redevelopment, the City of Detroit, a Qualified Local Governmental Unit, has duly approved a brownfield plan for this property on November 5, 2019. The property has been determined to be a facility as verified by the Michigan Department of Environment, Great Lakes, and Energy (EGLE) on January 2, 2020.

There are 65.3227 non-homestead mills available for capture, with State mills from school operating and SET millages equaling 24.0000 mills (36.74%) and local millage equaling 41.3227 mills (63.26%). An Obsolete Property Rehabilitation Act Tax Exemption (OPRA) tax abatement on the property for the first

12 years is anticipated, which results in a blended ratio of 60.76% to 39.24%, state to local respectively. Tax increment capture will begin in 2021 and is estimated to continue for 19 years. Total MSF eligible activities are estimated at \$3,739,957 and breaks down as follows:

State tax capture	(60.76%)	\$	2,272,342
Local tax capture	(39.24%)	\$	<u>1,467,615</u>
<b>TOTAL</b>		<b>\$</b>	<b><u>3,739,957</u></b>

**COST OF MSF ELIGIBLE ACTIVITIES**

Demolition		\$	1,189,581
Lead, Asbestos, or Mold Abatement			265,000
Infrastructure Improvements			1,027,000
Site Preparation		+	<u>263,424</u>
Sub-Total		\$	2,745,005
Contingency (15%)		+	<u>411,751</u>
Sub-Total		\$	3,156,756
Interest (5%)		+	<u>555,701</u>
Sub-Total		\$	3,712,457
Brownfield/Work Plan Preparation		+	15,000
Brownfield/Work Plan Implementation		+	<u>12,500</u>
<b>TOTAL</b>		<b>\$</b>	<b><u>3,739,957</u></b>

**PROJECT BACKGROUND**

The Mosaic Eastern market project is an adaptive commercial mixed-use redevelopment of a 111,855 square foot building. The development will include Eastern Market Corporation’s 14,080 square foot accelerator for food entrepreneurs, along with a mix of food-based businesses (64,118 square feet of flexible commercial/office space, 16,680 square feet of restaurant space, and 16,977 square feet of common area and event space. A small 2,000 square foot ancillary building will be demolished for a 370-space surface parking lot. The development will be an example of green energy with the anticipated installation of an approximately 3,355-panel, 1,107-kilowatt solar array on the roof.

The developer is leveraging both traditional and non-traditional financing with significant equity contribution and returns under 11%. The City of Detroit is providing support through local tax increment portion and anticipated support of a local tax abatement, as well as offering a reduced acquisition price. Because the project aligns with Eastern Market Corporation’s 2020 plan for the district, the City is also supporting the project by paying a portion of the rent upfront to help finance the project.

**APPLICANT HISTORY**

Riopelle Market Development LP is the project developer and owner of the property. Riopelle Market Development LP was awarded the opportunity to develop the property through a City of Detroit Request for Proposals Process. The LP is led by Brian Holdwick and Malik Brown, both of whom have substantial economic development experience. Holdwick is part of 600 Ventures II, LLC which received MCRP and Brownfield TIF in 2019 to support of The Ashton project, which is currently under

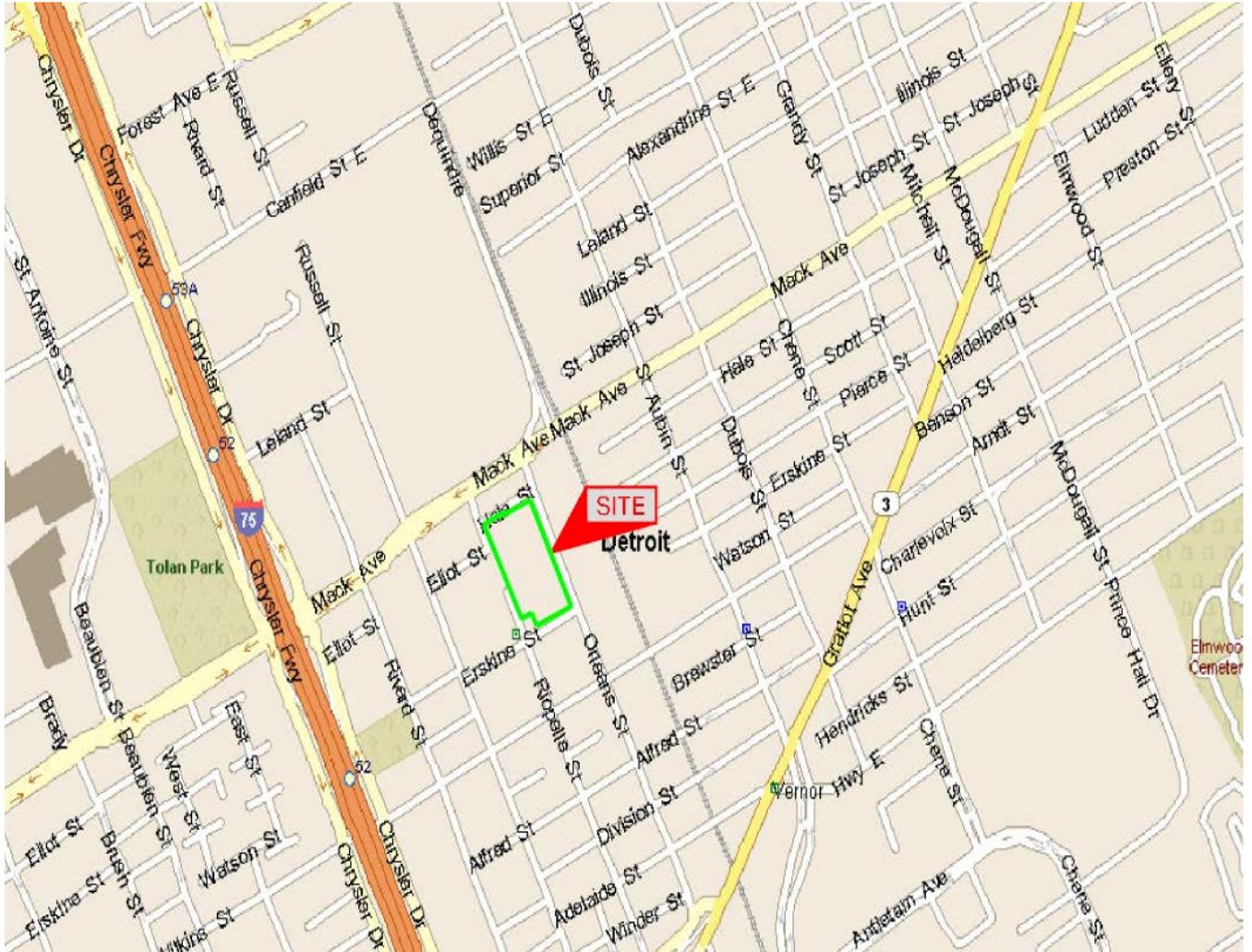
construction. MEDC has completed the background check in accordance with the MSF policy, and the project may proceed for MSF consideration.

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

**RECOMMENDATION**

The MEDC staff recommends approval (the “Recommendation”) of local and state tax capture for the Act 381 eligible activities totaling \$3,739,957. Utilizing the current state to local capture ratio, the amount of state tax capture for this project is capped at \$2,272,342.

**APPENDIX A – Project Map and Renderings**





## APPENDIX B – Programmatic Requirements

### **Key Statutory Criteria**

Per section 15 of Act 381, the Michigan Strategic Fund shall consider the following criteria to the extent reasonably applicable to the type of activities proposed as part of that work plan when approving or denying a work plan:

- a) **Overall Benefit to the Public:**  
The redevelopment integrates design elements, environmental cleanup, and economic development to further the goals of the City of Detroit. It will result in community and municipal benefits of increased property taxes, due care activities that will address the contamination of the property, reducing the threat to human health, and a substantial improvement to the appearance and aesthetics of the property which will assist in increasing the property values of the neighboring community.
- b) **Jobs Created (Excluding Construction and other Indirect Jobs):**  
This project is expected to create approximately 300 permanent full-time jobs with an average hourly wage of \$15 per hour in the food and retail sectors and commercial/office space.
- c) **Area of High Unemployment:**  
The City of Detroit unadjusted jobless rate was 7.8% in October 2019.
- d) **Level and Extent of Contamination Alleviated:**  
The subject property contains one parcel and is defined as a facility since contaminants were detected that exceed EGLE Residential Clean Up Criteria. These contaminants include arsenic, lead, mercury, and zinc found in both the ground and groundwater.
- e) **Reuse of Functionally Obsolete Buildings and/or Redevelopment of Blighted Property:**  
The project is not qualifying as functionally obsolete or blighted.
- f) **Whether Project will Create a New Brownfield Property in the State:**  
No new Brownfields will be created by this project.
- g) **Whether the Project is Financially and Economically Sound:**  
From the materials received, the MEDC infers that the project is financially and economically sound.
- h) **Other Factors Considered:**  
No additional factors need to be considered for this project.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2020-008**

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN  
CITY OF DETROIT BROWNFIELD REDEVELOPMENT AUTHORITY  
MOSAIC EASTERN MARKET REDEVELOPMENT**

**WHEREAS**, the Michigan Economic Growth Authority (“MEGA”) has been established by 1995 PA 24, as amended (the “Act”);

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

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

**WHEREAS**, captured school operating tax revenues may be used under 1996 PA 381 as amended, for infrastructure improvements that directly benefit eligible property, for lead, asbestos, or mold abatement, and for 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 3500 Riopelle Street within the City of Detroit, known as Mosaic Eastern Market Redevelopment (the “Project”);

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

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

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

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as 60.76% to 39.24% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, asbestos abatement and infrastructure improvements as presented in the Work Plan dated January 8, 2020. Any change in millage that increases the capture percentage of school taxes in the ratio above 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 costs of MSF

eligible activities with a maximum of \$3,156,756 for the principal activity costs of non-environmental activities and a contingency, a maximum of \$555,701 in interest, a maximum of \$15,000 for Brownfield/Work Plan preparation, and a maximum of \$12,500 for Brownfield/Work Plan implementation, and with the total capture of state school taxes capped at a maximum of \$2,272,342.

**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.

**BE IT FURTHER RESOLVED**, that they MSF Board is authorizing that capture of taxes levied for school operating purposes for the payment of interest, up to a maximum of \$555,701 related to the eligible activities for the Project.

