

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*

Mark Burton

*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

Special Meeting Packet

April 2020

**MICHIGAN STRATEGIC FUND BOARD
VIRTUAL MEETING AGENDA
APRIL 14, 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 – March 19, 2020

The Original and Only Thompson Block, LLC – MCRP Amendment – Lori Mullins

Capital City Market – Brownfield Act 381 Work Plan Amendment – Lori Mullins

B. Administrative

Michigan Strategic Fund Awardee Relief Initiative and Delegation of Authority – Michele Wildman

C. Business Investment

1. Capital Access

Northern Great Lakes Initiatives – Micro Loan Funding – Chris Cook

2. Business Growth

Federal Mogul-Tenneco – MEGA Amendment – Trevor Friedeberg

D. Community Vitality

Lower Town Partners, LLC – Brownfield Act 381 Work Plan – Paula Holtz

The Envision 8th Street Holdings, LLC – Brownfield Act 381 Work Plan – Dan Leonard

Lofts on Alabama, LLC – MCRP Amendment – Lori Mullins

3750 Woodward Avenue, LLC – Brownfield MBT Amendment – Lori Mullins

E. Entrepreneurship

Pre-Seed III – Award Recommendation– Fredrick Molnar

F. Informational

Quarterly Reports

The MSF special meeting will be conducted via phone only.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2020-036**

**APPROVAL OF APRIL 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 – March 19, 2020
The Original and Only Thompson Block, LLC – MCRP Amendment
Capital City Market – Brownfield Act 381 Work Plan Amendment

Ayes: Britany L. Affolter-Caine, Paul Ajegba, Ronald W. Beebe, Mark Burton, Jeff Donofrio, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner

Nays: None

Recused: None

Lansing, Michigan
April 14, 2020



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
FINAL SPECIAL SESSION MINUTES
March 19, 2020**

Member Present

Mark Burton

Members joined by phone

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)

Charles P. Rothstein

Susan Tellier

Cindy Warner

Mr. Burton called the meeting to order at 10:30 am. He summarized the purpose of the special virtual meeting and stressed the need to deploy available resources to quickly assist front line small businesses facing the COVID-19 emergency.

He thanked Jeff Mason for his service to the board and wished him well on his retirement. He also thanked various board members for their guidance as he begins his role as President & CEO of the MEDC and confirmed his commitment to be a good partner with the Board.

Public Comments: Mr. Burton introduced Brian Krantz, Senior IT Project Manager, who provided public comment instructions for individuals participating by telephone. The public comments follow.

Zachary Morris, Executive Director of Market Van Buren, a Southwest Michigan-based non-profit, expressed support for the creation of the Michigan Small Business Relief Program. He concluded by recommending that funding be dispersed equally across regions.

Bob Trezise, President & CEO of the Lansing Economic Area Partnership (LEAP), expressed support for the Michigan Small Business Relief Program. He encouraged that the program should have a sense of objectiveness and transparency, especially within the disbursement process. He also disclosed his displeasure with the MEDC recommendation to deny the request for state tax capture for Brownfield Act 381 eligible activities connected to the Red Cedar Development project. He emphasized that the project is shovel ready and if the denial was approved, hundreds of workers will lose their jobs. He welcomed an additional opportunity to discuss the details of the project at a different setting.

Senator Curtis Hertel Jr. commended Governor Whitmer for the steps taken to protect Michigan residents from the spread of COVID-19. He expressed support for the Red Cedar Development project and asked the MSF Board to table the vote so that the project can be discussed further. He felt that new information came very late to those who have been involved in this process. He encouraged everyone to come to the table with an open mind. He concluded by acknowledging that sewerage work has already begun and the impact of denying the project would have negative consequences for the city.

Frank Kass, a Principal for the Continental Management Company, expressed displeasure over the MEDC process for the Red Cedar Development project. He explained the varied challenges with development of the construction site and emphasized the extensive length of time it took to get the site shovel ready.

Given the virtual environment, no time restrictions were placed on public comment.

Communications: None

A. CONSENT AGENDA

Approval of Consent Agenda Item

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

Proposed Meeting Minutes – February 25, 2020

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

ROLL CALL VOTE: Ayes: Britany L. Affolter-Caine, Ronald W. Beebe, Mark Burton, Jeff Donofrio, Paul Gentilozzi, September Hargrove, Michael B. Kapp (on behalf of Director Ajegba, designation attached), Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner; Nays: None; Recused: None

B. BUSINESS INVESTMENT

B1. Business Growth

Resolutions 2020-032 & 2020-033 Michigan Small Business Relief Program – Approval of Funding, Program Guidelines and Delegation of Authority

Josh Hundt, Executive Vice President & Chief Business Development Officer, provided the Board with information regarding these action items. Following questions and discussion, Mark Burton motioned for the approval of Resolution 2020-032. Paul Gentilozzi seconded the motion. **The motion carried: 11 ayes; 0 nays; 0 recused.**

ROLL CALL VOTE: Ayes: Britany L. Affolter-Caine, Ronald W. Beebe, Mark Burton, Jeff Donofrio, Paul Gentilozzi, September Hargrove, Michael B. Kapp (on behalf of Director Ajegba, designation attached), Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner; Nays: None; Recused: None

Mark Burton motioned for the approval of Resolution 2020-033. Jeff Donofrio seconded the motion. However, upon additional discussion regarding the time period for the delegation of authority, the motion was withdrawn. Ronald W. Beebe motioned to amend the resolution to include a one-year sunset for the delegation of authority for the Michigan Small Business Relief Program. The motion was seconded by Paul Gentilozzi. **The motion carried: 11 ayes; 0 nays; 0 recused.**

ROLL CALL VOTE: Ayes: Britany L. Affolter-Caine, Ronald W. Beebe, Mark Burton, Jeff Donofrio, Paul Gentilozzi, September Hargrove, Michael B. Kapp (on behalf of Director Ajegba, designation attached), Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner; Nays: None; Recused: None

Mark Burton then motioned for the approval of Resolution 2020-033, as amended. Cindy Warner seconded the motion. **The motion carried: 11 ayes; 0 nays; 0 recused.**

ROLL CALL VOTE: Ayes: Britany L. Affolter-Caine, Ronald W. Beebe, Mark Burton, Jeff Donofrio, Paul Gentilozzi, September Hargrove, Michael B. Kapp (on behalf of Director Ajegba, designation attached), Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner; Nays: None; Recused: None

C. COMMUNITY VITALITY

Mr. Burton, MSF board chairperson, advised board members that the order of agenda items was being modified at the request of a Board member. The Red Cedar Development project was moved up.

Resolution 2020-034 City of Lansing Brownfield Redevelopment Authority (Red Cedar Development Project) – Brownfield Act 381 Work Plan

Michele Wildman, Senior Vice President of Community Development, provided the Board with information regarding this action item. Mark Burton motioned for the approval of Resolution 2020-034. Charles P. Rothstein seconded the motion. Prior to voting, Paul Gentilozzi and Ronald W. Beebe offered comments in opposition to the resolution. **The motion carried: 8 ayes; 2 nays; 0 recused; 1 abstained.**

ROLL CALL VOTE: Ayes: Mark Burton, Jeff Donofrio, September Hargrove, Michael B. Kapp (on behalf of Director Ajegba, designation attached), Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner; Nays: Ronald W. Beebe, Paul Gentilozzi; Recused: None; Abstained: Britany L. Affolter-Caine.

Paul Gentilozzi and Charles P. Rothstein left the meeting.

Resolution 2020-035 Lofts on Alabama, LLC – MCRP Other Economic Assistance Award Amendment

Lori Mullins, Director of Community Development Incentives, provided the Board with information regarding this action item. Following discussion, Mark Burton motioned for the approval of Resolution 2020-035. Jeff Donofrio seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused.**

ROLL CALL VOTE: Ayes: Britany L. Affolter-Caine, Ronald W. Beebe, Mark Burton, Jeff Donofrio, September Hargrove, Michael B. Kapp (on behalf of Director Ajegba, designation attached), Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Susan Tellier, Cindy Warner; Nays: None; Recused: None

Mr. Burton adjourned the meeting at 12:06 pm.



STATE OF MICHIGAN
DEPARTMENT OF TRANSPORTATION
LANSING

GRETCHEN WHITMER
GOVERNOR

PAUL AJEGBA
DIRECTOR

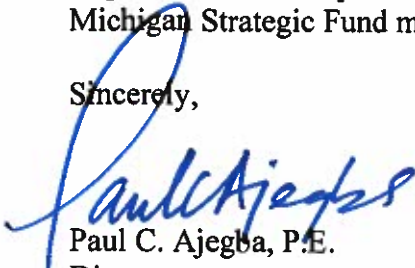
February 3, 2020

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

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,



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: April 14, 2020

To: Michigan Strategic Fund Board

From: Lynda Franke, Underwriting and Incentive Structuring Specialist

Subject: Request for Amendment One
Michigan Community Revitalization Program Other Economic Assistance
Performance-Based Loan Participation Agreement
The Original and Only Thompson Block, LLC

Request

The Original and Only Thompson Block, LLC (“Company”) is requesting approval of an amendment that will:

- Extend the deadline for Milestone Two Project Completion from January 31, 2020 to June 30, 2020 due to construction complications, however, in order to ensure that there is ample time for final project completion and issuance of certificates of occupancy, staff is recommending that the milestone due date be extended to December 31, 2020; and
- Modify the scope of the solar array system from a more extensive roof-top system to a more simple system that is located on carports, as necessitated by historic rehabilitation limitations.

Background

The Michigan Strategic Fund Board approved a \$3,175,000 Other Economic Assistance Loan Participation award and Act 381 work plan on December 19, 2017 to the Company for the purpose of renovation and reconstruction of a Civil War era historic structure in the Depot Town area of Ypsilanti, on three parcels to include a mixed-use building containing approximately 20 residential units on two floors and one floor of commercial space, for a total of approximately 26,000 square feet of reactivated space.

During 2017, the MCRP legislation allowed up to three historic rehabilitation projects per calendar year to receive an MCRP award in an amount up to 50% of the eligible investment. This was the third such MCRP project approved during 2017. The transformation of this historic asset that had fallen into a dangerous condition was possible only through a variety of financial programs and partners. They include federal and state historic tax credits, an OPRA, the Michigan Historic Preservation Network, and dozens of individual investors. The condition of the building drove up costs, so the MSF structure included up to a \$1,200,000 forgivable piece at construction completion. There was relatively little comparable product in the Depot Town area to use for residential rate projections. Repayments to the MSF were made contingent on the project maintaining a 1.2 to 1.0 debt service coverage ratio.

On June 26, 2018, the MSF Board approved a request to change the senior lender, decrease the senior loan amount and allow additional time to execute the final MSF Agreement.

On December 18, 2018, the MSF Board approved a request to allow additional provisions whereby MSF repayments could be suspended or subordinated and allow additional time to execute the final MSF Agreement.

During construction, the Company encountered several unforeseen conditions. The team needed to engineer and construct a secondary, interior wall from grade to roof to serve as the load for the structure because the existing west wall was deemed insufficient. Other delaying conditions were poor soils, dangerous masonry/bearing conditions, and utility reconstruction. As a result, the project cost is estimated to be about \$406,848 higher than the budget at the time of the original MSF approval. The Company is not requesting additional funds. The project is on-track to receive its certificate of occupancy during the first half of 2020, prompting the extension request for the Milestone Two Project Completion deadline to June 30, 2020.

The solar array design went through many modifications. This project is receiving historic tax credits, which can impact the scale of any solar panel system. The National Park Service (“NPS”) does not allow new additions to a building’s envelope if they are visible from the street. During reconstruction, an evaluation was made to determine what could practically be installed on the upper roof without endangering the historic tax credits. This evaluation resulted in a system that would not be able to serve as a significant energy offset. The final solar array design includes panels for the parking lot carport canopies only. The solar array contemplated at closing, defined in the Lender’s Agreement and relied upon in MSF’s Agreement specified a larger roof-top solar array.

The first-floor commercial space is leased to North Peak Brewing Company, a related entity of the Company. Pre-leasing of the residential units has begun, and the Company reports that they have 37 people on a future resident waiting-list. The Company is current with reporting requirements and the Company has paid the MSF \$5,614.29 in interest as of February 19, 2020.

The organizational chart for The Original and Only Thompson Block, LLC is provided in **Appendix A**.

Loan Facility

The loan terms outlined below were re-approved by the MSF Board in June of 2018. The proposed amendment affects these terms as highlighted in yellow. The original approval documents are available upon request.

MSF Facility

MCRP Loan Participation

Borrower:

The Original and Only Thompson Block or Related Entity

Lender:

Anticipated to be TCF Bank, however the Fund Manager shall have the ability to approve a new Federally Insured Lender in the event TFC Bank is unable to close the transaction.

Total Amount of Loans:	Anticipated to be \$6,848,000
Lender Share:	Anticipated to be \$3,673,000, but no more than \$4,000,000
MSF Share:	Up to the lesser of 50% of Eligible Investment or \$3,175,000
Term:	To match that of the Lender, not to exceed 120 months
Amortization:	To match that of the Lender
Interest Rate:	1% per annum
Repayment Terms:	Up to 36 months interest only, followed by monthly principal and interest with balance due at maturity. <ul style="list-style-type: none">• Up to \$1,200,000 of the MSF Share of the loan to be forgiven following construction completion and achievement of other performance milestones.• Payment to the MSF will be contingent on a minimum Debt Service Coverage Ratio (DSCR) yet to be determined.
Collateral:	To match that of the Lender, anticipated to be a 1st mortgage and assignment of rents and leases for 400 N River St., Ypsilanti, MI. MSF Interest to be subordinated to that of the Lender.
Guarantee:	To match that of the Lender, anticipated to be personal guarantees of Jon Carlson, Greg Lobdell, Robert Eisman, Liz Marek, and Chester Czaplicka. MSF Interest to be subordinated to that of the Lender.
Fee:	The MSF shall be paid a one-time fee equal to one percent of the MSF's award. The Lender may charge the borrower for this fee.
Funding:	The MSF will fund up to \$3,175,000 to be disbursed following closing of the Loan and achievement of other performance criteria.
Other Conditions:	The MSF's investment will be contingent upon receipt and review of the following: <ul style="list-style-type: none">• Evidence of a minimum owner equity contribution of \$2,190,000 to the project• Lender commitment and underwriting documentation• Final Development Budget

- Executed Guaranteed Maximum Price
- A requirement for installation of a rooftop solar array will be detailed in the final Agreement
- Receipt of affidavit from Fred Beal, Stewart Beal and Nora Wright that they do not and will not have a financial interest in the project until at least 2030

Recommendation

The MEDC staff recommends approval of an amendment to the MCRP Other Economic Assistance Performance-Based Loan Participation Agreement and any related ancillary agreements to 1) extend the deadline for Milestone Two, Project Completion, from January 31, 2020 to December 31, 2020 and to 2) modify the scope of the solar array per the Company's request dated January 29, 2020.

APPENDIX A – Organizational Chart

The Original and Only Thompson Block, LLC Organizational Structure				
The Original and Only Thompson Block, LLC IN: 81-3952387				
The Original and Only Thompson Block, LLC Manager: Jon Carlson				
Member	Ownership Interest	EIN	State of Organization	
3Mission Michigan Real Estate Fund, LLC	77.40%	82-2491733		
3mission Design and Development, LLC	20.00%	82-0622801		
Jatinder-Bir Sandhu	12.21%			
Sook Ja Kim	6.11%			
BBI Art Investments, LLC	7.94%	81-5016993		
Ronald Schmier Living Trust	0.61%			
Chris Newton	1.83%			
Robert H. McCurren	3.66%			
Papadopoulos Family Trust	7.33%			
Fedovest, LLC	2.44%	83-0517006		
Peter C. Grimes and Kimberly G. Grimes Revocable Trust	2.44%			
Stacy Weissman	1.22%			
Jeff Bocan	4.89%			
Mark J Bernstein and Rachel A. Bendit JTWROS	1.22%			
Harvey Eisman	2.44%			
Todd M. Gensheimer Living Trust	12.21%			
Robert H. McCurren	4.89%			
Marc Zimmerman	0.61%			
Thomas M. Bloom Revocable Living Trust	4.89%			
Walley M. Fikri Living Trust	1.22%			
Robert J. Schmier and Linda S. Schmier , TBE	1.83%			
Thompson Block Partners, LLC	10.30%	36-4748039		
Historic Equities Fund, LLC	13.30%	20-2969996		
Amherst Fund II, LLC 6.08	6.08%	20-8064994		
Thomas & Michelle Richardson	1.52%			
Stephen B Dobson Trust	1.52%			
Lance Holland	1.52%			
Don Ferris	1.52%			
Mary F. White Trustee	0.76%			
Samuel Frank	0.38%			
Thompson Block, LLC/Elan Ruggill and Sarah Okin	13.13	47-1696506		
Jefferson Property Acquisition, LLC/Jerome Huez	2.43%	38-2194382		
HF Property Investments, LLC/Jerome Huez	8.51%	27-3764664		
Tyler Weston	2.43%			
Amherst Fund II, LLC/Matt Turner	3.65%	20-8064994		
N Group, LLC/John Nechiporchik	3.65%	46-5703249		
Richard McCauley	0.63%			
P&T Financial II, LLC/Kathleen Burke	1.22%	46-397-1923		
Greiner Thompson Block, LLC/David Greiner	1.22%	465-50-3430		
Dan Nadel	3.65%			
Joshua Kay and Carolyn Hatcher-Kay	1.22%			
Benjamin Ruggill	3.65%			
Rich Family Trust	1.22%			
NextGen Perry, LLC/Ron Perry	3.65%			
Jud Ruggill	1.22%			
Robert Ruggill	1.22%			
Michael Ruggill	2.43%			
Brett & Lin Burkhead	6.08%			
Amir Sadr	4.86%			
Jeremy Bracken	1.22%			
Diehunsch Properties, LLC	4.86%	36-4748039		
Yoshi Slabosky	2.43%			
Alison Joy Bank Trust	0.61%			
Carrie Bank Family Trust	0.61%			
Morris Bank	3.65%			
Praveena & Madhan Ramaswami	3.65%			
Beth Fineburg	1.22%			
Scott Kellman	2.43%			
Czaplicka Trust	3.69%			
Alex and Victory Czaplicka	8.61%			

MICHIGAN STRATEGIC FUND

RESOLUTION

2020 -037

APPROVAL OF AN AMENDMENT TO A MICHIGAN COMMUNITY REVITALIZATION PROGRAM OTHER ECONOMIC ASSISTANCE PERFORMANCE-BASED LOAN PARTICIPATION AWARD FOR THE ORIGINAL AND ONLY THOMPSON BLOCK, 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 2017-216 on December 19, 2017 the MSF Board awarded a MCRP Other Economic Assistance Performance-Based Loan Participation Award to The Original and Only Thompson Block, LLC and 3mission Redevelopment Corporation, in furtherance of the Project of up to \$3,175,000 (“Award”);

WHEREAS, by Resolution 2018-088 on June 26, 2018, the MSF Board re-approved and amended the Applicant’s Award to change the senior lender, the senior lender loan amount, increase the Developer Equity contribution, remove 3mission Redevelopment Corporation from the Award, and allow more time to execute the final MSF Agreement;

WHEREAS, by Resolution 2018-207 on December 18, 2018, the MSF Board re-approved and amended the Applicant’s Award to allow additional provisions whereby MSF repayments could be suspended or subordinated and allow additional time to execute the final MSF Agreement;

WHEREAS, the MEDC is recommending that the MSF approve the amendment recommendation to 1) extend the deadline for Milestone Two from January 31, 2020 to December 31, 2020 and to 2) modify the scope of the solar array, 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, Paul Ajegba, Ronald W. Beebe, Mark Burton, Jeff Donofrio, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner

Nays: None

Recused: None

Lansing, Michigan
April 14, 2020



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
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GRETCHEN WHITMER
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January 16, 2020

Ms. Rhonda Bishop
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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: April 14, 2020

To: Michigan Strategic Fund Board

From: Lisa Edmonds, Brownfield and MCRP Program Specialist

Subject: Request for Approval of an Act 381 Work Plan Amendment #1
Capital City Market Project

Request

The City of Lansing Brownfield Redevelopment Authority is requesting an amendment to add eligible property to the existing Work Plan due to the extension of property boundaries as a result of the developer's acquisition of .05 acres from an adjacent parcel and an easement consisting of .01 acres from the same parcel. The extension of property boundaries will accommodate the construction of building foundations. The amendment will not result in a change in the overall total estimated eligible activities nor the tax increment revenues generated by the project. However, it is expected that eligible activities will occur within the extended boundary of the project. The project qualifies for an Act 381 Work Plan amendment because the property being added is a facility (contaminated) or adjacent and contiguous.

Background

A Work Plan was originally approved for this project by the MSF Board on December 18, 2018 and originally anticipated \$5,908,518 in Infrastructure Improvements, Site Preparation, Contingency, Interest, and Brownfield Plan/Work Plan Preparation activity costs. The project will demolish existing structures resulting in the new construction of a four-story, mixed-use building consisting of an urban grocery market, market-rate residential units, and a hotel. In addition, the project's infrastructure improvements include 17,971 square feet of sidewalks, an approximately 450 square foot green roof, a 133 linear foot 4-inch gas main, 2,250 square feet of landscaping, and 1,400 square feet of curbs and gutters along Michigan Avenue and Larch Street.

The property acquisition and easement will allow the developer to control costs on the project and efficiently construct foundations on this portion of the property. Without the additional property, extensive shoring activities would be required that are not economical to the overall development. The Lansing Brownfield Redevelopment Authority amended the Brownfield Plan on December 2, 2019, to recognize the extended property boundaries due to the property acquisition and easement. All parcels now qualify as either a facility or adjacent and contiguous.

Appendix A includes the original and proposed site boundary maps and **Appendix B** includes the organizational charts.