Ayes: Britany L. Affolter-Caine, Ronald W. Beebe, Susan Corbin (on behalf of Director Donofrio, designation attached), Paul Gentilozzi, Michael B. Kapp (on behalf of Director Ajegba, designation attached), Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Jeff Mason, Charles P. Rothstein, Cindy Warner

Nays: None

Recused: September Hargrove

Lansing, Michigan  
January 22, 2020



GRETCHEN WHITMER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF LABOR AND ECONOMIC OPPORTUNITY  
LANSING

JEFF DONOFRIO  
DIRECTOR

November 13, 2019

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

Re: Michigan Strategic Fund Board Meeting Designee

Dear Ms. Bishop:

Pursuant to MCLA 16.51, I hereby confirm my designation of Susan Corbin as the person authorized and empowered to act in my stead as a member of the Michigan Strategic Fund Board for scheduled meetings I am unable to attend.

If you need anything additional, please contact Monica Chrzaszcz at (517) 897-6108.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Donofrio".

Jeff Donofrio  
Director

Cc: Susan Corbin



STATE OF MICHIGAN  
DEPARTMENT OF TRANSPORTATION  
LANSING

GRETCHEN WHITMER  
GOVERNOR

PAUL C. AJEGBA  
DIRECTOR

August 12, 2019

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

Re: Michigan Strategic Fund Board Meeting Designee

Dear Ms. Bishop:

I hereby confirm and ratify my designation of Michael B. Kapp, Administrator, Michigan Department of Transportation, as the person authorized and empowered to act in my stead for Michigan Strategic Fund meetings that I am unable to attend.

Sincerely,

A handwritten signature in blue ink that reads "Paul C. Ajegba".

Paul C. Ajegba, P.E.  
Director

cc: M. Kapp  
Executive file



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

January 16, 2020

Ms. Rhonda Bishop  
Board Relations Liaison  
Michigan Strategic Fund Office  
300 N. Washington Square  
Lansing, MI 48913

Re: Michigan Strategic Fund Board Meeting Designee for Treasurer Eubanks

Dear Ms. Bishop:

I hereby designate Andrew Lockwood to attend all Michigan Strategic Fund meetings that I am unable to attend in 2020.

If you need anything additional, please contact Kara Kabia at (517) 241-2624.

Sincerely,

A handwritten signature in blue ink that reads "Rachael Eubanks".

Rachael Eubanks  
State Treasurer

Cc: Eric Bussis  
Andrew Lockwood

January 22, 2020

Ms. Rhonda Bishop  
Board Relations Liaison  
Michigan Strategic FUnd  
300 N. Washington Square  
Lansing, MI 48913

Re: The Osi Apartments at West End & Mosaic Eastern Market Redevelopment Project

Dear Ms. Bishop

This letter is to advise that I am recusing myself from deliberations and voting on The Osi Apartments at West End and Mosaic Eastern Market Redevelopment Project during the Michigan Strategic Fund board meeting on Wednesday, January 22, 2020.

The reason for the recusal is that I may have a potential conflict of interest with respect to the parties involved in the agenda item.

Regards,



September Hargrove

## MEMORANDUM

**Date:** January 22, 2020

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

**From:** Julius L. Edwards, Manager, Underwriting and Incentive Structuring

**Subject:** Request for Approval of an Amendment to a Michigan Community Revitalization Program Performance-Based Other Economic Assistance Award, Lofts on Alabama, LLC

### Request

Lofts on Alabama, LLC (“Company”) and MEDC staff are requesting approval of an amendment to the Michigan Community Revitalization Program Other Economic Assistance – Loan Participation Agreement (“Agreement”) and any related ancillary agreements. The Company and MEDC staff are requesting to dissolve the existing Agreement with Macatawa Bank and replace it with an MCRP Performance-Based Direct Loan Agreement. The request will not require the MSF to advance any additional monies, nor will it increase the amortization period of the MCRP loan. However, the collateral will change from a shared first lien position, with the MSF portion subordinate to the senior lender, to an anticipated second lien position behind the new senior financing facility which will be a Fannie Mae product. As part of the amendment request the MCRP loan will be paid down approximately \$798,000 to \$2,000,000 and re-amortized based on the new loan balance over the remaining amortization length of the original loan.

### Background

The Michigan Strategic Fund Board approved a \$3,000,000 Other Economic Assistance-Loan Participation on June 8, 2015 to the Company for the purpose of selective interior and exterior site demolition of an existing structure, improvements and rehabilitation of an existing obsolete building and construction of a new 65,000 square foot, three-story building on an adjacent site to the west. The project resulted in 100 market rate residential units and subgrade parking ramp.

An amendment to the project was approved on April 25, 2017 to extend the Draw Expiration Date from March 21, 2017 to May 21, 2017 to allow for the full disbursement of the construction proceeds. The amendment resulted in an expected start of principal and interest repayments to the Lender and to the MSF as of June 1, 2017. The reason for the request was that the final draw request was not received by the Lender until May 24, 2017. Further, the Lender was unable to process the final draw by the end of May because the General Contractor had not yet submitted a few final waivers.

A consent was approved on June 28, 2017 to allow the Lender to process the final draw request past the May 21, 2017 Draw Expiration Date and execute other adjustments that would make it as if the draw had been processed on time.

An amendment to the project was approved on November 27, 2018 to amend the Lender’s loan covenants to create a Senior Lender Debt Service Coverage of 1.25, reduce the total DSC threshold for MSF repayments to 1.05 for the life of the loan, and correct an error in the definition of the Debt Service Coverage Ratio.

An amendment was approved on September 11, 2019 by the MSF Fund Manager to add clarifying language to provide for the accrual of interest on the MSF Share of the financing during any period of repayment reduction or suspension on the loan.

The current request is to replace the MSF’s Other Economic Assistance Loan Participation award with a Performance-Based Direct Loan. As part of the change in financing the MSF will require an approximately \$798,000 pay down on the MSF financing down to \$2,000,000 and re-amortize the loan based on \$2,000,000 over the original amortization schedule.

The owners are working with Berkadia to refinance the existing senior debt from Macatawa Bank into a Fannie Mae debt product. As part of the refinancing package, the project will be able to obtain an anticipated \$15,291,000 in lower cost capital (estimated at a 3.85% interest rate), obtain extended amortizing debt (30 years), and lock in financing for a period of 10 years. Additionally, the proposed new financing would include an interest only period of 24 months. The proceeds from the refinancing will be used to pay off the existing debt with Macatawa Bank and allow for a pay down on the MSF debt of approximately \$798,000 in principal plus an estimated \$60,000 in accrued interest, and a return of capital of approximately \$1,200,000 back to the owners while decreasing the debt service requirements by over \$400,000/yr. Following the refinancing, it anticipated that the overall debt service coverage for the property will be over 1.20 to 1.00. Without the proposed refinancing cash flow would be tight with a debt service coverage ratio of just over 1.00 to 1.00.

Lease up at the property was slower than anticipated and rental rates came in lower, but as of October 25, 2019, the development was 100% leased with an average rental rate of approximately \$1.82/sf. The project is also current on all reporting and payments are current. Lofts on Alabama, LLC is managed by Michael R. VanGessel, CEO of Rockford Construction.

Below is the structure of the original Other Economic Assistance Loan Participation Award with the proposed changes to the business terms detailed with ~~strike through~~ and **BOLD CAPITALIZED** fonts:

**LOAN FACILITY**

<b>MSF Facility</b>	<b>MCRP PERFORMANCE-BASED DIRECT LOAN</b> <del>Participation and Servicing Agreement Under “other economic assistance”</del>
<b>Borrower:</b>	Lofts on <del>Michigan</del> <b>Alabama</b> , LLC

**Lender:** ~~Macatawa Bank~~

**Total Loan Amount:** ~~Currently estimated at \$11,150,000~~

**Lender Share:** ~~Currently estimated at \$16,700,000~~

**MSF Share:** ~~Up to \$3,000,000 (\$500,000 was forgiven at construction completion)~~

**LOAN AMOUNT:** **UP TO \$2,000,000**

**Term:** ~~To match that of the Lender, not to exceed 84 months, with an interest only period of up to 30 months.~~ **TO MATCH THAT OF THE SENIOR LENDER, NOT TO EXCEED 120 MONTHS.**

**Amortization:** ~~To match that of the Lender, not to exceed 288 months with an interest only period of up to 30 months.~~ **UP TO 240 MONTHS**

**Interest Rate:** ~~On the MSF share anticipated to be 2.50% per annum~~

**Repayment Terms:** ~~On the MSF Share up to 30 months of monthly interest only payments followed by monthly principal and interest payments.~~

**Collateral:** ~~To match that of the Lender, currently anticipated being a mortgage lien on the property, and assignments of leases/rents and Tax Increment Financing. MSF Share of LIEN INTEREST IN THE collateral will be subordinated to that of the THIRD-PARTY SENIOR Lender.~~

**Guarantee:** ~~To match that of the Lender, currently anticipated being the unsecured limited guarantees of the owners of Lofts on Alabama, LLC members during construction converting to limited proportional guarantees thereafter. The MSF Share of guarantee(s) will be subordinated to the Lender.~~ **GUARANTEES ACCEPTABLE TO THE MSF FUND MANAGER.**

**FEES:** **THE MSF SHALL BE PAID A ONE-TIME FEE EQUAL TO 0.50% OF THE MSF'S LOAN. THE BORROWER WILL BE RESPONSIBLE FOR ANY THIRD-PARTY FEES INCURRED BY THE MEDC/MSF IN CLOSING THE LOAN.**

**Recommendation**

The MEDC staff recommends approval to rescind the existing MCRP Other Economic Assistance Loan Participation and replace it with a new \$2,000,000 MCRP Direct Loan.

## ORIGINAL APPROVAL MEMO



### MEMORANDUM

**Date:** June 8, 2015

**To:** Michigan Strategic Fund Board

**From:** Deborah Stuart, Director, Community Incentive Programs  
Julius L. Edwards, Capital Access  
Dan Wells, Senior Brownfield Program Specialist  
Ryan Kilpatrick, Community Assistance Team Specialist

**Subject:** Lofts on Alabama, LLC and Macatawa Bank – City of Grand Rapids  
Request for Approval of an Act 381 Work Plan and Michigan Community  
Revitalization Program Other Economic Assistance - Loan Participation

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#### Request

Lofts on Alabama, LLC (“Applicant” or “Borrower”) and Macatawa Bank (“Lender”) are requesting approval of a Michigan Community Revitalization Program award in the amount of \$3,000,000 in the form of a Loan Participation under Other Economic Assistance. The Applicant anticipates that the project will result in eligible investment of \$13,587,200 and total capital investment in the amount of \$20,000,000 in the City of Grand Rapids and the creation of two jobs.