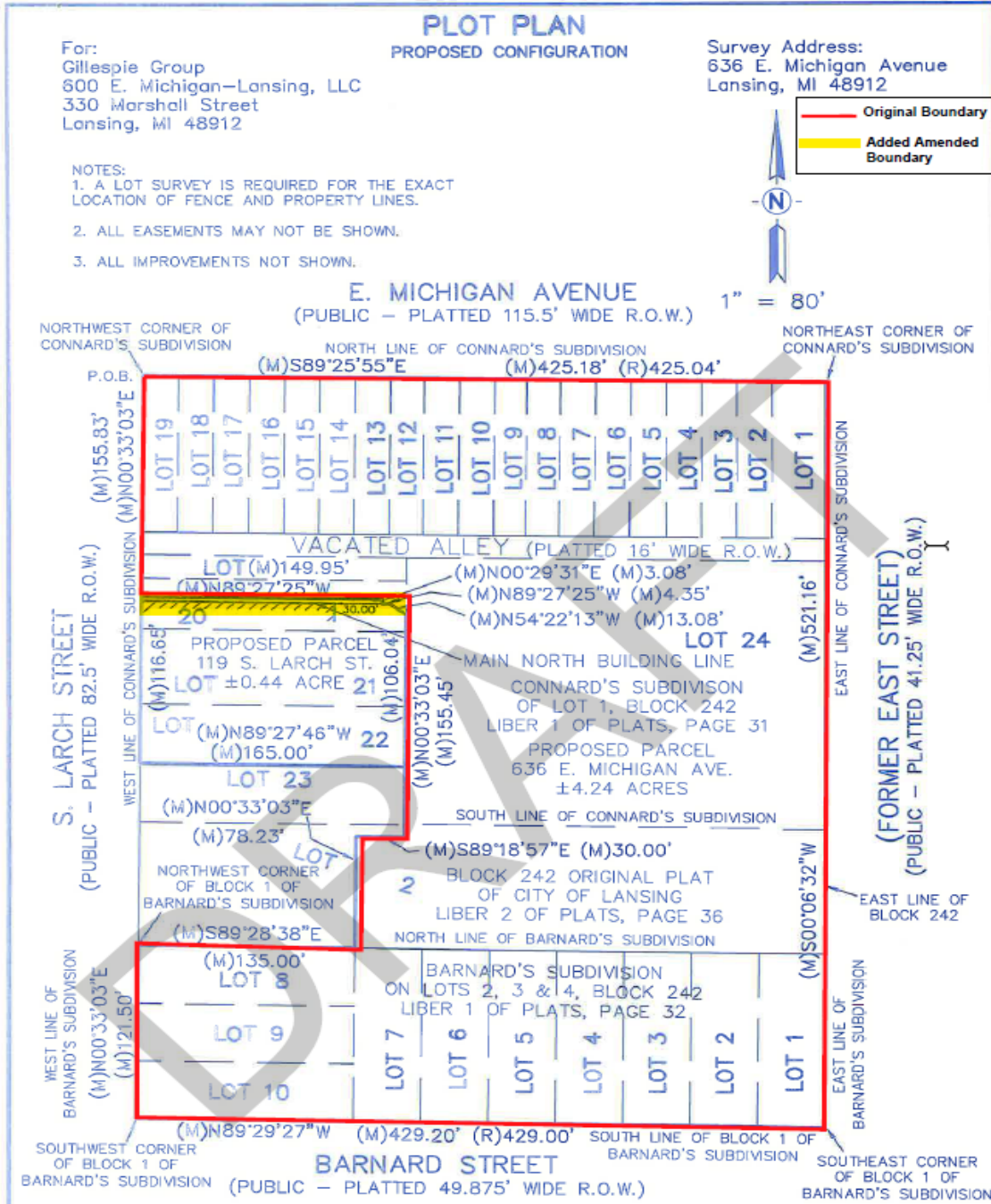
Recommendation

MEDC staff recommends approval of the addition of eligible property to the existing Work Plan.

APPENDIX A - ORIGINAL SITE BOUNDARIES



APPENDIX A - PROPOSED SITE BOUNDARIES



APPENDIX B – ORGANIZATIONAL CHARTS

Block 600, LLC Organizational Structure						
Block 600, LLC EIN: 84-2188882						
Block 600, LLC Manager: Gillespie Group Manager, Inc.						
Member			Ownership Interest	EIN	State of Organization	
Block 600, LLC			100.00%	84-2188882	Michigan	
	Patrick K. Gillespie Trustee of the Patrick K. Gillespie Trust U/A/D 7/30/1999 as amended	1.00%				
	Gillespie Group Manager, Inc.	1.00%		46-2198747	Michigan	
	Block 600 Opportunity Zone Fund, LLC	98.00%		84-2196336	Michigan	
Key Principals/Guarantors:		Amount of Guarantee				
	Member Name					
	Member Name					
	Member Name					
Instructions: Include member names of the first layer of companies. Include member names of the second layer companies if the company						
has a 20% or higher share of ownership in the project. Percentages shown are examples. Add or delete rows as necessary.						

600 E Michigan-Lansing, LLC Organizational Structure						
600 E Michigan-Lansing, LLC EIN: 46-3732418						
600 E Michigan-Lansing, LLC Manager: Gillespie Group Manager, Inc.						
Member			Ownership Interest	EIN	State of Organization	
600 E. Michigan-Lansing, LLC			100.00%	46-3732418	Michigan	
	Patrick K. Gillespie Trustee of the Patrick K. Gillespie Trust U/A/D 7/30/1999 as amended	1.00%				
	Gillespie Group Manager, Inc.	1.00%		46-2198747	Michigan	
	Capital City Market Opportunity Zone Fund, LLC	98.00%		84-2213625	Michigan	
Key Principals/Guarantors:			Amount of Guarantee			
	Member Name					
	Member Name					
	Member Name					
Instructions: Include member names of the first layer of companies. Include member names of the second layer companies if the company has a 20% or higher share of ownership in the project. Percentages shown are examples. Add or delete rows as necessary.						

MICHIGAN STRATEGIC FUND

**RESOLUTION
2020-038**

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN
CITY OF LANSING BROWNFIELD REDEVELOPMENT AUTHORITY
CAPITAL CITY MARKET DEVELOPMENT PROJECT
AMENDMENT #1**

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

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

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

WHEREAS, the MSF Board approved a Work Plan request for Capital City Market Development Project (the “Project”), by Resolution 2018-223 on December 18, 2018, authorizing the Authority to capture taxes levied for school operating purposes based on a maximum of \$5,908,518 in eligible activities;

WHEREAS, the City of Lansing Brownfield Redevelopment Authority (the “Authority”) wishes to amend the Work Plan to add eligible property;

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 amended Brownfield Work Plan by the MSF Board.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board recognizes the addition of eligible property as described in the revised Work Plan dated February 12, 2020, and reaffirms its December 18, 2018 approval authorizing the Authority to capture taxes levied for school operating purposes in substantially the same proportion as 35.45% to 64.55% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation and infrastructure improvements as stated in Resolution 2018-223. 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 \$3,216,825 for the principal activity costs of non-environmental activities and a contingency, a maximum of \$2,661,693 in interest, a maximum of \$15,000 for Brownfield/Work Plan preparation, and a maximum of \$15,000 for Brownfield/Work Plan implementation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$2,094,570.

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 the MSF Board authorizes that capture of taxes levied for school operating purposes for the payment of interest, up to a maximum of \$2,661,693 related to the eligible activities for the Project.

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2018-223 are reaffirmed, and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

Ayes: Britany L. Affolter-Caine, Paul Ajegba, Ronald W. Beebe, Mark Burton, Jeff Donofrio, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner

Nays: None

Recused: None

Lansing, Michigan
April 14, 2020



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: April 14, 2020

To: Michigan Strategic Fund Board

From: Michele Wildman, Senior Vice President, Community Development
Joshua Hundt, Executive Vice President, Chief Business Development Officer
Mark Morante, Fund Manager

Subject: Request for Approval of MSF Awardee Relief Initiative and Delegation of Authority

REQUEST

The Michigan Economic Development Corporation (“MEDC”) requests that the Michigan Strategic (“MSF”) MSF Board establish the Michigan Strategic Fund Awardee Relief Initiative (the “Initiative”) and formally adopt the Initiative and delegate authority to certain individuals to implement the Initiative to reduce the economic impact of COVID-19 on businesses, their employees and residents of Michigan. The Initiative and proposed delegation of authority is intended to sunset after one year (the “Request”).

BACKGROUND

In order to mitigate the spread of COVID-19, on March 16, 2020, Governor Whitmer issued Executive Order [2020-9](#) to temporarily close theaters, bars, coffee houses, performance venues, casinos and more and limit restaurants to carry-out and delivery orders only, and Executive Order [2020-10](#) to provide temporary expansions in unemployment insurance eligibility. On March 23, 2020, the Governor issued Executive Order [2020-21](#) temporarily requiring the suspension of all activities that are not necessary to sustain or protect life. The MEDC supports the Governor in taking these decisive and necessary actions to limit the spread of COVID-19 throughout Michigan.

Although necessary, the Executive Orders have impacted many businesses and individuals negatively affecting their ability to meet their financial obligations. The Executive Orders have forced business to close and have curtailed other business activities. An unknown number of individuals are now temporarily out of work or are experiencing diminished incomes. MSF supported projects have also been impacted.

Data from March 2020 indicates that approximately 117,000 food service, gym, recreational service, retail and related personal service businesses are directly impacted by Executive Order 2020-9. These businesses employ over 593,000 Michiganders. The MSF has 46 active direct loan and loan participation agreements related to real estate redevelopment projects in some of the State’s most vulnerable communities. The MSF has 328 active BDP grant awards across all industries and communities. The Capital Access program has assisted 208 awardees across the state through the Collateral Support and Loan Participation programs. The preferred lender list will also be updated in the delegation of authority to include six additional lenders. CDBG has 100 grants and 37 loans. The 21st Century Loan and Equity

Portfolio also contains 35 loans and investments from legacy programs. The economic pressures caused by the COVID-19 pandemic are already being realized by recipients of MSF incentives. Awardees have contacted MEDC staff with concerns about the COVID-19 pandemic's impact on current and future project cash flows. There are also several grants experiencing delays which will impact their ability to meet milestone and other project deadlines. MEDC staff expects other awardees' ability to meet agreed upon milestones and other project deadlines to be negatively impacted by this pandemic.

The MEDC is recommending the Initiative and attendant Delegation of Authority to provide emergency relief to MSF awardees who have borrowed funds, received grant awards, were supported with equity investments or received other forms of economic assistance from the MSF. Through the Initiative, the MSF would be able to assist in the long term sustainability of all projects and businesses that it has provided financing to, allowing the companies to provide similar relief to numerous small businesses, resident tenants, and employees trying to make ends meet in this difficult time.

INITIATIVE SUMMARY

The temporary Initiative authorizes the following: 1) to provide up to twelve (12) months of deferred payments on any direct loan, loan participation, equity agreement or other financing agreement and 2) extend Milestone due dates, maturity dates, or other dates within existing loan, grant, or equity agreements for a period not to exceed twelve (12) months and 3) approve refinance requests that do not negatively impact the MSF position or likelihood of repayment and 4) approve extension of loan, grant, or equity agreement execution deadlines for a period not to exceed twelve (12) months and 5) eliminate milestones and reducing qualified new job requirements with a proportional reduction of the grant award, in order to re-size the project scope. All requests will need to be approved by the MSF Fund Manager, the MSF President and the State Treasurer, with only two required to act for a decision and only one required to sign final documents. Refinancing will not permit principal forgiveness, interest reduction, or re-amortization on the MSF debt, but may result in term extension. Payment deferment would consist of either principal or principal and interest relief as needed. The Initiative will be in place for one year from the time of approval and available for any MSF program awardee or ultimate beneficiary negatively financially impacted as a result of the COVID-19 pandemic. All applicants will be evaluated on at least the following criteria:

- Evidence of suspension of tenant evictions for a minimum period matching the length of any MSF payment deferment or a period up to twelve (12) months, if applicable; and
- Income loss, credit enhancement needs or restrictions, retooling of facilities to meet emergency needs, job creation issues, job retention issues, other community needs or project delays due to COVID-19.

The Initiative will require applicants to meet the following requirements:

- Applicant must be and remain current on all reporting requirements associated with their MSF Agreements;
- Applicant may be required to submit periodic reporting during the deferment period. To the extent applicable, reporting requirements may consist of lender updates, residential and commercial rent rolls, jobs numbers at the project, and other financial or project information requested by the MEDC;

- Owner distributions (beyond normal payroll) will be prohibited during any MSF payment deferment period, with the exception of those distributions necessary to cover the taxes of the company or project.

The MEDC is requesting the creation of the Initiative, as outlined in the attached guidelines, to assist businesses with MSF incentives facing drastic reductions in cash flow or delays in project progress due to the pandemic. In order to provide relief quickly and efficiently, the MEDC is requesting that the MSF Board delegate authority to approve requests that are consistent with the Initiative Guidelines, and are in the best interest of the MSF. This Initiative is designed to address the immediate needs of MSF awardees related to the COVID-19 pandemic. Both the Initiative and the Delegation of Authority will sunset twelve (12) months after approval as described in the Initiative Guidelines.

DOCUMENTATION AND REPORTING

All MSF relief provided through this Initiative shall be memorialized by final written award agreements or addendums, with terms and conditions in accordance with state law, these attached Resolution and otherwise satisfactory to the MSF Fund Manager, including, to the extent applicable and without limitation, any required quarterly reporting of rent rolls, financial information, and any other information required to facilitate reporting to the MSF and the Michigan legislature.

RECOMMENDATION

The MEDC recommends the MSF Board:

- Authorize the Initiative Guidelines, as outlined in the attached resolution; and
- Authorize Delegation of Authority for the Initiative, as outlined in the attached resolution.

EXHIBIT A

MSF AWARDEE RELIEF INITIATIVE GUIDELINES

PURPOSE

The MSF Awardee Relief Initiative (“Initiative”) is intended to provide temporary relief to Michigan Strategic Fund (“MSF”) borrowers, grantees and other incentive awardees. Relief will vary based on a case by case review of requests and may include payment deferment, milestone extensions, maturity date extensions, refinance authorizations, re-size project scopes by reducing qualified new jobs and/or award amounts, and extensions of agreement execution deadlines to awardees of MSF Grants, Direct Loan and Loan Participation, Equity Investment and other MSF activity and credit enhancement awards in order to bolster the sustainability of the MSF supported projects and to assist awardees.

INITIATIVE OVERVIEW

The temporary Initiative authorizes the following: 1) to provide up to twelve (12) months of deferred payments on any direct loan, loan participation, equity agreement, or other financing agreement and 2) extend Milestone due dates, maturity dates, or other dates within existing loan, grant, or equity agreements for a period not to exceed twelve (12) months and 3) approve refinance requests that do not negatively impact the MSF position or likelihood of repayment and 4) approve extension of loan, grant, or equity agreement execution deadlines for a period not to exceed twelve (12) months and 5) eliminate milestones and reducing qualified new job requirements, with a proportional reduction of the grant award, in order to re-size the project scope. All requests will need to be approved by the MSF Fund Manager, the MSF President and the State Treasurer, with only two required to act for a decision and only one required to sign final documents. Refinancing will not permit principal forgiveness, interest reduction, or re-amortization on the MSF debt, but may result in term extension. Payment deferment would consist of either principal or principal and interest relief as needed. The Initiative will be in place for one year from the time of approval and available for any MSF program awardee or ultimate beneficiary negatively financially impacted as a result of the COVID-19 pandemic. All applicants will be evaluated on at least the following criteria:

- Evidence of suspension of tenant evictions for a minimum period matching the length of any MSF payment deferment or a period up to twelve (12) months, if applicable; and
- Income loss credit enhancement needs or restrictions, retooling of facilities to meet emergency needs, job creation issues, job retention issues, other community needs or project delays due to COVID-19.

Initiative applicants must meet the following requirements:

- Applicant must be and remain current on all reporting requirements associated with their MSF Agreement;
- Applicant may be required to submit periodic reporting during the deferred payment period. Reporting requirements will consist lender updates, residential and commercial rent rolls, jobs numbers at the project, and other financial or project information requested by the MEDC;
- Owner distributions will be prohibited during any period of MSF payment deferment.

DOCUMENTATION AND REPORTING

All MSF support through this initiative shall be memorialized by final written amendments to existing award agreements or addendums, with terms and conditions in accordance with state law, these guidelines and otherwise satisfactory to the MSF, including, to the extent applicable and without limitation, requiring performance-based milestones; and required quarterly reporting of rent rolls, financial information, and any other information required to facilitate reporting to the MSF and the Michigan legislature. The MEDC will provide a report to the MSF Board of all delegated actions taken under the Initiative on a quarterly basis.

MICHIGAN STRATEGIC FUND

RESOLUTION

2020-039

AWARDEE RELIEF INITIATIVE

WHEREAS, pursuant to Executive Order 2020-4, Governor Whitmer declared a state of emergency across Michigan under Section 1 of Article 5 of the Michigan Constitution of 1963, the Emergency Management Act, 1976 PA 390, as amended, MCL 30.401-.421, and the Emergency Powers of the Governor Act of 1945, 1945 PA 302, as amended, MCL 10.31-.33;

WHEREAS, under Section 1 of Michigan Strategic Fund Act (“MSF Act”), MCL.125.2001, the Michigan legislature declared, among other things, it is necessary to alleviate and prevent conditions of unemployment and to preserve existing jobs and create new jobs. and to make available public and private development finance opportunities to businesses and communities within Michigan;

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

WHEREAS, recipients of incentive awards from the MSF are experiencing significant financial hardship as a result of the COVID-19 pandemic and the declaration of a state of emergency;

WHEREAS, in order to provide temporary emergency relief to awardees of MSF incentives and to ensure the long-term sustainability of projects and companies in the MSF incentive portfolios, the MEDC recommends that the MSF Board adopt the MSF Awardee Relief Initiative set forth in Exhibit A to this Resolution (the “Recommendation”); and

WHEREAS, the MSF Board wishes to adopt the Recommendation.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board adopts the Recommendation, effective April 14, 2020 through April 14, 2021.

Ayes: Britany L. Affolter-Caine, Paul Ajegba, Ronald W. Beebe, Mark Burton, Jeff Donofrio, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner

Nays: None

Recused: None

Lansing, Michigan
April 14, 2020



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 2020-040

STRATEGIC FUND DELEGATION OF AUTHORITY

WHEREAS, pursuant to Executive Order 2020-4, Governor Whitmer declared a state of emergency across Michigan under Section 1 of Article 5 of the Michigan Constitution of 1963, the Emergency Management Act, 1976 PA 390, as amended, MCL 30.401-.421, and the Emergency Powers of the Governor Act of 1945, 1945 PA 302, as amended, MCL 10.31-.33;

WHEREAS, under Section 1 of Michigan Strategic Fund Act (“MSF Act”), MCL.125.2001, the Michigan legislature declared, among other things, it is necessary to alleviate and prevent conditions of unemployment and to preserve existing jobs and create new jobs. and to make available public and private development finance opportunities to businesses and communities within Michigan;

WHEREAS, under Section 2 of the MSF Act, MCL 125.2002, the purposes of the MSF Act and the Michigan Strategic Fund (“MSF”), among other things, is to assist businesses in obtaining additional sources of financing to aid Michigan in achieving the goal of long-term economic growth and full employment, to preserve existing jobs, to create new jobs, to reduce the cost of business and production, to alleviate and prevent unemployment through the retention, promotion, and development of facilities, activities, and industry, and otherwise assist in the achievement of foregoing findings and declarations of the Michigan legislature under the MSF Act;

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

WHEREAS, in this state of emergency, the purposes of the MSF Act and the MSF are suited to the prompt delivery of economic development services and funds in furtherance of preserving the health, safety and welfare of businesses, communities and the citizens of Michigan;

WHEREAS, under Section 5 of the MSF Act, MCL 125.2005(2), the purposes, powers and duties of the MSF are vested in and shall be exercised by the MSF Board.

WHEREAS, under Section 5 of the MSF Act, MCL 125.2005(7), and consistent therewith, under Article II, Section 1 of the Amended and Restated Bylaws adopted by the MSF Board on April 22, 2014 (“Bylaws”), the MSF Board may delegate to its president, vice-president, staff, the MEDC, or others those functions and authority the MSF Board deems necessary or appropriate, unless otherwise prohibited by law;

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

WHEREAS, the MEDC recommends the MSF Board approve revisions to the SFCR in accordance with the terms and conditions of this Resolution;

WHEREAS, the MSF Board desires to approve revisions to the SFCR in accordance with the terms and conditions of this Resolution;

NOW, THEREFORE, BE IT HEREBY RESOLVED, that the MSF Board delegates the following authority effective April 14, 2020 through April 14, 2021:

125.2005-2 Michigan Strategic Fund Awardee Relief Initiative

(1) The MSF President, the MSF Fund Manager, and the State Treasurer, with only two required to act, may approve the following actions under the Michigan Strategic Fund Awardee Relief Initiative:

1. to provide up to twelve (12) months of deferred payments on any direct loan, loan participation, equity agreement, or repayment agreement;
2. to extend Milestone due dates, maturity dates or other dates within existing loan, grant, or equity agreements for a period not to exceed twelve (12) months;
3. to approve refinance requests that do not negatively impact the MSF position or likelihood of repayment;
4. to approve extension of loan, grant, or equity agreement execution deadlines for a period not to exceed twelve (12) months; and
5. to approve amendments that eliminate milestones and reduce qualified new job requirements so long as the award amount is proportionately reduced.

(2) The MSF President, the MSF Fund Manager, and the State Treasurer, with only one required to act, may negotiate the terms and conditions and execute all final documents necessary to effectuate awards and decisions approved under the Michigan Strategic Fund Awardee Relief Initiative.¹²

125.2088d-1 Loan Enhancement Program

- Update subsections (3) of 125.2088d-1 to include the following lenders as partner institutions:
 - o CIBC Bank USA
 - o Oxford Bank
 - o KeyBank
 - o Macatawa Bank
 - o Horizon Bank
 - o Crestmark

10.5-1 State Small Business Credit Initiative

- Update subsections (1a), (2a), and (3a) of Section 10.5-1 to include the following lenders as partner institutions:
 - o CIBC Bank USA
 - o Oxford Bank
 - o KeyBank
 - o Macatawa Bank
 - o Horizon Bank
 - o Crestmark

BE IT FURTHER RESOLVED, the MSF President shall compile and publish the above delegated authority as required under Article III of the Bylaws.

Ayes: Britany L. Affolter-Caine, Paul Ajegba, Mark Burton, Jeff Donofrio, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner

Nays: Ronald W. Beebe

Recused: None

Lansing, Michigan
April 14, 2020



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

To: Michigan Strategic Fund Board

From: Chris Cook, Director – Capital Access

Date: April 14, 2020

Subject: Loan Request – Northern Great Lakes Initiatives (and/or related borrower)

Request

This request is to approve a loan of up to \$2,000,000 to Northern Great Lakes Initiatives (“NI”), a Community Development Finance Institution (“CDFI”) regulated by the US Department of Treasury. The proposed funding would be used by NI to provide loans to small businesses located within its 73-county service area.

Background

NI is a non-profit 501(c)(3) formed in 1992 by Northern Michigan University. NI provides business loans to existing and start-up businesses primarily in underserved rural markets. NI provides loans from \$1,000 to \$1,000,000 in size. Since inception NI has made over 1,200 loans totaling \$72 million. 30% of the loans provided by NI have been made to women owned business and about 30% to start-up businesses. Of businesses receiving a loan from NI in 2019, 26% of those businesses were woman owned, 13% veteran owned, and 16% minority owned. The percentage of minority owned borrowers was the highest recorded by NI since its inception. In addition to its lending activities, NI provides technical assistance, training, and consulting to all companies in its loan portfolio. In 2015 NI launched a loan customer portal to offer learning opportunities to its clients.