The Project involves selective interior and exterior site demolition of an existing structure, improvements and rehabilitation of the existing obsolete building and construction of a new three-story building on the adjacent site to the west. The project is located in an area of the downtown where very little investment has occurred in the last few years relative to the central business district and neighborhoods to the east. The neighborhood business district has several vacant and blighted buildings. The development team has been able to secure senior financing from Macatawa Bank in the amount of \$13,700,000, which is equal to approximately 75% of the appraised value of the building upon completion and the value associated the TIF reimbursements and tax abatement. Additionally, the development team has raised \$3,000,000 (15% of the total development cost) in equity and is deferring another \$300,000 in fees to be contributed to the

project. The remaining gap would be filled with a \$3,000,000 MCRP Other Economic Assistance Award. The award would be in the form of a “Loan Participation” bearing interest of three percent.

The City of Grand Rapids Brownfield Redevelopment Authority has submitted an Act 381 Work Plan (hereinafter Work Plan) request for the approval of local and school tax capture for eligible activities in the amount of \$2,825,200. Eligible activities that will be undertaken to alleviate Brownfield conditions on the property and complete the project include demolition, asbestos abatement, site preparation, infrastructure improvements, construction of a subgrade parking and contingency funds.

### **Background**

The proposed project is being developed by 616 Development, a boutique urban development firm based in Grand Rapids, Michigan. The two key principals of the organization are Derrick Coppess and Matt O’Connor. 616 Development is an active developer in Grand Rapids and has completed redevelopment of several buildings, including the upper floors of the Flanagan’s building and both buildings located at 1&7 Ionia Avenue under the name of Ionia Ventures, LLC. They recently completed the rehabilitations of the Kendall Building on Monroe Center, and a former church on Prospect Avenue, as well as the current redevelopments on Michigan Street, and 820 Monroe to house Lofts on Michigan and Lofts on 820 respectively. All 616 residential properties in Grand Rapids are managed by the company’s community management arm, 616 Lofts.

Although the Applicant has not previously received a MSF award, 616 Development has an ownership interest in several projects that have received awards. The MSF has provided awards for the following projects: Lofts on Monroe, LLC (\$475,000 CRP grant in 2012), Ionia Ventures, LLC (\$361,500 grant in 2012), Lofts on 820, LLC (\$3,100,000 in CRP loan participation in 2014), and the Lofts on Michigan, LLC (\$2,450,000 CRP loan participation, and \$1,663,847 state school tax capture under Brownfield TIF in 2014).

### **Project Description**

The Applicant plans to redevelop the existing commercial building at 420 Alabama Avenue and construct a new building to replace the surface parking lot at the adjacent property at 421 Alabama Avenue, 448 First Street NW and 458 First Street NW. 420 Alabama Avenue currently features the original three-story building constructed in 1910 with a later addition which is in poor condition.

The Project will consist of the rehabilitation of the original existing three-story building which will provide a renovated structure consisting of approximately 35,900 square feet of space, and demolition of the later addition. A 24,400 square foot addition will be added at the north end of the building to make a total of approximately 61 market rate studio, one and two bedroom residential units. Approximately 58 surface parking spaces will be added behind the renovated and new buildings. Across the street at 421 Alabama, a new three-story, approximately 41,000 square foot residential building that includes an approximately 14,500 square foot subgrade parking ramp will contain approximately 39 market rate studio, one and two bedroom residential units and approximately 36 surface parking spaces. The Project will also include infrastructure improvements, including curbs, sidewalks, storm water retention, and landscaping within the public right-of-ways along the adjoining streets.

- a) The project is located within the boundaries of the City of Grand Rapids, which is a Qualified Local Governmental Unit, and both 420 and 421 Alabama Avenue have been deemed a facility as verified by the Michigan Department of Environmental Quality (MDEQ). 448 and 458 First Street NW both qualify as adjacent and contiguous. The property is the subject of a Brownfield Plan, duly approved by the City of Grand Rapids on November 18, 2014.
- b) The project is located downtown and qualifies for a MCRP award because it is a facility.

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

**FINANCING OPPORTUNITY – MCRP LOAN PARTICIPATION**

The project is seeking Michigan Strategic Fund (MSF) participation in coordination with Macatawa Bank as the senior lender. The Lender, along with the Borrower, has requested the MSF participate in up to \$3,000,000 in a \$16,700,000 construction to permanent loan facility. The MSF would participate in all payments in proportion to its share of the loan, but would allow the collateral to apply first to the Lender’s share in an event of liquidation. It is anticipated that disbursements to the project on the loan will be made on a pro-rata basis. Below outlines a summary of the development sources and the proposed structure of the loan participation.

**SUMMARY OF DEVELOPMENT SOURCES:**

Macatawa Share	\$	13,700,000	68.5%
MCRP Share	\$	3,000,000	15.0%
Developer Equity	\$	3,000,000	15.0%
Deferred Fees	\$	300,000	1.5%
<b>TOTAL</b>	<b>\$</b>	<b>20,000,000</b>	<b>100.0%</b>

**LOAN FACILITY**

- MSF Facility** MCRP Loan Participation and Servicing Agreement Under “Other Economic Assistance”
- Borrower:** Lofts on Alabama, LLC
- Lender:** Macatawa Bank
- Total Loan Amount:** Currently estimated at \$16,700,000
- Lender Share:** Currently estimated at \$13,700,000, not to exceed 75% of Appraised Value
- MSF Share:** Up to \$3,000,000

- Term:** To match that of the Lender, not to exceed 84 months with an interest only period of up to 30 months.
- Amortization:** To match that of the Lender, not to exceed 288 months following the interest only period.
- Interest Rate:** On the MSF share anticipated to be 2.50% per annum
- Repayment Terms:** On the MSF share up to 30 months of monthly interest only payments followed by monthly principal and interest payments.
- Collateral:** To match that of the Lender, currently anticipated being a mortgage lien on the property and assignment of leases and rents, and assignment of TIF reimbursements. MSF share of collateral will be subordinated to that of the Lender.
- Guarantee:** To match that of the Lender, currently anticipated to be the limited pro-rate unsecured personal guarantees of the members of Lofts on [Michigan Alabama](#), LLC. The MSF Share of guarantee(s) will be subordinated to the Lender
- Fee:** The MSF shall be paid a one-time fee equal to one percent of the MSF's share of the loan. The Lender may charge the borrower for this fee.
- Funding:** The MSF will fund up to \$3,000,000 to be disbursed following closing of the Loan and other performance criteria.
- Other Conditions:** The MSF's investment will be contingent upon a minimum owner equity contribution being made to the project equal to \$3,000,000.
- MSF Delegation:** It is requested the Board delegate to the MSF Fund Manager, in consultation with legal counsel and other MSF and MEDC staff the final terms for the payment and amortization schedule, collateral, interest rate on the lenders share, and guarantees.

**Recommendation**

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

## APPENDIX A

### MCRP PROGRAM AND ITS GUIDELINES

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

### SOURCE OF INFORMATION

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

As required under the program, the following statutory criteria shall be considered by the MSF, as the Michigan Economic Development Corporation (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 City of Grand Rapids has established a goal of adding at least 2,500 residential units to the downtown by 2020.

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

The west side of downtown, where the proposed Lofts on Alabama would be located, offers significant opportunity for the utilization of former industrial facilities and underutilized properties to accommodate additional residential density. This would be the second medium density residential project on the west side since the Living at 600 Douglas Project (supported by MSF via \$432,340 of Brownfield TIF), where market rate apartments have been fully occupied since they were constructed in 2014.

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

The City of Grand Rapids will contribute an estimated \$1,214,675 in local brownfield tax increment and a ten year Obsolete Property Tax Abatement estimated to be valued at \$658,697.

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

The development team has been able to secure senior financing from Macatawa Bank in the amount of \$13,700,000, which is equal to approximately 75% of the appraised value of the building upon completion and the value associated the TIF reimbursements and tax abatement. The loan-to-value ratio is line with traditional lending limits. Additionally, the development team has raised

\$3,000,000 (15% of the total development cost) in equity and is deferring another \$300,000 in fees to be contributed to the project, which would equate to a 16.5% investment into the project. The remaining gap would be filled with a \$3,000,000 MCRP Other Economic Assistance Award. The MCRP award would allow the development team to earn an acceptable rate of return on the project.

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

The Project involves the reuse of the existing main building located at 420 Alabama that was originally constructed in 1910. The property is not located in a historic district and is not individually listed.

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

The project is anticipated to create at least two full-time jobs with average hourly rates of \$21.00.

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

The developer has secured a commitment from Macatawa bank for senior financing in the amount of \$13,700,000. The developer has also committed \$3,000,000 in private equity to the project.

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

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

Following a review of other projects in the surrounding area and market data contained within an appraisal performed by CBRE and dated Feb. 3, 2015, MEDC staff has determined that the underwritten rental and vacancy rates are acceptable. Additionally, given the strong rental market in the Downtown Grand Rapids area (less 1% physical vacancy), staff feels comfortable there is enough demand to absorb the project.

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

The project will add 100 market rate residential units to a district of the downtown which currently has very few multifamily residential buildings and is adjacent to a walkable commercial corridor.

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

The project has been designed in accordance with the City of Grand Rapids form-based code and will provide pedestrian improvements to the adjacent public right-of-ways, as well as support the Laker Line Bus Rapid Transit route.

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

The existing building is not publicly owned.

**L. Whether the project promotes sustainable development:**

The project involves the reuse of an existing building, promotes a walkable environment and will incorporate energy efficient features in the new construction.

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

The building planned for rehabilitation is not designated as a historic resource.

**N. Whether the project addresses area-wide redevelopment:**

The project is expected to catalyze additional development in the neighborhood and will provide significant residential density to support neighborhood business.

**O. Whether the project addresses underserved markets of commerce:**

The project does not address an underserved market of commerce.

**P. The level and extent of environmental contamination:**

The property contains concentrations of Arsenic, Chromium (total), Copper, Selenium, Zinc, Fluoranthene, and Phenanthrene exceeding applicable MDEQ Part 201 Residential Groundwater Surface Water Interface Protection Criteria (GSIPC); concentrations of Arsenic, Chromium (total) and Zinc exceeding applicable MDEQ Part 201 Residential Drinking Water Protection Criteria (DWPC); and concentrations of Arsenic and Benzo(a)pyrene exceeding applicable MDEQ Part 201 Residential Direct Contact Criteria (DCC).

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

The building planned for rehabilitation is not considered a historic resource.

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

There are very few residential apartments in the immediately surrounding neighborhood, and demand for rental housing is high now and for the foreseeable future, based on market studies conducted for the downtown area.

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

No additional factors need to be considered for this project.