NI will use the loan capital to provide micro and small business loans to qualified borrowers located in its Michigan service area, which is comprised of 73 counties in the state. NI’s service area includes all counties in Michigan except Wayne, Oakland, Macomb, Genesee, Shiawassee, Lapeer, St. Clair, Tuscola, Sanilac, and Huron. As a condition of providing and maintaining the proposed financing to NI, MSF will require that at least 70% of the projects funded using the MSF loan proceeds will be provided to small businesses located in an economically disadvantaged area.

Loans to be provided by NI to small businesses which utilize the proposed MSF funding will meet the following structural guidelines

- Loans generally ranging from \$5,000 to \$250,000 and in no case exceeding \$500,000.
- Loan proceeds to be used for working capital, acquisition of machinery and equipment, real estate acquisition and/or improvement, and inventory.
- Collateral is required in some form for all loans.

- Guarantees of owners having 20% or greater of the small business acting as the borrower is required in all cases.

Loan Facility

MSF Incentive:	Non-Revolving Draw Facility
Borrower(s):	Northern Great Lakes Initiatives (and/or related borrowers)
Loan Amount:	\$2,000,000
Interest Rate:	1% per annum
Draw Period:	24 months following loan closing.
Term:	Interest only for 60 months following loan closing followed by a fully amortizing 60-month term

NI Staff Experience

Dennis West (President) has served as President of NI for the last 25 years. Mr. West has more than 35 years of experience in community economic development. He has a vast network of connections through his work serving as a board member or advisory committee member for various lending and economic development entities including the Michigan Magnet Fund, Michigan Redevelopment Ready Communities, and the Michigan Good Food Fund.

Elissa Sangalli (Senior Vice President/Incoming CEO) joined NI in March 2020. Ms. Sangalli is currently familiarizing herself with operations at NI in anticipation of becoming CEO when Mr. West retires in June 2020. Prior to joining NI, Ms. Sangalli served as the President of Local First and Founder of Good for Michigan, bringing nearly 1,000 West Michigan businesses together to collaborate in building a vibrant community that encourages sustainable business, social enterprise development, and the creation of a more equitable and inclusive region.

Charles Hurst (Vice President, Commercial Lending) joined NI in March 2012. Prior to joining NI Mr. Hurst was COO of a start-up manufacturing company and also served as Vice President of Shorebank BIDCO, a mezzanine financing company which works in conjunction with NI.

Financial Evaluation

Financial performance of NI was evaluated for 2017 through 2019.

	2017	2018	2019
Notes Receivable	\$ 10,982,652	\$ 14,368,695	\$ 18,007,524
Notes Receivable Advanced	\$ 4,862,510	\$ 5,344,894	\$ 7,696,413
Charge Offs	\$ 475,118	\$ 141,253	\$ 732,583
Charge Off %	4.33%	0.98%	4.07%
Net Change in Assets	\$ (177,698)	\$ 2,148,654	\$ 6,658

The ratio of both charge offs has remained consistent despite a marked increase in total loans outstanding. A loan loss reserve is maintained at all times at an amount equal to not less than 5% of total loans outstanding, though LLR may be increased for specific loans based on a downgrading of those assets.

Projections provided by NI state an anticipated continued increase in new loan volume annually through 2023. Projected new loan volume is anticipated to increase to \$9.35 million in 2023.

Recommendations

Staff has independently reviewed various aspects of NI's operational performance including confirming financial performance and recommends the following:

- Approval of funding from existing recycled funds of the Michigan Supplier Diversification Program, and a loan, of up to \$2 million from the MSF to Northern Great Lakes Initiatives and/or related borrower.
- The loan agreement shall have its final terms and conditions negotiated by the MSF Fund Manager or the MSF President, with only one required to act, and shall be compliant with all MSF requirements.
- This approval shall expire in 180 days and may be extended for an additional 60 days by the MSF Fund Manager, or the MSF President, with only one required to act.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2020-041**

**APPROVAL OF FUNDING AN INVESTMENT FUND LOAN
TO NORTHERN GREAT LAKES INITIATIVES (AND/OR RELATED BORROWERS)**

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

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

WHEREAS, as part of the 21st Century Jobs Trust Fund initiative, and pursuant to MCL 125.2088h(1), the Jobs for Michigan investment fund was created as a permanent fund authorized by the state constitution (“Investment Fund”);

WHEREAS, pursuant to MCL 125.2088(h)(5)(b), the Investment Fund consists of, among other things, return on investments, return on principal, payments made, or other money received by or payable to the MSF under agreements related to grants, loans or investments made by the MSF under Chapter 8A or Chapter 8C;

WHEREAS, by Resolution No. 2009-046, the MSF Board approved the creation and operation of the Michigan Supplier Diversification Fund (“MSDF”), a Chapter 8A loan enhancement program under MCL 125.2088d(1);

WHEREAS, by Resolution No. 2009-046, the MSF Board approved funding MSDF programs with Investment Fund monies, and further approved that repayments to the MSF from any of the MSDF programs be recycled to fund the MSDF;

WHEREAS, pursuant to Chapter 8A, specifically, MCL 125.2088(b)(2)(c), MSDF monies are authorized to be invested for programs or activities authorized under the MSF Act as long as the programs or activities provide for repayment for breach of the written agreement or the failure to meet measurable outcomes;

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

WHEREAS, Northern Great Lakes Initiatives have requested a loan of up to \$2 million to provide loan funding to certain small business operating companies toward among other things, maintaining and growing the operation of those companies, along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”) (the, foregoing, collectively, “NI Investment”);

WHEREAS, the MEDC recommends that the MSF approve funding of up to \$2 million from MSDF to fund the NI Investment (“Funding”);

WHEREAS, the MEDC recommends that the MSF approve the NI Investment in accordance with the Term Sheet, subject to: (i) available Funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of transaction documents within 180 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 or the MSF President, with only one required to act, the Time Period may be extended for up to an additional 60 days (the foregoing, collectively, the “Recommendation for the NI Investment”).

WHEREAS, the MEDC recommends that the MSF Board delegate to the MSF Fund Manager or the MSF President, with only one required to act, the authority to negotiate the final terms and conditions of, and sign, all documents necessary to effectuate the NI Investment in accordance with the terms stated in Exhibit A (“Delegation to Finalize the NI Investment”).

NOW THEREFORE, BE IT RESOLVED, the MSF approves the Funding;

BE IT FURTHER RESOLVED, the MSF approves the Recommendation for the NI Investment; and

BE IT FURTHER RESOLVED, the MSF approves the Delegation to Finalize the NI Investment.

Ayes: Britany L. Affolter-Caine, Paul Ajegba, Ronald W. Beebe, Mark Burton, Jeff Donofrio, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner

Nays: None

Recused: None

Lansing, Michigan
April 14, 2020

EXHIBIT A
“TERM SHEET”

LOAN FACILITY

MSF Incentive:

Non-Revolver Draw Facility

Borrower(s):

Northern Great Lakes Initiatives (and/or related borrowers)

Loan Amount:

\$2,000,000

Interest Rate:

1% per annum

Draw Period:

24 months following loan closing.

Term:

Interest only for 60 months following loan closing followed by a fully amortizing 60-month term

Repayment Terms:

Anticipated to be monthly interest only payments for the first 60 months following closing. Payments made in excess of interest due will be applied to principal. Once principal is repaid, it may not be redrawn. Payments of principal and interest will begin at 61 months following closing and will be paid monthly with all principal due to be repaid no later than 120 months following closing.

Collateral:

Anticipated to be assignment/pledge by NI of a controlled deposit account setup to invest in projects financed and an assignment/pledge of payments from NI related to individual project loans.

Guarantee:

N/A

Funding:

Individual advances will be subject to MEDC staff review and approval by the MSF Fund Manager, the MSF President, or the MSF Financial Officer, with only one required to act.

Other Requirements:

Anticipated to consist of the following with final terms to be negotiated:

- Individual draws under the term loan should not be for an amount less than \$400,000 or greater than \$1,000,000.
- Each advance will be subject to funding availability.
- Not less than 70% of the projects funded using proceeds of the loan will be to companies located in a Geographically Disadvantaged Area as defined by MEDC.
- Borrower will provide a full reporting of all loans provided using loans proceeds on a quarterly basis.



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: April 14, 2020

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

From: Trevor Friedeberg, Director, Business Development Projects

Subject: Agreement Amendment, Transfer Request and Adoption of Transfer Policy
Michigan Economic Growth Authority Tax Credit (“MEGA”)
Federal-Mogul LLC and Tenneco Inc. (“Companies”)

Request

This is a request to reaffirm the amendment approved by the Michigan Strategic Fund Board on November 27, 2018 and authorize the transfer of the existing MEGA Agreement, as amended, and MEGA tax credit benefits from Federal-Mogul LLC (formerly Federal-Mogul Corporation) (“Federal-Mogul”) to Tenneco Inc. (“Tenneco”). It is further requested the MSF adopt a policy allowing this one-time transfer of a MEGA Agreement and MEGA credit from Federal-Mogul LLC to Tenneco Inc. (“Request”).

Company Background

Tenneco is one of the world’s largest designers, manufacturers and marketers of clean air and ride performance products and systems for the automotive, commercial truck and off-highway original equipment and large engine markets, as well as the aftermarket. The Company’s history as a stand-alone entity began in 1999, when it emerged from a conglomerate formerly consisting of six businesses – ship building, packaging, farm and construction equipment, gas transmission, automotive and chemicals. Through various public offerings, sales, spin-offs and mergers beginning in the 1980s, the Company divested all of its businesses, leaving Tenneco Automotive Operating Company Inc. (“Tenneco Automotive”) as the remaining part of the original company. The automotive entities that remained showcase a rich history that defines Tenneco today. Its earliest business, the predecessor to the Walker emission control business, began in 1888, while the Monroe ride control operations trace back to 1916.

Federal-Mogul was an American developer, manufacturer and supplier of products for automotive, commercial, aerospace, marine, rail and off-road vehicles; and industrial, agricultural and power-generation applications.

On October 1, 2018 Tenneco acquired Federal-Mogul and subsequently merged with Federal-Mogul, leaving Tenneco as the surviving entity. As a result, Tenneco is the successor-in-interest to Federal-Mogul.

As of December 31, 2018, Tenneco had 2,400 full-time jobs and Federal-Mogul had 1,470 full-time jobs in the State of Michigan.



MEGA Background

In 2004, the Michigan Economic Growth Authority (“MEGA”) Board authorized a 100 percent tax credit for 20 years for the Company beginning no later than December 31, 2005 for the retention of at least 1,000 and no more than 1,866 jobs at various locations within the state, including 150 Retained Jobs at the Southfield headquarters and 220 Retained Jobs at the Greenville location. The following companies were included in the MEGA Agreement for the purposes of counting Retained Jobs: Federal-Mogul Corporation, Federal-Mogul Powertrain, Inc., Federal-Mogul World Wide, Inc. and Federal-Mogul-Piston Rings, Inc. and included facilities in Southfield, Livonia, Ann Arbor, Plymouth, Greenville, Sparta, and St. Johns.

The MEGA and/or MSF Board subsequently approved the following amendments to the MEGA Agreement:

- May 15, 2007: Transfer of the MEGA Tax Credit from Federal-Mogul Corporation to New Federal-Mogul Corporation, which was the surviving entity of a merger with Federal-Mogul Corporation.
- July 21, 2009: Reduction of the number of retained jobs required to be maintained at the Greenville facility from 220 to 150. In consideration for reducing the retained jobs at the Greenville facility, the term MEGA Tax Credit was reduced from twenty years to eighteen years.
- March 27, 2013: Addition of Federal-Mogul Vehicle Component Solutions, Inc. as an entity to be counted for retained jobs.
- June 26, 2013: Amendment to allow Federal-Mogul Corporation to move their headquarters from Southfield to another location within the boundaries of Oakland County.
- October 29, 2014: Amendment to reflect ownership structure changes at the company and add Federal-Mogul Motorparts Corporation as an Affiliated Business for purposes of counting retained jobs.

Federal-Mogul has applied for and received tax credits through tax year 2017.

In light of the acquisition and restructuring, the MSF Board authorized an amendment to the MEGA Agreement on November 27, 2018 in an effort to retain Tenneco and Federal-Mogul employees. The amendment allowed Tenneco and Tenneco Automotive jobs located in Michigan to count as retained jobs and base jobs under the MEGA Agreement for the period January 1, 2018 through December 31, 2018, increased the maximum number of retained jobs from 1,866 to 3,400, and allowed for statewide consideration for calculating base employment and retained jobs. In consideration for allowing the additional jobs and other amendments noted, the MSF Board also approved a reduction of the end of term of the Agreement by four years from December 31, 2022 to December 31, 2018 and a credit cap of \$12 million be added for tax year 2018, covering the period January 1, 2018 through December 31, 2018. The amendment would also change the repayment provisions under the MEGA Agreement to provide that a repayment of the MEGA tax credit received for the 2018 tax year may occur if 33% or more of the retained jobs used to calculate the credit are relocated out of the State of Michigan within four years of December 31, 2018. At the time of approval, there were five remaining credit years (including 2018) with an estimated total value of approximately \$40 million.

Amendment Request

While Tenneco became the successor-in-interest to Federal-Mogul, neither Tenneco, nor any of its subsidiaries or affiliates, was a filer under the Michigan Business Tax (“MBT”). Under existing legislation, MEGA credits could not be transferred to entities that were not filing under the MBT.

October 10, 2019, Public Acts 90, 91 and 92 of 2019 (a bill package, including HB 4189, HB 4190, and HB 4191) took effect. These Public Acts enable the MSF Board to transfer the MEGA Agreement and remaining MEGA credit benefit that was currently held by the certificated credit holder, Federal-Mogul, to Tenneco as a result of the October 1, 2018 acquisition. The transfer of this MEGA Agreement and credit would allow Tenneco to assume the responsibilities and benefits Federal-Mogul had previously held as the credit recipient. These statutory changes also capped the total credit Tenneco could receive for the tax year ending December 31, 2018 based on the period January 1, 2018 through December 31, 2018 at \$12 million and require the MSF to adopt a policy governing the transfer, amendment, and/or modification of this particular MEGA Agreement and credit.

In order to effectuate this transfer, the Company is seeking MSF Board approval of the transfer along with the adoption of a policy specific to this transfer allowing it to occur. Because no new eligible businesses can be certified as eligible for MEGA credits, the Public Acts allow for a one-time company specific transfer to occur in order to continue supporting job growth and investment activities within Michigan.

Recommendation

MEDC Staff recommends approval of the Request.

April 14, 2020

**Michigan Economic Growth Authority
Tax Credit Policy**

Pursuant to Section 8(13) of the Michigan Economic Growth Authority (“MEGA”) Act, MCL 207.808(13), the Michigan Strategic Fund (“MSF”), as the successor entity to the MEGA board, adopts the following policy with respect to the amendment modification, or transfer described in Section 8(12) of the MEGA Act, MCL 207.808(12):

The MEGA tax credit agreement amended by the MSF Board on November 27, 2018 may be assigned or transferred to a successor-in-interest to the entity named in the MEGA tax credit agreement provided that the amendment reduces the total amount of the credit, the modification does not extend the term of the credit, and the value of the credit taken by the successor-in-interest does not exceed \$12,000,000.

MICHIGAN STRATEGIC FUND

RESOLUTION

2020-042

FEDERAL-MOGUL CORPORATION MEGA RETENTION TAX CREDIT AMENDMENT AND ASSIGNMENT

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, the all the authority, powers, duties and functions of the MEGA Board were transferred to the Michigan Strategic Fund (“MSF”);

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

WHEREAS, on December 14, 2004, the MEGA Board authorized a Retention Tax Credit for Federal-Mogul Corporation (“Federal-Mogul” or “Company”) of up to 100 percent for twenty consecutive years for at least 1,000 and no more than 1,866 retained jobs in the State of Michigan with an average weekly wage of at least \$1,174, including 150 retained jobs at the Company’s Southfield headquarters and a minimum of 220 retained jobs at the Company’s Greenville facility (the “Federal-Mogul MEGA Tax Credit”) pursuant to the MEGA Tax Credit Agreement between MEGA and Federal-Mogul dated January 31, 2005 (the “Federal-Mogul MEGA Agreement”);

WHEREAS, the following companies were included in the Federal-Mogul MEGA Agreement and Federal-Mogul MEGA Tax Credit for the purposes of counting retained jobs: Federal-Mogul Corporation, Federal-Mogul Powertrain, Inc., Federal-Mogul World Wide, Inc. and Federal-Mogul-Piston Rings, Inc.;

WHEREAS, on May 15, 2007, the MEGA Board approved a transfer of the Federal-Mogul MEGA Tax Credit from Federal-Mogul Corporation to New Federal-Mogul Corporation, which was the surviving entity of a merger with Federal-Mogul Corporation;

WHEREAS, on July 21, 2009, the MEGA Board approved an amendment to the Federal-Mogul MEGA Agreement to reduce the number of retained jobs required to be maintained at the Greenville facility from 220 to 150. In consideration for reducing the retained jobs at the Greenville facility, the term MEGA Tax Credit was reduced from twenty years to eighteen years;

WHEREAS, on March 27, 2013, the MSF Board approved an amendment to the Federal-Mogul MEGA Agreement to add Federal-Mogul Vehicle Component Solutions, Inc. as an entity to be counted for retained jobs;

WHEREAS, on June 26, 2013, the MSF Board approved an amendment to the Federal-Mogul MEGA Agreement allowing Federal-Mogul Corporation to move their headquarters from Southfield to another location within the boundaries of Oakland County;

WHEREAS, on October 29, 2014, the MSF Board approved an amendment to the Federal-Mogul MEGA Agreement to reflect ownership structure changes at the Company and added Federal-Mogul Motorparts Corporation as an Affiliated Business for the purpose of counting retained jobs;

WHEREAS, Federal-Mogul has applied for and received tax credits through tax year 2017;

WHEREAS, effective October 1, 2018, Tenneco Inc. (“Tenneco”), one of the world’s largest designers, manufacturers, and marketers of clean air and ride performance products and systems for the automotive and commercial trucking industries, acquired Federal-Mogul for a total consideration of \$5.4 billion in the form of cash, Tenneco equity, and assumption of debt;

WHEREAS, on November 27, 2018, the MSF Board approved the following amendment to the Federal-Mogul MEGA Agreement and Federal-Mogul MEGA Tax Credit (collectively, the “Amendment Request”):

- (1) Add Tenneco Inc. and Tenneco Automotive Operating Company, Inc. as entities that may be included for the purpose of counting retained jobs and base jobs under the agreement for tax year 2018;
- (2) Increase the maximum number of retained jobs under the Federal-Mogul MEGA Tax Credit from 1,866 to 3,400;
- (3) Allow a statewide consideration for calculating base employment and retained jobs;
- (4) Reduce the term of the Federal-Mogul MEGA Tax Credit from 18 to 14 years so that the credit expires with the tax year ending December 31, 2018;
- (5) Impose a cap of \$12 million for any tax credit claimed for tax year 2018;
- (6) Require repayment of the Federal-Mogul MEGA Tax Credit if 33 percent (33%) or more of the retained jobs are relocated out of the State of Michigan within four years of December 31, 2018;

WHEREAS, the Amendment Request has not yet been finalized;

WHEREAS, Section 8(12) of the MEGA Act, MCL 207.808(12) permits the MSF to modify or amend the MEGA tax credit agreement approved by a resolution of the MSF Board on November 27, 2018 and subsequently assign or transfer the Federal-Mogul MEGA Agreement and Federal-Mogul MEGA Tax Credit so long as the modification or amendment reduces the total amount of the credit, the modification or amendment does not extend the term of to claim the credit, and the value of the credit taken by the transferee does not exceed \$12,000,000;

WHEREAS, Section 8(13) of the MEGA Act, 207.808(13) requires the MSF to establish guidelines for the amendment, modification, or transfer described in subsection 12 of the MEGA Act and publish those guidelines on its website (the “MEGA Transfer Policy”);

WHEREAS, the MEDC recommends that the MSF Board 1) adopt the MEGA Transfer Policy set forth in Exhibit A to this Resolution; 2) approve an assignment of the Federal-Mogul MEGA Agreement and Federal-Mogul MEGA Tax Credit to Tenneco Inc. (the “Assignment Request”); 3) affirm the terms of the Amendment Request; and 4) authorize the MSF Fund Manager to negotiate and execute all final documents necessary to effectuate the Amendment Request and the Assignment Request (collectively, the “Recommendation”).

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

BE IT FURTHER RESOLVED, except as to those provisions that must be revised in order to effectuate the Amendment Request and the Assignment Request, the terms and conditions of the Federal-Mogul MEGA Agreement shall remain in full force and effect.

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

Ayes: Britany L. Affolter-Caine, Paul Ajegba, Ronald W. Beebe, Mark Burton, Jeff Donofrio, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner

Nays: None

Recused: None

Lansing, Michigan
April 14, 2020

EXHIBIT A

April 14, 2020

Michigan Economic Growth Authority Tax Credit Policy

Pursuant to Section 8(13) of the Michigan Economic Growth Authority (“MEGA”) Act, MCL 207.808(13), the Michigan Strategic Fund (“MSF”), as the successor entity to the MEGA board, adopts the following policy with respect to the amendment modification, or transfer described in Section 8(12) of the MEGA Act, MCL 207.808(12):

The MEGA tax credit agreement amended by the MSF Board on November 27, 2018 may be assigned or transferred to a successor-in-interest to the entity named in the MEGA tax credit agreement provided that the amendment reduces the total amount of the credit, the modification does not extend the term of the credit, and the value of the credit taken by the successor-in-interest does not exceed \$12,000,000.



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: April 14, 2020

To: Michigan Strategic Fund Board

From: Paula Holtz, Community Assistance Team Specialist
Jake Winder, Program Specialist, Brownfield & MCRP

Subject: Request for Approval of an Act 381 Work Plan
Lower Town Partners, LLC - Broadway Park Project

PROJECT SUMMARY

The Washtenaw County Brownfield Redevelopment Authority is requesting approval of a Brownfield Act 381 Work Plan for the Broadway Park project in the City of Ann Arbor, including state tax capture in the amount of \$2,480,000 to reimburse for MSF eligible activities. The request will support a community development project that will transform a contaminated 13 acre, vacant, riverfront-site into a mixed-use redevelopment integrating residential, commercial, and hospitality near Ann Arbor's vibrant urban core, representing \$100,000,000 in total capital investment. The Broadway Park design also incorporates publicly accessible, multi-functional, green space for the benefit of Ann Arbor residents and visitors. Broadway Park will include 104 residential condominium units in four buildings atop a two-level parking structure; one nine-story hotel with a footprint of 7,200 square feet; a 10,000 square-foot destination restaurant; approximately 9,000 square feet of commercial/retail space, primarily in two single-story, free-standing structures, with supplemental commercial space on the ground floor of one or more of the residential structures. All structures will be built with floor slabs at grade to minimize the interaction with environmental issues on the site. The project will include 378,972 square feet of public improvements, made up of water and sanitary sewer improvements, street improvements, dam repairs, parking, an all-season pavilion, a hike-and-bike trail, and a pedestrian bridge.