**ADDITIONAL STATUTORY CRITERIA UNDER ACT 381:**

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

The original building that lies at 420 Alabama will be converted into residential lofts, while a later addition to the main building will be demolished due to its poor structural condition. A new residential building will be built across the street filling in a poorly maintained surface parking lot.

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

Demolition of the old addition to the existing building, performing lead and asbestos abatement, excavating for subgrade parking to allow for high density use of the site and site preparation costs total about \$2.8 million dollars. These costs would make redevelopment of the site unfeasible compared to a greenfield site, and reimbursement will insure that the investment is made in a high quality infill project in the core downtown of Grand Rapids.

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

No new Brownfields will be created by this project.

**d) Other Factors Considered**

No additional factors need to be considered for this project.

**Act 381 TIF:** There are 46.4324 non-homestead mills available for capture, with school millage equaling 24 mills (51.69%) and local millage equaling 22.4324 mills (48.31%). Tax increment capture will begin in 2016 and is estimated to continue for 20 years. An Obsolete Properties Rehabilitation Act abatement is approved for 420 Alabama, which reduces the SET on that property by half for six years and the local taxes by half for ten years. This alters the ratio between state and local taxes on the two properties to 57% to 43% over the 20 year reimbursement period. The requested tax capture for eligible activities breaks down as follows:

School tax capture (57%)	\$1,610,525
Local tax capture (43%)	<u>\$1,214,675</u>
<b>TOTAL</b>	<b>\$2,825,200</b>

**COST OF ELIGIBLE ACTIVITIES**

Demolition	\$ 236,200
Lead or Asbestos Abatement	290,200
Infrastructure Improvements	1,520,000
Site Preparation	<u>+ 467,400</u>
Sub-Total	\$2,513,800
Contingency (12%)	<u>+ 301,400</u>
Sub-Total	\$2,815,200
Brownfield/Work Plan Preparation	<u>+ 10,000</u>
<b>TOTAL</b>	<b>\$2,825,200</b>

## APPENDIX B



**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2020-**

**APPROVAL OF AN AMENDMENT TO A MICHIGAN COMMUNITY REVITALIZATION  
PROGRAM OTHER ECONOMIC ASSISTANCE AWARD FOR  
LOFTS ON ALABAMA, LLC  
(LOFTS ON ALABAMA PROJECT)**

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

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

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

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

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

**WHEREAS**, by Resolution 2015-164 on June 8, 2015 the MSF Board awarded a MCRP Other Economic Assistance Loan Participation Award to Lofts on Alabama, LLC, in furtherance of the Lofts on Alabama Project of up to \$3,000,000 (“Award”);

**WHEREAS**, by Resolution 2017-053 on April 25, 2017, the MSF Board approved an amendment request to extend the Draw Expiration Date by two months and reduce the permanent loan term by two months;

**WHEREAS**, on June 28, 2017, the MSF Fund Manager approved a consent request to allow the final draw to be processed after the Draw Expiration Date, provided Macatawa Bank (“Lender”) make adjustments to the Borrower’s account as if the draw had occurred on time;

**WHEREAS**, on November 27, 2018, the MSF Board approved an amendment request to amend the Lender’s loan covenants to create a Senior Debt Service Coverage (“DSC”) 1.25 to 1.00, reduce the total DSC threshold for MSF repayments to 1.05 to 1.00 for the life of the loan, and correct an error in the definition of Debt Service Coverage, with all other requirements remaining in place;

**WHEREAS**, on September 11, 2019, the MSF Fund Manager approved an amendment to add clarifying language to provide for the accrual of interest on the MSF Share during a repayment reduction or suspension period; and

*\*UPDATE\**

Paul Gentilozzi motioned to table the Lofts on Alabama agenda item on January 22, 2020. Ronald W. Beebe seconded the motion. The motion carried: 10 ayes; 0 nays; 0 recused.

**WHEREAS**, the MEDC recommends that the MSF approve an amendment to terminate the existing Agreement with Macatawa Bank and replace it with a new MCRP Performance Based Direct Loan in accordance with the Term Sheet and Guidelines, subject to: (i) final due diligence performed to the satisfaction of the MEDC; and (ii) execution of the Transaction Documents for the Award Request within 120 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 120 days (“MCRP Amendment Recommendation”).

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board approves the MCRP Amendment Recommendation; and

**BE IT FURTHER RESOLVED**, the MSF Board authorizes the MSF Fund Manager to negotiate the final terms and conditions and execute all final documents necessary to effectuate the MCRP Amendment Recommendation.

*\*UPDATE\**

Paul Gentilozzi motioned to table the Lofts on Alabama agenda item on January 22, 2020. Ronald W. Beebe seconded the motion. The motion carried: 10 ayes; 0 nays; 0 recused.

**“EXHIBIT A”**

**LOAN FACILITY**

**MSF Facility**                    ~~MCRP PERFORMANCE-BASED DIRECT LOAN Participation and Servicing Agreement Under “other economic assistance”~~

**Borrower:**                    Lofts on Michigan, LLC

**Lender:**                        Macatawa Bank

~~**Total Loan Amount:** Currently estimated at \$11,150,000~~

~~**Lender Share:**                Currently estimated at \$16,700,000~~

~~**MSF Share:**                    Up to \$3,000,000 (\$500,000 was forgiven at construction completion)~~

**LOAN AMOUNT: UP TO \$2,000,000**

**Term:**                         ~~To match that of the Lender, not to exceed 84 months, with an interest only period of up to 30 months.~~ **TO MATCH THAT OF THE SENIOR LENDER, NOT TO EXCEED 120 MONTHS.**

**Amortization:**               ~~To match that of the Lender, not to exceed 288 months with an interest only period of up to 30 months.~~ **UP TO 240 MONTHS-**

**Interest Rate:**               ~~On the MSF share anticipated to be 2.50% per annum~~

**Repayment Terms:**       ~~On the MSF Share up to 30 months of monthly interest only payments followed by monthly principal and interest payments.~~

**Collateral:**                   ~~To match that of the Lender, currently anticipated being a mortgage lien on the property, and assignments of leases/rents and Tax Increment Financing. MSF Share of LIEN INTERST IN THE collateral will be subordinated to that of the THIRD-PARTY SENIOR Lender.~~

**Guarantee:**                   ~~To match that of the Lender, currently anticipated being the unsecured limited guarantees of the owners of Lofts on Alabama, LLC members during construction converting to limited proportional guarantees thereafter. The MSF Share of guarantee(s) will be subordinated to the Lender.~~ **GUARANTEES ACCEPTABLE TO THE MSF FUND MANAGER.**

**FEES:**                         **THE MSF SHALL BE PAID A ONE-TIME FEE EQUAL TO 0.50% OF THE MSF’S LOAN. THE BORROWER WILL BE RESPONSIBLE FOR ANY**

*\*UPDATE\**

Paul Gentilozzi motioned to table the Lofts on Alabama agenda item on January 22, 2020. Ronald W. Beebe seconded the motion. The motion carried: 10 ayes; 0 nays; 0 recused.

**THIRD-PARTY FEES INCURRED BY THE MEDC/MSF IN CLOSING THE  
LOAN.**

*\*UPDATE\**

Paul Gentilozzi motioned to table the Lofts on Alabama agenda item on January 22, 2020. Ronald W. Beebe seconded the motion. The motion carried: 10 ayes; 0 nays; 0 recused.

## MEMORANDUM

**Date:** January 22, 2020  
**To:** Michigan Strategic Fund (“MSF”) Board Members  
**From:** Jibran Ahmed, Business Development Project Manager  
**Subject:** Dakkota Integrated Systems, LLC (“Company” or “Applicant”) Michigan Business Development Program (“MBDP”) Grant Request Next Michigan Renaissance Zone Program Request

### Request Summary

This is a request from the Applicant for a \$1,500,000 MBDP Grant, as outlined in the attached resolution (“MBDP Request”) and a request to approve the Company as a qualified eligible Next Michigan Business (“NMB”) within the boundaries of the City of Detroit Next Michigan Development Corporation Renaissance Zone for a period of fifteen years estimated to be worth \$3,470,202 (“NMDCRZ Request”). This project involves the creation of 400 Qualified New Jobs and a capital investment of up to \$45,000,000 in the City of Detroit, Wayne County.

### Program Background

The Michigan Renaissance Zone Act (Public Act 376 of 1996) gives the MSF Board the authority to designate renaissance zone benefits to eligible Next Michigan Businesses with qualifying projects intending to locate or expand within the boundaries of a Next Michigan development district. The role of the NMDC is to attract eligible businesses to its district by utilizing the authority of the MSF to grant state tax incentives, most notably renaissance zone benefits. The Company shall receive the exemptions, deductions, credits and other benefits of a renaissance zone described in MCL 125.2689. The Company will receive relief from real and personal property tax operating millage, among others.

### Company Background

The Company was founded in 2001 to supply assembly and sequencing services for the original equipment manufacturer (“OEM”) automotive market. Specific products include suspensions, instrument panels, overhead systems, center consoles, cooling modules, bumper & grills, and general sequencing. The Company has 13 operational locations, headquartered in Michigan with additional facilities in Ohio, Kentucky, Illinois, and Windsor Canada. Although the Company provides just-in-time products, its numerous current nearby facilities provide the flexibility to locate in the most optimal available locations. Various levels of technology are employed including automation, robotics, scanning and sophisticated data collection and analysis in order to provide a high level of repetitive quality and integrity of the Company’s products/services. This coupled with a strong team member system, and supported with technical professionals, has allowed the Company to continue to grow and support the livelihood of its more than 600 Michigan employees and more than 2,000 team members worldwide. Company founder Andra Rush was inducted into the Michigan Women’s Hall of Fame and Michigan Minority Business Hall of Fame.

The MEDC has completed civil and criminal background checks in accordance with the MSF Background Review Policy.

### Project Description

The Company plans to construct and operate a 300,000 square foot, 19-acre, manufacturing facility on a portion of the former Kettering High School and Rose Elementary School sites in the City of Detroit. The

manufacturing facility will supply suspension assemblies and instrument panel assemblies in support of FCA's production of the Jeep Grand Cherokee and Jeep Grand Wagoneer, as well as other future business via multimodal commerce including truck and rail.

The Kettering facility broke ground in late 2019 and will be erected by mid-summer 2020. The assembly plant will start production in December 2020.

The Company is committed to hiring qualified Detroiters and those who live in the neighborhoods and communities adjacent to the project site, regardless of age, and is committed to hiring returning citizens and others across a variety of labor intensities. The Company will utilize multiple tools to accomplish this goal, including leveraging relationships with Detroit at Work, Detroit Employment Solutions Corporation, and Detroit Economic Growth Corporation.