There has been an extensive community engagement process for this project, led by the Broadway Park development team, which has resulted in a substantial commitment to public amenities on the site. Approximately 8.7 acres of currently unused, environmentally contaminated, vacant land north and west of the residential and commercial development areas will be transformed into outdoor public recreation space. A single-story, 7,800 square-foot all-season pavilion will be constructed to provide space for outdoor concerts and other events. Adjoining the pavilion will be a water feature that can be converted into an ice-skating rink to provide recreation in all four seasons. A hike-and-bike trail will be built along the banks of the Huron River to provide paths leading to an overlook of the Argo Dam, a pedestrian bridge across the river to connect to the Border-to-Border Trail, and connections to other existing and planned public trails and greenways along the river and into Ann Arbor. The riverfront will be activated with a paddle-craft launch area and several river access areas for kayaks, canoes, and pedestrians, and a play area for children.

A financing gap exists due to the alleviation of brownfield conditions on site. The development team anticipates that the project will result in a total capital investment in the amount of \$100,000,000, along

with the creation of approximately 100 permanent full-time equivalent jobs with an average hourly wage of \$17.00.

REQUEST

The Washtenaw County Brownfield Redevelopment Authority is requesting approval of a Brownfield Act 381 Work Plan for the Broadway Park project in Ann Arbor, including state tax capture in the amount of \$2,480,000 to reimburse for MSF eligible activities. The request will support a community development project that will clean up and redevelop a 13-acre former manufactured gas plant site to include 104 residential condominiums, approx. 19,000 square feet of commercial space, a 130-room hotel, and will address brownfield conditions on site. The project is consistent with the MEDC Strategic Plan’s focus to develop attractive and resilient places to transform underutilized properties into vibrant areas. The project also meets local objectives by providing increased density through the activation of a long-vacant, contaminated site.

PROGRAM SUMMARY

The request for Brownfield support is consistent with program requirements. The opportunity for reimbursement for Brownfield related costs through Tax Increment Financing will address the impediments that have historically prevented redevelopment and reuse of this site. The project qualifies for the Brownfield Act 381 program because the site is a facility. The project is consistent with the MEDC Strategic Plan by transforming an underutilized property into a vibrant area. The project also meets local objectives by providing increased density in the Lower Town neighborhood and through the activation of approximately four acres of contaminated land that will now be available for public use and will open up access to the Huron River.

LOCAL SUPPORT

Local support for the project includes the local portion of this Work Plan request which is estimated at \$5,520,000. The City of Ann Arbor is engaged with the MEDC’s Redevelopment Ready Communities (RRC) program. This 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 County of Washtenaw, has duly approved a brownfield plan for this property on August 7, 2019. The City of Ann Arbor, a Qualified Local Governmental Unit, has concurred by resolution on July 1, 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 16, 2019.

There are 64.4664 non-homestead mills available for capture, with State mills from school operating and SET millages equaling 24.0000 mills (37.23%) and local millage equaling 40.4664 mills (62.77%). Tax increment capture will begin in 2020 and is estimated to continue for 7 years. Total MSF eligible activities are estimated at \$10,772,678, however, the County of Washtenaw and the City of Ann Arbor have capped total reimbursement at \$8,000,000. MSF eligible activities breaks down as follows:

State tax capture	(31.00%)	\$	2,480,000
Local tax capture	(69.00%)	\$	5,520,000
TOTAL		\$	8,000,000

COST OF MSF ELIGIBLE ACTIVITIES

Demolition	\$	200,000
Infrastructure Improvements		8,591,857
Site Preparation	+	<u>553,950</u>
Sub-Total	\$	9,345,807
Contingency (15%)	+	<u>1,401,871</u>
Sub-Total	\$	10,747,678
Brownfield/Work Plan Preparation	+	10,000
Brownfield/Work Plan Implementation	+	<u>15,000</u>
TOTAL	\$	<u>10,772,678</u>

In addition, the project is requesting \$9,291,999 in TIF from EGLE to assist with significant environmental eligible activities.

APPLICANT HISTORY

Lower Town Partners, LLC is a single purpose LLC created specifically for this project. The entity is led by the Detroit-based Roxbury Group, LLC, who have completed several projects with MSF assistance, including the renovation of the David Whitney Building, the Auburn, Milliken State Park Outdoor Adventure and the Griswold Lofts developments. A background check has been completed in accordance with the MSF Background Review Policy, and the project may proceed for MSF consideration.

Appendix A includes a project map and renderings, **Appendix B** addresses the programmatic requirements and **Appendix C** includes the developer's organizational chart.

RECOMMENDATION

MEDC staff recommends approval of the state tax capture for the Act 381 eligible activities capped at \$2,480,000, utilizing the current state to local capture ratio.

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:

This project will result in the redevelopment of over 13 acres of underutilized and contaminated property. The public will benefit due to the mitigation of human exposure to on-site environmental contamination, creation of needed living units and commercial space in the Lower Town area of Ann Arbor, the creation of an 8.7 acre public riverfront park, a new river walk that will connect to existing river walks, and the construction of needed roadway, pedestrian safety and transit improvements.

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

This project is expected to create approximately 100 new, full-time jobs in commercial, retail, hospitality leasing, and maintenance sectors, paying an average wage of \$17 per hour.

c) Area of High Unemployment:

The City of Ann Arbor's unadjusted jobless rate was 1.8% in December 2019.

d) Level and Extent of Contamination Alleviated:

Soil and groundwater on the Property were contaminated by a former manufactured gas plant operations. DTE is the liable party for the contamination existing on the property. Although several remedial actions have been conducted on the site since 1998, areas of VOC, PAH, metals and cyanide contamination in soil and/or groundwater remain. DTE, EGLE and Lower Town Partners have reached agreement on the liable party and continuing obligations of DTE with response to environmental response activities associated with redevelopment and future management of the property.

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

The project is not qualifying as functionally obsolete or blighted.

f) 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.

APPENDIX C – Organizational Chart

Lower Town Partners, LLC
EIN: 82-2369371

<u>Member</u>	<u>Ownership Interest</u>	<u>State of Organization</u>
David Di Rita	50%	Michigan
Stacy Fox	50%	Michigan

MICHIGAN STRATEGIC FUND

**RESOLUTION
2020-043**

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN
COUNTY OF WASHTENAW BROWNFIELD REDEVELOPMENT AUTHORITY
BROADWAY PARK**

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 County of Washtenaw Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 841 Broadway Street, Ann Arbor, MI 48105 within the City of Ann Arbor, known as Broadway Park (the “Project”);

WHEREAS, the City of Ann Arbor 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 31% to 69% 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 June 19, 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 \$10,747,678 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 \$15,000 for Brownfield/Work Plan implementation, and with the total capture of state school taxes capped at a maximum of \$2,480,000.

BE IT FURTHER RESOLVED, that the MSF Board authorizes the MSF Fund Manager, to provide written notification to the Authority, in the form of a letter which incorporates the terms set forth in this Resolution and consistent with the limitations of the Act, and that this approval is further conditioned upon the Authority, or the County, 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, Paul Ajegba, Ronald W. Beebe, Mark Burton, Jeff Donofrio, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner

Nays: None

Recused: None

Lansing, Michigan
April 14, 2020



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: April 14, 2020

To: Michigan Strategic Fund Board

From: Daniel Leonard, Senior Community Assistance Team Specialist
Lori LaPerriere, Brownfield and MCRP Program Specialist

Subject: Request for Approval of an Act 381 Work Plan
Eighth and Boardman Redevelopment Project

REQUEST

The Grand Traverse County Brownfield Redevelopment Authority is requesting approval of:

- Brownfield Act 381 Work Plan including State Tax Capture in the amount of \$3,863,094 to reimburse MSF eligible non-environmental activities totaling \$8,141,400.

The request will support a community development project that will demolish an existing single-story office building located at 400 E. Eighth Street, construct public infrastructure improvements and ready the site for a new 3-story, 27,000 square foot commercial building. This public/private collaboration will use local and state brownfield tax increment revenue to reimburse the Developer approximately \$3,000,000 (\$2,296,162 plus interest) for the brownfield activities financed by the developer and will reimburse the Community approximately \$5,093,585 (\$3,400,000 plus interest) for brownfield eligible activities financed publicly. The project is anticipated to result in a total investment of \$10,400,000 which includes approximately \$6,962,000 in private investment and total public investment in infrastructure in the amount of \$3,400,000.

The proposed project is part of a brownfield plan that was approved in 2017. That plan included two adjacent private redevelopment projects as well as the publicly funded infrastructure and public space improvements. The private projects have progressed on different timelines from each other and the public infrastructure project. The majority of the public infrastructure project was completed in 2019 and the City is anticipating being reimbursed for that investment over time through the tax increment that will be made possible by the increased taxable value of 400 E. Eighth Street.

The project is consistent with the MEDC's Strategic Plan and Community Development objectives by reactivating an underutilized property in a commercial corridor. The MSF investment will create an attractive redevelopment project which maximizes site development and supports the local efforts to provide pedestrian and bicycle access to the site and the riverfront. The project also meets local objectives by providing an increase to the taxable value of this commercial corridor while adding new high paying jobs to the market. Additionally, the project aligns with the community's long-term vision, strategy and goals as identified in the recently completed "Envision 8th Corridor Plan."

A financing gap exists due to both environmental and non-environmental conditions on the site. The subject property is qualified as a Part 201 Facility per the Department of Environment, Great Lakes and Energy (EGLE) and requires clean-up of the existing soil contamination on-site related to prior uses which according to the work plan included a cigar box factory, auto repair and paint storage. In addition, the project has development challenges primarily tied to aged and inadequate public infrastructure necessary to support new private investment. Public investment to address substandard infrastructure needs such as replacing water and sewer lines, street and sidewalk construction on Eighth Street and the addition of a riverfront path make up a significant portion of this Work Plan request. To date the majority of the public infrastructure scope of work has been completed with exception of those elements adjacent to the subject property such as sidewalks. Without state brownfield tax increment revenue capture, the project is not projected to generate adequate revenues to cover costs of the above infrastructure improvements as well as on-site infrastructure such as stormwater management and underground parking.

The brownfield plan also contemplates a second phase development that is not part of the current work plan request but is also served by the public infrastructure that the City is being reimbursed for as part of this request. The second phase of the project would include a \$14,000,000 redevelopment that will add a 47,500 square foot building and additional new jobs.

LOCAL SUPPORT

Local support for the project includes \$4,278,306 in local Brownfield TIF for the implementation of necessary eligible activities to facilitate the redevelopment of the subject property. The City of Traverse City is certified with the MEDC's Redevelopment Ready Communities (RRC) program.

TAX CAPTURE SUMMARY

In order to alleviate brownfield conditions and prepare the site for redevelopment, the County of Grand Traverse has duly approved a brownfield plan for this property on November 15, 2017. The City of Traverse City, a Qualified Local Governmental Unit, has concurred by resolution on November 6, 2017. The property has been determined to be a facility as verified by the Michigan Department of Environment, Great Lakes, and Energy (EGLE) on February 10, 2020.