### **Demonstrated Need**

The Company faces substantial site challenges at the Detroit site. The Company must acquire the facility, conduct environmental clean-up including asbestos abatement, and perform demolition on portions of the site. In addition, major site prep and storm water challenges must be addressed before the Company can start construction of the facility. This includes termination and relocation of various underground utilities, such as multiple gas lines and elections lines. What is more, the Company will have to construct a brand-new facility at the Detroit site once the site challenges are overcome.

The Company's alternative to the Detroit facility is to conduct a substantial amount of the required assembly work at a subassembly facility at the Company's current facilities in Toledo, Ohio or Windsor, Ontario (Canada). This alternative would allow the Company to utilize existing space at these locations to facilitate subassembly, material storage, and container management; supported by an existing infrastructure of experienced personnel. The cost savings associated with this option is significant and difficult to overcome considering the investment required to not only prepare the site and construct the facility, but also train an entirely new workforce without the benefit of having experienced personnel onsite.

Incentive assistance is needed in order to help offset some of the costs of locating the project in Michigan when compared to the Ohio or Ontario sites that have sufficient space to house the project, as well as experienced staff to help with the onboarding process.

### **Considerations for Certification**

- a) The Company is a supply chain business providing a majority of its services to businesses engaged in the shipment of tangible personal property, including inventory, via multimodal commerce.
- b) The Company is opening a new location in Michigan and plans to create new jobs in Michigan.
- c) The Company has provided proof of financing for 100% of the project.
- d) The City of Detroit Brownfield Redevelopment Authority has authorized the sale of the 19-acre site to the Company and negotiated special provisions for an approved infrastructure improvement plan.
- e) The Company has committed to create a minimum of 400 jobs by December 31, 2021.
- f) Project has been evaluated to verify that but-for the requested incentives the project would not proceed at this location.
- g) Eligible business demonstrated commitment to a community engagement process and presented proposed site design and hiring commitments.
- h) Site located within an area identified as having the greatest potential for growth in manufacturing and transportation, distribution, and logistics.

- i) Project provides a net benefit to the City of Detroit and State of Michigan.

### **Request**

The proposed project will further expand the Company's footprint in Michigan and create jobs in the City of Detroit. The project site is in a Geographically Disadvantaged Area, which is where the company has committed to creating jobs. The Company is committed to long-term investment in the community by hiring and training employees in the surrounding neighborhoods. The Company has a tuition reimbursement program to help its employee's growth to diversify into other industries. The Company also pays for formal training to progress employee's careers within the company.

The Company has committed to being stewards of the community by taking this blighted site that has been vacant for many years and transforming it into a site with significant economic impact for the community and for the City of Detroit. Through community outreach and partnership with the City of Detroit, the Company has gained community support for this project.

There has been a great deal of collaboration between organizations to help secure this project in Michigan. The Michigan Department of Transportation has committed \$832,939 in grant funding to help address relocation of sidewalks, traffic light installation, and other transportation needs. The City of Detroit has matched \$268,018 of these dollars in order to secure this grant funding. The City of Detroit also approved support for a Next Michigan Development Corporation Renaissance Zone on November 26<sup>th</sup>, 2019. In addition to this support, the City of Detroit is providing \$2,161,159 of the total Renaissance Zone value, an Industrial Property Tax Abatement and street/utility vacations. The Detroit Employment Solutions Corporation is supporting the Company's talent needs through its Detroit At Work program. Detroit Public Schools and the City of Detroit Brownfield Redevelopment Authority have aided immensely in the sale and acquisition of the sites.

In order to secure the project, the Applicant is requesting a \$1,500,000 MBDP performance-based grant and certification as a qualified eligible Next Michigan Business within the boundaries of the City of Detroit Next Michigan Development Corporation Renaissance Zone for a period of fifteen years estimated to be worth \$3,470,202 for the creation of 400 jobs and \$45,000,000 in investment in the City of Detroit. With the help of the MBDP, the Company will be supported in its near-term project investment costs. The Next Michigan Renaissance Zone tool will allow the Company to have an overall reduced cost of business over the next 15 years, making the project viable in the City of Detroit. With support under both the MBDP and the Next Michigan Renaissance Zone programs, Michigan would be chosen as the site for the project and ensure that the state captures the creation of the new jobs and investment.

An internal joint committee established under MSF delegate authority to review applications, has reviewed the application submitted by the City of Detroit Next Michigan Development Corporation and recommends approval to certify the Company as an eligible Next Michigan Business.

### **Recommendation**

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

- Approval of the MBDP Request and NMDCRZ Request, as outlined in the attached resolution; and
- Commitment will remain valid for 120 days with approval for the MSF Fund Manager to extend the commitment an additional 60 days.

MICHIGAN ECONOMIC  
DEVELOPMENT CORPORATION

**EXHIBIT A**  
**MICHIGAN BUSINESS DEVELOPMENT PROGRAM**  
**Performance Based Incentive - Term Sheet - Summary**

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").

**Date:** December 9, 2019

**Company Name:** Dakkota Integrated Systems, LLC

**Project Location:** 5905 Van Dyke, Detroit, MI 48214

**MBDP Incentive Type:** Performance Based Grant

**Maximum Amount of MBDP Incentive:** Up to \$1,500,000

**Base Employment Level:** At least 630

**Qualified New Jobs:** At least 400 at the Project Location

**Municipality Supporting Project:** The City of Detroit has agreed to provide staff, financial or economic assistance in support of the project.

**Start Date for Measurement of Creation of Qualified New Jobs:** Date of MSF approval

**Term of the Agreement:** April 15, 2022

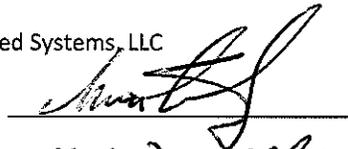
**Milestone Based Incentive:** Disbursements will be made over a 2-year period and will be performance based on job creation as follows:  
Milestone 1: \$530,000 for the creation of 150 jobs.  
Milestone 2: \$970,000 for the creation of 250 jobs.

*The detailed numbers, and statutory required repayment and reporting provisions, will be reflected in the subsequent transaction documents.*

**Acknowledged as received by:**

Dakkota Integrated Systems, LLC

By:



Printed Name:

Mark D. McCawley

Its:

COO

Michigan Economic Development Corporation

By:



Printed Name:

Jibran Ahmed

Its:

Business Development Project Manager

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2020-009**

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO  
DAKKOTA INTEGRATED SYSTEMS, LLC**

**WHEREAS**, the Michigan legislature passed legislation establishing the 21<sup>st</sup> 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 21<sup>st</sup> Century Jobs Trust Fund programs;

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

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

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

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

**WHEREAS**, Dakkota Integrated Systems, LLC (“Company”) has requested a performance based MBDP grant of up to \$1,500,000 (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”); and

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

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

Ayes: Britany L. Affolter-Caine, Ronald W. Beebe, Susan Corbin (on behalf of Director Donofrio, designation attached), Paul Gentilozzi, September Hargrove, Michael B. Kapp (on behalf of Director Ajegba, designation attached), Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Jeff Mason, Charles P. Rothstein, Cindy Warner

Nays: None

Recused: None

Lansing, Michigan  
January 22, 2020



GRETCHEN WHITMER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF LABOR AND ECONOMIC OPPORTUNITY  
LANSING

JEFF DONOFRIO  
DIRECTOR

November 13, 2019

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

Re: Michigan Strategic Fund Board Meeting Designee

Dear Ms. Bishop:

Pursuant to MCLA 16.51, I hereby confirm my designation of Susan Corbin as the person authorized and empowered to act in my stead as a member of the Michigan Strategic Fund Board for scheduled meetings I am unable to attend.

If you need anything additional, please contact Monica Chrzaszcz at (517) 897-6108.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Donofrio".

Jeff Donofrio  
Director

Cc: Susan Corbin



STATE OF MICHIGAN  
DEPARTMENT OF TRANSPORTATION  
LANSING

GRETCHEN WHITMER  
GOVERNOR

PAUL C. AJEGBA  
DIRECTOR

August 12, 2019

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

Re: Michigan Strategic Fund Board Meeting Designee

Dear Ms. Bishop:

I hereby confirm and ratify my designation of Michael B. Kapp, Administrator, Michigan Department of Transportation, as the person authorized and empowered to act in my stead for Michigan Strategic Fund meetings that I am unable to attend.

Sincerely,

A handwritten signature in blue ink that reads "Paul C. Ajegba".

Paul C. Ajegba, P.E.  
Director

cc: M. Kapp  
Executive file



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

January 16, 2020

Ms. Rhonda Bishop  
Board Relations Liaison  
Michigan Strategic Fund Office  
300 N. Washington Square  
Lansing, MI 48913

Re: Michigan Strategic Fund Board Meeting Designee for Treasurer Eubanks

Dear Ms. Bishop:

I hereby designate Andrew Lockwood to attend all Michigan Strategic Fund meetings that I am unable to attend in 2020.

If you need anything additional, please contact Kara Kabia at (517) 241-2624.

Sincerely,

A handwritten signature in blue ink that reads "Rachael Eubanks".

Rachael Eubanks  
State Treasurer

Cc: Eric Bussis  
Andrew Lockwood

## MICHIGAN STRATEGIC FUND

### RESOLUTION 2020-010

#### ELIGIBLE NEXT MICHIGAN BUSINESS CERTIFICATION Dakkota Integrated Systems, LLC

**WHEREAS**, Section 8h of the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, authorizes the Michigan Strategic Fund (“MSF”) to certify up to 25 eligible next Michigan businesses (“NMBs”) as qualified eligible NMBs, and therefore, capable of receiving the benefits of a previously-designated next Michigan renaissance zone, at the application of a Next Michigan Development Corporation (“NMDC”);

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

**WHEREAS**, the City of Detroit NMDC has submitted an application to the MEDC to recommend that Dakkota Integrated Systems, LLC (the “Company”) be certified as a qualified eligible NMB for its project located within the City of Detroit (the “Project”) within the boundaries of a next Michigan renaissance zone previously designated via delegated approval (the “Application”);

**WHEREAS**, pursuant to the Act, a committee appointed by the MSF via delegated authority met to review and evaluate the Application and voted to recommend the MSF Board approve the Application and the certification of the Company as a qualified eligible NMB;

**WHEREAS**, the Application, along with related documentation, provides a basis for finding that the Company and the Project meet the statutory requirements of the Act and the Next Michigan Renaissance Zone and Next Michigan Business Certification Policy Guidelines, as approved by the MSF Board in MSF Resolution 2016-171, as well as, providing competent and material evidence that subsection 8h(2) of the Act has been complied with;

**WHEREAS**, pursuant to Section 8h(8) of the Act and consistent with the template approved by the MSF Board in MSF Resolution 2016-171, the Company has signed a development agreement governing the proposed certification of the Company, including the Conditions, defined herein, related to the Project (the “Development Agreement”); and

**WHEREAS**, the MEDC recommends that the MSF Board approve the Application and certify the Company as a qualified eligible next Michigan business within the boundaries of the City of Detroit NMDC next Michigan renaissance zone approved via delegated authority on January 3, 2020 (the “Zone”) for a period of fifteen (15) years beginning on December 31, 2020 and expiring on December 30, 2035, for property tax purposes, and beginning January 1, 2021 and expiring December 31, 2035 for all other purposes, provided that: (both of the following are collectively the “Conditions”)

1. The Company acquires ownership of the land within the Zone from the Detroit Public Schools Community District by December 31, 2020; and
2. The Company creates four hundred (400) new full-time jobs and invests at least forty-five million dollars (\$45,000,000) within the Zone, consistent with the terms of the Development Agreement.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board approves the Application and certifies the Company as a qualified eligible next Michigan business within the boundaries of the Zone for a period of fifteen (15) years beginning on December 31, 2020 and expiring on December 30, 2035, for property tax purposes, and beginning January 1, 2021 and expiring December 31, 2035 for all other purposes, provided that the Conditions are fulfilled;

**BE IT FURTHER RESOLVED**, the MSF Board finds that there is competent and material evidence to indicate that subsection 8h(2) of the Act has been complied with; and

**BE IT FURTHER RESOLVED**, the MSF Board authorizes the execution of the Development Agreement and authorizes the Fund Manager to negotiate the final terms and conditions of any other related documents necessary to effectuate the terms of this Resolution on behalf of the MSF.

Ayes: Britany L. Affolter-Caine, Ronald W. Beebe, Susan Corbin (on behalf of Director Donofrio, designation attached), Paul Gentilozzi, September Hargrove, Michael B. Kapp (on behalf of Director Ajegba, designation attached), Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Jeff Mason, Charles P. Rothstein, Cindy Warner

Nays: None

Recused: None

Lansing, Michigan  
January 22, 2020



GRETCHEN WHITMER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF LABOR AND ECONOMIC OPPORTUNITY  
LANSING

JEFF DONOFRIO  
DIRECTOR

November 13, 2019

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

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Sincerely,

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Jeff Donofrio  
Director

Cc: Susan Corbin



STATE OF MICHIGAN  
DEPARTMENT OF TRANSPORTATION  
LANSING

GRETCHEN WHITMER  
GOVERNOR

PAUL C. AJEGBA  
DIRECTOR

August 12, 2019

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Paul C. Ajegba, P.E.  
Director

cc: M. Kapp  
Executive file



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

January 16, 2020

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Michigan Strategic Fund Office  
300 N. Washington Square  
Lansing, MI 48913

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If you need anything additional, please contact Kara Kabia at (517) 241-2624.

Sincerely,

A handwritten signature in blue ink that reads "Rachael Eubanks".

Rachael Eubanks  
State Treasurer

Cc: Eric Bussis  
Andrew Lockwood

**MEMORANDUM**

**Date:** January 22, 2020

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

**From:** Joshua Hundt, Executive Vice President and Chief Business Development Officer  
Stacy Bowerman, Senior Vice President

**Subject:** *General Motors Company (“Company”)  
MEGA Tax Credit Amendment*

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**REQUEST**

This is a request from the Company for an amendment to its existing MEGA Tax Credit to support and secure the Company’s continued investment in Michigan. The additional flexibility in workforce structure allowed by this amendment will foster the Company’s continued investment in Michigan, planned to be an additional \$3.5 billion over the next ten years throughout the state.

The terms of the MEGA Tax Credit currently only allow the Company to claim 6,750 Jobs at the GM Technical Center in Warren and, effective tax year 2019, do not allow the Company to claim credit at the Renaissance Center. Since the MEGA was approved in 2009, the Company has recognized the value of having centralized research and development and back office support functions at the Renaissance Center and Technical Center. The proposed amendments will remove the restrictions at both locations allowing statewide job retention and enabling the Company to better manage its business operations. The Company is, and will continue to, evaluate locations throughout the United States to determine the most financially viable options. The amendments to the current MEGA Tax Credit will not only help secure existing workforce in Michigan but will also give the Company the flexibility of allowing each Michigan location to compete with other global business units to attract new product lines into Michigan. The amendments are necessary to accurately reflect the current and expected business operations here in the state and cement Michigan as a primary center of R&D, manufacturing and mobility for the Company. A detailed summary of the amendment request is included below.

**BACKGROUND**

General Motors designs, builds, and sells cars, trucks, crossovers, and automobile parts worldwide. Its core brands include Chevrolet, Buick, GMC and Cadillac. The Company traces its roots back to 1908 and is currently the largest American automobile manufacturer, and one of the world’s largest. Headquartered in Detroit, the Company sells vehicles in 86 countries, with almost 173,000 employees.

**General Motors Corporation – MEGA Tax Credit Background**

On June 25, 2009, the Michigan Economic Growth Authority (MEGA) Board approved a Global Retention MEGA tax credit that included all existing Retention credits, as well as the opportunity to keep the Orion facility in Michigan. The MEGA Board approved a 100 percent retention tax credit for twenty consecutive years for a minimum of 8,000 and up to 20,000 qualified retained employees at its facilities in Michigan with an average weekly wage of at least \$650. Retained jobs are full-time jobs held by a Michigan resident

that pays at least 150 percent of federal minimum wage. The MEGA Tax Credit expires December 31, 2029. At that time, the project encompassed 17 facilities. The credit was later amended as follows:

- Amendment One - November 17, 2009: The credit was amended to secure GM's headquarters at the Detroit Renaissance Center. The MEGA Board approved an amendment to include the Renaissance Center, provided that the company maintained 2,500 jobs at the Renaissance Center and that the maximum credit attributed to the Renaissance Center was limited to \$60 million. The minimum average weekly wage for retained jobs at the Renaissance Center was set at \$1,000.
- Amendment Two – December 15, 2009: The MEGA Board approved an amendment to reduce the number of retained jobs at the Renaissance Center from 2,500 to 2,000 jobs, reduce the portion of the credit attributable to the Renaissance Center to \$50 million, and increase the maximum number of total retained jobs from 20,000 to 21,000.
- Amendment Three - October 26, 2010: The credit was amended to support the proposed addition of Hybrid Electric Vehicle battery and vehicle engineering and development operations at the existing battery development center located at the GM Technical Center. The MEGA Board approved an amendment to increase the maximum number of retained jobs to 30,000, increase the minimum number of retained jobs to 14,600 (including 7,900 salaried positions), increase the number of retained jobs at the Renaissance Center to 4,000, increase the amount of credit attributable to the Renaissance Center to \$75 million, and allow the Battery Lab and Manufacturing Validation Center with the GM Technical Center to count as project sites.
- Amendment Four - September 27, 2012: The credit was amended to support the proposed creation of 3,000 jobs related to investments in Michigan, including the establishment of an IT Development Center that was located at the GM Technical Center in Warren. The MSF Board approved an amendment to increase the maximum number of retained jobs to 33,000, increase the portion of the tax credit attributable to the Renaissance Center to \$125 million, and allow up to 5,000 retained jobs at the GM Technical Center to count toward the credit.
- Amendment Five - July 22, 2014: The credit was amended to support the creation of 1,750 new jobs and capital investment of up to \$800 million in Michigan. The amendment increased the number of qualified retained jobs by 1,750, allowing up to 34,750 qualified retained jobs to be covered under this credit. The MSF Board approved an amendment to increase the maximum number of retained jobs to 34,750, increase the maximum number of retained jobs at the GM Technical Center to 6,750, and allow GM Subsystems Manufacturing as an eligible entity for counting retained jobs so long as those employees were not located at the Brownstown Township facility or counted under any other MEGA tax credit.
- Amendment Six - December 15, 2015: The credit was amended to be consistent with the MEDC's objectives of achieving budget transparency and certainty for MEGA Tax Credits. The amendment included the addition of an overall credit value cap, annual forecasting as well as required the Company to make new investments of \$1 billion over the remaining credit term.

### **GM Subsystems LLC – MEGA Tax Credit Background**

On February 17, 2009, the Michigan Economic Growth Authority (MEGA) Board approved up to a 100 percent retention employment tax credit for 20 years for up to 140 retained employees at its Brownstown facility to support battery module and pack assembly. The MEGA Tax Credit expires December 31, 2030. The credit was amended on October 26, 2010 to increase the number of jobs allowed under the credit by 150 for a total of 290 retained jobs to support an expansion of its battery operations.

Since approval of the MEGA Credit in 2009, General Motors, LLC has continued to grow in Michigan. The Company leveraged the support of the MEGA Tax Credit to grow and develop its facilities and workforce in Michigan. Since June 2009, the Company has announced a significant number of investment projects in Michigan, covering most, if not all, of its facilities. The new investments have totaled over \$10

billion and have included major projects throughout Michigan. All of these investments have enabled the Company to build, sustain and grow its presence in Michigan. The Company has grown from approximately 35,000 employees in 2009 to approximately 45,000 today.

### **Project Description**

When the original Global MEGA was established in June 2009, General Motors LLC was a newly created entity facing many challenges for its future. Today, the Company is faced with new challenges in the ever changing, competitive world of transportation to meet a new direction from GM leadership of zero crashes, zero emissions and zero congestion. The Company's Michigan facilities are critical to this effort. However, in order to accomplish these changes, it will require significant investment in its facilities along with the flexibility to move and change its operations to support new designs and directions.

The MEGA Tax Credit amendment will enable the Company to have the flexibility to best manage its operations within Michigan to support the changes to the global automotive industry. The Company is considering further investment in Michigan that will reaffirm its commitment here in the state. The Company will invest at least \$3.5 billion over the next 10 years, including a significant investment at the Detroit Hamtramck facility, which will be the future home of a recently announced battery electric truck and other electric vehicles. The Company announced the unallocation of the Detroit Hamtramck facility in November 2018. The employees affected by the unallocation were either offered buyouts or jobs at other GM facilities. This investment will sustain the facility, eventually resulting in more than 2,000 employment opportunities. The investment and jobs will generate an increase in taxes for the City of Hamtramck, City of Detroit and State of Michigan. Other investments will continue to retain and support the Company's operations in the state.

The proposed Michigan sites for new investment are in competition for this work from alternate Company locations throughout the United States. The investments provide the opportunity for further expansions in Michigan as well as a potential positive impact on Michigan suppliers. The proposed changes to the MEGA Tax Credit will go a long way to enhancing Michigan's competitive position for this and future investments.

The current status of the Global Retention MEGA is outlined below:

- Terms: 100% Retention Tax Credit for a period of 20 years (Commencing January 1, 2010 through December 31, 2029)
- A maximum of 34,750 retained jobs may be used in calculating the MEGA Tax Credit.
- Average weekly wage is \$650 for all sites, with the exception of the Detroit Renaissance Center, which has an average weekly wage of \$1,000.
- Company agrees to maintain at least 4,000 employees at the Detroit Renaissance Center through a combination of full-time employees, shared services employees and contractual employees and has a maximum credit benefit of \$125 million for this portion of the credit.  
A maximum of 6,750 Jobs at the GM Technical Center in Warren are allowed to be used toward the calculation of the MEGA tax credit.

### **AMENDMENT SUMMARY**

In order for the Company to best manage its operations within Michigan and reduce complexity in reporting and filing, the following amendments are necessary:

- Reduce the maximum credit benefit by \$325 million for a remaining credit value of \$2,276,905,235.
- Add annual credit caps for the remaining credit term.
- Increase the average weekly wage from \$650 to \$1,300 statewide for the remaining credit term.

- Remove reference to credit and employment thresholds (including employment maximums and minimums) at the Detroit Renaissance Center and at the GM Technical Center in Warren.
- Remove all references to shared services and contractual employees.
- Add language requiring the Company to maintain 34,750 employees in Michigan in order to receive 100 percent credit for the remaining credit term. Failure to do so will result in the following credit reduction in the following year (except that the credit reduction for 2029 will apply to the 2029 year):
  - $27,875 - 34,749 = 75\%$  Credit Value
  - $21,000 - 27,874 = 50\%$  Credit Value
  - Below 21,000 = 0% Credit Value
- Allow employees at the Brownstown facility to count as retained jobs in exchange for company forgoing its Brownstown MEGA credit.
- Add language requiring the Company to invest an additional \$3.5 billion in Michigan during the remaining MEGA term. In the event the actual investment at a single facility in Michigan exceeds \$2 billion, the Company agrees to invest in other facilities no less than \$1.5 billion above and beyond the actual investment at such single facility.

As MEDC works with its partners to attract, grow and retain strategic industries that will have the greatest potential economic benefit for residents and communities throughout Michigan, the automotive industry remains critical to the economic health of the state. To continue to build on our uncontested leadership in automotive design and manufacturing, we must continue to take an active role in responding to changes in the industry. While there are countless companies in Michigan that impact the overall automotive ecosystem, General Motors Company plays a critical role not only in direct job creation, but also the growth of the overall automotive supply chain here in the state.

In addition to continuing to secure the Company’s footprint in Michigan, the amendments will allow all facilities in Michigan to compete for future work and investments and ensure a higher wage for Michigan residents. The Company has agreed to significantly increase its new project investment in the State of Michigan over the remaining term of the Global MEGA Tax Credit. The Company agrees to work with the State’s Workforce Development Agencies for training needs related to new investments at its Michigan operations utilizing applicable programs and as funding is available. This is a strong indication of the Company’s commitment to growing and maintaining its operations in Michigan for the long term.

This amendment will also reduce the State’s costs and provide more certainty with its long-term obligations to the Company under the MEGA Tax Credit. For consideration of the amendment, the Company has also agreed to reduce the overall budgetary commitment by reducing the MEGA Tax Credit cap of its Global MEGA and forgoing its GM Subsystem, LLC Brownstown MEGA.

**RECOMMENDATION**

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

- A. Approval of the MEGA Tax Credit (Global Retention) Amendment Request as outlined in the attached Resolution, effective as of January 1, 2019.

# MICHIGAN STRATEGIC FUND

## RESOLUTION 2020-011

### GENERAL MOTORS, LLC GLOBAL MEGA TAX CREDIT AMENDMENT

**WHEREAS**, the Michigan Legislature created the Michigan Economic Growth Authority (“MEGA”) under the Michigan Economic Growth Authority Act, 1995 PA 24, as amended, with the authority to grant an authorized business a credit against the tax imposed by the Michigan Business Tax Act, 2007 PA 36, as amended (a “Tax Credit”);

**WHEREAS**, by Executive Order 2012-9, all of the authority, powers, duties and functions of the MEGA Board were transferred to the Michigan Strategic Fund (“MSF”);

**WHEREAS**, by MEGA Resolution 2009-116 dated June 25, 2009, the MEGA Board authorized a Retention Tax Credit for General Motors Corporation of up to 100 percent for twenty consecutive years for a maximum of 20,000 Retained Jobs at its facilities throughout the State of Michigan (the “Global MEGA Tax Credit”);

**WHEREAS**, by MEGA Resolution 2009-201 dated November 17, 2009, the MEGA Board transferred the Global MEGA Tax Credit to General Motors, LLC (“General Motors” or “Company”);

**WHEREAS**, the Global MEGA Tax Credit was subsequently amended by MEGA Resolution 2009-224, MEGA Resolution 2010-178, MSF Resolution 2012-118, MSF Resolution 2014-110a, and MSF Resolution 2015-187;

**WHEREAS**, in exchange for the Global MEGA Tax Credit, as amended, General Motors agreed to maintain a minimum of 14,600 full-time jobs in Michigan, of which a minimum of 4,000 through a combination of GM, shared services, and contractual employees must be located at the Detroit Renaissance Center, and agreed to invest in its facilities throughout the State of Michigan;

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

**WHEREAS**, the Company and the MSF wish to amend the Global MEGA Tax Credit in accordance with the following (collectively, the “Amendment Request”) effective with the tax year beginning January 1, 2019.

- (1) Reduce the State of Michigan’s obligations under the Global MEGA Tax Credit as a result of MSF Resolution 2015-187 for total tax credits that the Company may claim over the life of the Global MEGA Tax Credit (“Tax Credit Limit”). The Tax Credit Limit includes Global MEGA Tax Credits that have already been issued.
- (2) Set annual limits on the tax credit value that may be claimed in a given year (the “Maximum Annual Amount”).
- (3) The Company, or other subsidiaries of General Motors Company, will make new project investment of \$3.5 billion in Michigan over the remaining term of the Global MEGA Tax Credit. If the actual investment at a single Michigan facility exceeds \$2 billion, the Company agrees to invest in other facilities no less than \$1.5 billion above and beyond the actual investment amount at such single facility (the “New Project Investment”).

- (4) Increase the average weekly wage from \$650 to \$1,300 statewide for the remaining credit term.
- (5) Remove reference to average weekly wage and credit and employment thresholds (including employment maximums and minimums) at the Detroit Renaissance Center and at the GM Technical Center in Warren.
- (6) Remove all references to shared services and contractual employees.
- (7) Add language requiring the Company to maintain 34,750 employees in Michigan in order to receive 100 percent credit for the remaining credit term. Failure to do so will result in the following credit reduction in the following year (except that the credit reduction for 2029 will apply to the 2029 year):
  - 27,875 – 34,749 = 75% Credit Value
  - 21,000 – 27,874 = 50% Credit Value
  - Below 21,000 = 0% Credit Value
- (8) Allow employees at the Brownstown facility to count as retained jobs in exchange for company forgoing its Brownstown MEGA credit, effective tax year 2019 (MEGA Resolution 2009-027).
- (9) The current recapture provisions in the Agreement will apply, and require the Company to repay a portion of previously issued tax credits, if the Company does not achieve its New Project Investment by December 31, 2029.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board approves the Amendment Request effective as of January 1, 2019.

**BE IT FURTHER RESOLVED**, the Company agrees to work with the State's Workforce Development Agencies for training needs related to new investments at its Michigan operations utilizing applicable programs and as funding is available.

**BE IT FURTHER RESOLVED**, except as to those provisions that must be revised in order to effectuate the Amendment Request, the terms and conditions of the Global MEGA Tax Credit will remain in full force and effect.

**BE IT FURTHER RESOLVED**, the MSF Board authorizes the MSF President or the MSF Fund Manager, with only one required to act, to negotiate the final terms and conditions of the Amendment Request and to execute all documents necessary to effectuate the Amendment Request.

Ayes: Britany L. Affolter-Caine, Ronald W. Beebe, Susan Corbin (on behalf of Director Donofrio, designation attached), Paul Gentilozzi, September Hargrove, Michael B. Kapp (on behalf of Director Ajegba, designation attached), Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Jeff Mason, Charles P. Rothstein, Cindy Warner

Nays: None

Recused: None

Lansing, Michigan  
January 22, 2020



GRETCHEN WHITMER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF LABOR AND ECONOMIC OPPORTUNITY  
LANSING

JEFF DONOFRIO  
DIRECTOR

November 13, 2019

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

Re: Michigan Strategic Fund Board Meeting Designee

Dear Ms. Bishop:

Pursuant to MCLA 16.51, I hereby confirm my designation of Susan Corbin as the person authorized and empowered to act in my stead as a member of the Michigan Strategic Fund Board for scheduled meetings I am unable to attend.

If you need anything additional, please contact Monica Chrzaszcz at (517) 897-6108.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Donofrio".

Jeff Donofrio  
Director

Cc: Susan Corbin



STATE OF MICHIGAN  
DEPARTMENT OF TRANSPORTATION  
LANSING

GRETCHEN WHITMER  
GOVERNOR

PAUL C. AJEGBA  
DIRECTOR

August 12, 2019

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

Re: Michigan Strategic Fund Board Meeting Designee

Dear Ms. Bishop:

I hereby confirm and ratify my designation of Michael B. Kapp, Administrator, Michigan Department of Transportation, as the person authorized and empowered to act in my stead for Michigan Strategic Fund meetings that I am unable to attend.

Sincerely,

A handwritten signature in blue ink that reads "Paul C. Ajegba".

Paul C. Ajegba, P.E.  
Director

cc: M. Kapp  
Executive file



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

January 16, 2020

Ms. Rhonda Bishop  
Board Relations Liaison  
Michigan Strategic Fund Office  
300 N. Washington Square  
Lansing, MI 48913

Re: Michigan Strategic Fund Board Meeting Designee for Treasurer Eubanks

Dear Ms. Bishop:

I hereby designate Andrew Lockwood to attend all Michigan Strategic Fund meetings that I am unable to attend in 2020.

If you need anything additional, please contact Kara Kabia at (517) 241-2624.

Sincerely,

A handwritten signature in blue ink that reads "Rachael Eubanks".

Rachael Eubanks  
State Treasurer

Cc: Eric Bussis  
Andrew Lockwood

## MEMORANDUM

**DATE:** January 22, 2020  
**TO:** Michigan Strategic Fund (“MSF”) Board Members  
**FROM:** Mary Kramer, Manager, MCRP, Brownfield and SmartZone Programs  
**SUBJECT:** Quarterly Report of Delegated Approvals of Brownfield Act 381 Work Plans

On April 5, 2017, the Brownfield Redevelopment Financing Act (Act 381) was amended to allow the chairperson of the Michigan Strategic Fund delegated approval of work plans that consist of tax capture of less than \$1,000,000. Listed below is a synopsis of the delegated work plans that were approved during the first quarter of the 2020 fiscal year.

If you would like additional information on a project, please let us know.

Project Name	Approval Date	Location	Approved TIF Amount	Jobs	Investment
Lakeside Ace Hardware	11/25/2019	Cadillac	\$185,982	7.5	\$1,200,000
<b>Total</b>			<b>\$185,982</b>	<b>7.5</b>	<b>\$1,200,000</b>

## MEMORANDUM

**DATE:** January 22, 2020

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

**FROM:** Trevor Friedeberg, Director, Business Development Projects  
Mary Kramer, Manager, MCRP, Brownfield and SmartZone Programs

**SUBJECT:** Quarterly Report of Delegated Approvals on Michigan Business Development Program & Michigan Community Revitalization Program

On December 21, 2011, the MSF Board approved the Michigan Business Development Program (“MBDP”) and the Michigan Community Revitalization Program (“MCRP”). Both programs allow for delegated approval of projects that have incentives of \$1 million or less. Listed below is a synopsis of the delegated deals that were approved during the first quarter of the 2020 fiscal year.

If you would like additional information on a project, please let us know.

### MBDP APPROVALS

Project Name	Approval Date	Location	Incentive Approved	Jobs	Investment
Shunli Steel Group	10/10/2019	Monroe	\$1,000,000	110	\$60,300,000
Great Lakes Sound and Vibration (GLSV)	10/16/2019	Calumet	\$144,000	20	\$1,475,000
Farm Bureau Life Insurance Company of Michigan	10/16/2019	Lansing	\$241,500	69	\$6,800,000
Polytek Development Corporation	10/18/2019	Galesburg	\$112,000	28	\$2,134,800
Aquest Machining & Assembly	10/21/2019	Greenville	\$60,000	12	\$1,300,000
Kuehne + Nagel Inc.	11/22/2019	Detroit	\$750,000	152	\$2,615,000
Snackwerks of Michigan	12/6/2019	Battle Creek	\$212,000	38	\$3,948,788
Guardiantrac LLC	12/17/2019	Sturgis	\$250,000	84	\$1,705,000

**MCRP APPROVALS**

<b>Project Name</b>	<b>Approval Date</b>	<b>Location</b>	<b>Incentive Approved</b>	<b>Jobs</b>	<b>Investment</b>
Grand Lahser LLC	10/16/2019	Detroit	\$750,000	10	\$2,846,900
655 W Willis Partners, LLC	10/31/2019	Detroit	\$950,000	1	\$5,951,297
Flint Cultural Center, Inc.	12/24/2019	Flint	\$1,000,000	16	\$25,500,000

**MSF DELEGATED AUTHORITY QUARTERLY UPDATE  
MSDF AND SSBCI PROGRAMS  
CAPITAL ACCESS TEAM  
October 1 – December 31, 2019**

**APPROVALS BY AUTHORIZED DELEGATES**

Between October 1 and December 31, 2019, the following actions were approved by the MSF Chairperson and MSF Fund Manager, subject to due diligence, and available funding:

SSBCI-MBGF						
Organization	Request Type	Loan Amount	MSF Support	Action	Date Approved	Closed
American Broach & Machine Company/United American Industries, Inc.	MBGF-CSP	\$ 1,700,000	\$ 848,300	Approved by Chair and Fund Manager	November 7, 2019	Y
Total		\$ 1,700,000	\$ 848,300			

**MEMORANDUM**

**Date:** January 22, 2020

**To:** Michigan Strategic Fund Board

**From:** Christine Whitz, Director, Community Development Block Grant Program

**Subject:** *Community Development Block Grant Program  
Quarterly Report of Delegated Approvals (October - December 2019)*

On October 23, 2013, the MSF Board approved the Community Development Block Grant (CDBG) program delegated approval of projects that have incentives of \$1 million or less. Listed below is a synopsis of the delegated deals that were approved during the previous quarter. If you would like additional information on a project, please feel free to contact me.

Grantee	Approval Date	CDBG Funds	Brief Summary of Project
Sault Ste. Marie City of Houghton	10/4/19	\$63,675	CDBG staff requested CDBG funds to increase grant amount needed for administration costs for 2 projects in Sault Ste. Marie and 1 project in the City of Houghton. Grant administrative funds had been included in grant agreements but omitted from original MSF delegated authority approval. (amendment request)
City of Reed City	10/4/19	\$500,000	The City of Reed City requested up to \$500,000 in CDBG funds for machinery and equipment needed for General Mills Operations, LLC in Osceola County, Michigan. The City expects that this project could result in private investment of up to \$2,000,000 and the creation of 35 jobs.
Sault Ste. Marie	10/16/19	\$35,230	The City requested an additional \$35,230 in CDBG funds on their façade improvement project, awarded on October 16, 2018. One of the facades in the grant uncovered unexpected structural issues on their building. (amendment request)
City of Caro	11/15/19	\$984,625	The City of Caro requested \$984,625 in CDBG funds for area wide improvements needed for their Farmers Market project located in Tuscola County.

City of Greenville	12/3/19	\$512,000	The City of Greenville requested up to \$512,000 in CDBG funds for machinery and equipment needed for the Kent Foundry Company, Inc. located in Montcalm County, Michigan. The City expects that this project could result in private investment of up to \$3,000,000 and the creation of 30 jobs.
Village of Calumet	12/5/19	\$128,979	The Village of Calumet requested an additional \$128,979 in CDBG funds for their Elm Street Infrastructure Improvement Project. The additional funds were to offset increased construction costs, identified by the bids received.
City of Hart	12/5/19	\$358,461	The City of Hart requested \$358,461 in CDBG funds for the City of Hart's Pocket Park located in Oceana County, Michigan.
City of Three Rivers	12/9/19	\$139,500	The City of Three Rivers requested \$139,500 in CDBG funds for rental rehabilitation needed for the 40 N. Main project located in St. Joseph County, Michigan. The City expects that this project could result in private investment of \$131,100.
City of Laingsburg	12/11/19	\$466,574	The City of Laingsburg requested \$466,574 in CDBG funds for improvements needed for the McClintock Park Amphitheater Project located in Shiawassee County.
<b>Total CDBG Funds for Quarter</b>		<b>\$3,189,044</b>	

**MSF DELEGATED AUTHORITY QUARTERLY UPDATE**  
**MSF CONFIDENTIALITY MEMOS**  
**Board Meeting January 22, 2020**

**FOR QUARTER ENDED DECEMBER 31, 2019**

**BACKGROUND**

As a part of the process for negotiating with companies seeking to invest in Michigan, the Michigan Strategic Fund (MSF) receives information of a financial and/or proprietary nature from applicant companies. Avoiding the public disclosure of this information is desirable in order to protect against the potential for significant competitive harm to the applicant companies.

Via MCL 125.2005(9), as amended by Public Act 251 of 2011, information of a financial or proprietary nature considered by the applicant as confidential and acknowledged as confidential by the Michigan Strategic Fund Board or its designee is exempted from disclosure by the Michigan Freedom of Information Act, Public Act 442 of 1976, as amended. On February 27, 2012, the MSF Board approved by resolution the delegation of this authority to the MSF Fund Manager, who acknowledges the confidentiality of eligible information on behalf of the MSF Board by executing a confidentiality memo.

**APPROVALS BY AUTHORIZED DELEGATE**

During the period between October 1, 2019 and December 31, 2019, the following confidentiality memos were approved by the MSF Fund Manager:

Company Name and Location	Overview of Confidential Information
<b>GTB Agency LLC</b> 500 Town Center Drive Dearborn MI 48126	<ul style="list-style-type: none"> <li>• Email Correspondence from Seth Martindale (CBRE) TO David Meninga (MEDC), Subject: SCHEDULE A/CONFIDENTIAL - Project Draper Follow-Up originally sent on November 7, 2019 and all replies and forwards thereto</li> </ul>
<b>Iitich Holdings Inc</b> 2211 Woodward Ave. Fox Office Center Detroit MI 48201	<ul style="list-style-type: none"> <li>• Excel spreadsheet entitled “DEGC Economic &amp; Fiscal Impact Project Data Sheet” for 111 Henry Street</li> <li>• Excel spreadsheet entitled “DEGC Economic &amp; Fiscal Impact Project Data Sheet” for 1922 Cass</li> <li>• Excel spreadsheet entitled “DEGC Economic &amp; Fiscal Impact Project Data Sheet” for 120 Henry Street</li> <li>• Excel spreadsheet entitled “DEGC Economic &amp; Fiscal Impact Project Data Sheet” for 2110 Park Avenue LLC</li> </ul>

	<ul style="list-style-type: none"><li>• Draft spreadsheet entitled “Tax Increment Revenue Capture Estimates” for Detroit Medical Center-SMI Brown (PDF)</li><li>• Draft spreadsheet entitled “Tax Increment Revenue Capture Estimates” for Eddystone Hotel (PDF)</li><li>• Draft spreadsheet entitled “Tax Increment Revenue Capture Estimates” for Women’s City Club (PDF)</li><li>• Planning and Development Letter, Proposed Narrative, regarding Detroit Medical Center – SMI (PDF)</li><li>• Planning and Development Letter, Proposed Narrative, regarding Eddystone (PDF)</li><li>• Planning and Development Letter, Proposed Narrative, regarding Women’s City Club (PDF)</li><li>• Site Photos for Detroit Medical Center – SMI dated August 2019, prepared by The District Detroit (PDF)</li><li>• Site Photos for Eddystone dated August 2019, prepared by The District Detroit (PDF)</li><li>• Site Photos for Women’s City Club dated August 2019, prepared by The District Detroit (PDF)</li><li>• Draft Brownfield Plan for 110 Sproat Street Redevelopment Project (PDF)</li><li>• Draft Brownfield Plan for 2110 Park Avenue Redevelopment Project (PDF)</li><li>• Draft Brownfield Plan for 2715 Woodward Avenue (PDF)</li></ul>
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