There are 50.5767 non-homestead mills available for capture, with state mills from school operating and SET millages equaling 24.00 mills (47.45%) and local millage equaling 26.5767 mills (52.55%). Tax increment capture will begin in 2021 and is estimated to continue for 26 years. The state tax capture is recommended to be capped at \$3,863,094, which is the amount of tax increment revenue anticipated to be generated in 26 years. Total MSF eligible activities are estimated at \$8,141,000. MSF eligible activities breaks down as follows:

State tax capture	(47.45%)	\$	3,863,094
Local tax capture	(52.55%)	\$	4,278,306
TOTAL		\$	8,141,400

COST OF MSF ELIGIBLE ACTIVITIES

Demolition	\$	130,000
Lead, Asbestos, or Mold Abatement		40,000
Infrastructure Improvements - Private		1,308,263
Infrastructure Improvements - Public		3,400,000

Site Preparation	+	<u>580,851</u>
Sub-Total	\$	5,459,114
Contingency (15% of private activities)	+	<u>212,048</u>
Sub-Total	\$	5,671,162
Interest (17 years @2.5% for private)		751,653
Interest (20 years @ 5% for public)	+	<u>1,693,585</u>
Sub-Total	\$	8,116,400
Brownfield/Work Plan Preparation	+	<u>25,000</u>
TOTAL	\$	<u>8,141,400</u>

In addition, the project is requesting \$81,487 in TIF from EGLE to assist with environmental eligible activities.

PROJECT BACKGROUND

The project includes the demolition of a dilapidated office building and the new construction of a 27,000 square foot, three-story commercial building with underground parking. The project is located in the Eighth Street Corridor, which the City of Traverse City has identified as its priority for redevelopment within its master plan. This Corridor has recently undergone vehicular and pedestrian improvements in order to increase economic activity. Community support for this project is linked to the project's ability to implement part of the Envision 8th Plan while addressing local infrastructure priorities.

To improve on-site stormwater management, the site will adhere to low-impact design measures to manage and treat stormwater from the site prior to it entering the Boardman River adjacent to the site. Additionally, the surrounding public infrastructure along the Eighth Street Corridor has undergone improvements to include a three-lane section with planters and off-street cycle track and sidewalk, with development zones to reflect an urban walkable design. The project will include a minimum of 126,000 square feet of public improvements, which include redevelopment of 120,000 square feet of Eighth Street and 6,000 square feet of riverfront enhancements including a canoe launch and boardwalk. A map of the infrastructure improvements is included in Appendix A.

With total infrastructure support, contamination clean-up, site prep activities and demolition of the existing brownfield conditions on-site, the developer and city would need to leverage an additional \$8,141,400 in financing, which cannot be supported by the revenues produced from the future building improvements. Today the proposed redevelopment project has secured traditional financing for all vertical construction efforts tied to the proposed three-story building. However, the site's overall redevelopment and reimbursement for brownfield conditions including public infrastructure improvements would not be possible without support from the State and local TIF capture.

APPLICANT HISTORY

The Envision 8th Street Holdings, LLC development team has experience completing projects throughout northwest Michigan. To date, this team has not utilized MEDC support for previous efforts although Mr. Sarafa has an interest in a project that has been awarded a Michigan Business Tax Credit. A background check has been completed in accordance with the MSF Background Review Policy, and the project may proceed for MSF consideration.

Appendix A includes a project map and renderings, **Appendix B** addresses the programmatic requirements and **Appendix C** is the Organizational Chart for Envision 8th Street Holdings, LLC.

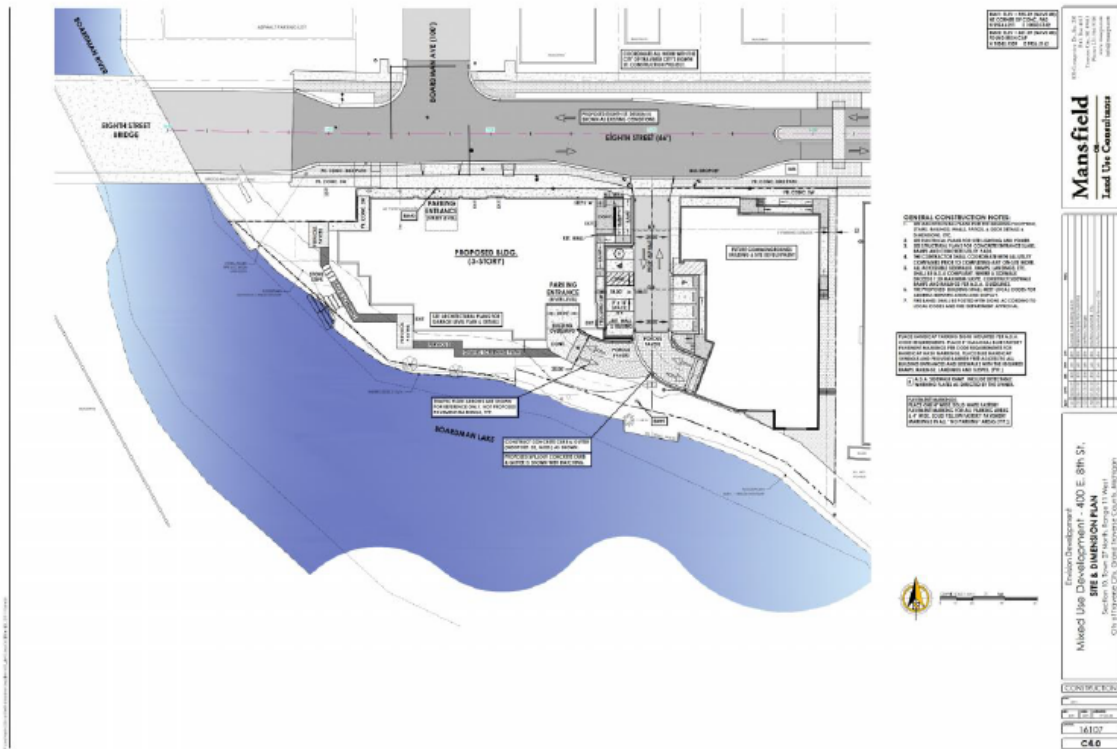
RECOMMENDATION

MEDC staff recommends approval of State tax capture for the Act 381 eligible activities capped at \$3,863,094, utilizing the current state to local capture ratio.

APPENDIX A – Project Maps and Renderings



<p>Eighth and Boardman Redevelopment Act 381 Work Plan</p>	<p>Figure 2.2: Envision Parcel Boundaries</p>
<p>Grand Traverse County Brownfield Redevelopment Authority</p>	<p>Date: January 2020</p>



<p>Eighth and Boardman Redevelopment Act 381 Work Plan</p>	<p>Figure 6: Engineering Site Plan</p>
<p>Grand Traverse County Brownfield Redevelopment Authority</p>	<p>Date: October 2019</p>



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 subject project will benefit the general public by adding an increase to taxable value for the community, supporting public infrastructure improvements that will add access to public recreational resources, improve overall pedestrian and vehicular transportation options through the Eighth street corridor and reactivate an existing underutilized and contaminated property within downtown Traverse City.

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

This project is expected to create approximately 15 new, full-time equivalent jobs in the financial sector and retain approximately 25 full time jobs with an estimated hourly wage of \$30.

c) Area of High Unemployment:

The project is not located in an area of high unemployment as the County of Grand Traverse unadjusted jobless rate was 2.6% in November 2019. This compares to the statewide seasonally adjusted average of 3.5% in November 2019.

d) Level and Extent of Contamination Alleviated:

The subject property will be alleviated of existing contamination.

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.

APPENDIX C - Organizational Chart

Envision 8th Street Holdings LLC Organizational Structure				
Envision 8th Street Holdings LLC EIN: 82-1279155				
Envision 8th Street Holdings LLC Manager: Joseph David Sarafa				
Member		Ownership Interest	EIN	State of Organization
Envision 8th Street Holdings LLC		100.00%	82-1279155	Michigan
Envision 8th Street Holdings LLC	100.00%			
Joseph David Sarafa		100.00%		
Key Principals/Guarantors:		Amount of Guarantee		
Joseph David Sarafa				
Instructions: Include member names of the first layer of companies. Include member names of the second layer companies if the company has a 20% or higher share of ownership in the project. Percentages shown are examples. Add or delete rows as necessary.				

MICHIGAN STRATEGIC FUND

**RESOLUTION
2020-044**

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN
COUNTY OF GRAND TRAVERSE BROWNFIELD REDEVELOPMENT AUTHORITY
EIGHTH AND BOARDMAN 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 County of Grand Traverse Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 400 East 8th Street within the City of Traverse City, known as Eighth and Board Redevelopment (the “Project”);

WHEREAS, the City of Traverse City 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 47.45% to 52.55% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, lead, asbestos, or mold abatement and infrastructure improvements as presented in the Work Plan dated February 10, 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 \$5,671,162 for the principal activity costs of non-environmental activities and a contingency, a maximum of \$2,445,238 in interest, and a maximum of \$25,000 for Brownfield/Work Plan preparation, and with the total capture of state school taxes capped at a maximum of \$3,863,094.

BE IT FURTHER RESOLVED, that the MSF Board authorizes the MSF Fund Manager, to provide written notification to the Authority, in the form of a letter which incorporates the terms set forth in this Resolution and consistent with the limitations of the Act, and that this approval is further conditioned upon the Authority, or the County, 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 the MSF Board is authorizing that capture of taxes levied for school operating purposes for the payment of interest, up to a maximum of \$2,445,238 related to the eligible activities for the Project.

Ayes: Britany L. Affolter-Caine, Paul Ajegba, Mark Burton, Jeff Donofrio, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein

Nays: Ronald W. Beebe, September Hargrove, Susan Tellier, Cindy Warner

Recused: None

Lansing, Michigan
April 14, 2020



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: April 14, 2020

To: Michigan Strategic Fund (“MSF”) Board

From: Lori Mullins, Director of Community Development Incentives

Subject: Request for Approval of an Amendment to a Michigan Community Revitalization Program Performance-Based Direct Loan 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 (“MCRP”) Direct Loan Agreement and any related ancillary agreements (“Agreement”) associated with the Lofts on Alabama project in downtown Grand Rapids, which rehabilitated an existing obsolete building, added a new building and resulted in the addition of 100 market rate residential units in the heart of the City.

MEDC staff is requesting to amend the MCRP Direct Loan Agreement and ancillary documents (the “Agreement”) to increase the MCRP loan of \$1,100,000, approved on March 19, 2020, up to an amount not to exceed approximately \$2,057,000.

The request is in response to economic impacts of the COVID-19 pandemic which led to an announcement from Fannie Mae on March 25, 2020 that they were imposing a 12 month debt service reserve of principal and interest payments and a 12 month tax, insurance and replacement reserve escrows on all projects that had not yet rate locked. This change requires Lofts on Alabama to fund escrows and reserves estimated at approximately \$956,846 at closing that will be held in reserve. Fannie Mae also has a requirement that closing must occur within five business days of the rate lock. The borrower is requesting a reduction in the agreed upon pay down of the MCRP loan, while pledging to assign the release of reserve to the MSF loan. Per the terms of the agreements with HUD the escrows could be available for release in as little as 12 months, but no later than 36 months following closing. In order for the reserves to be released the project must maintain a debt service coverage ratio of 1.25 to 1.00 on the Fannie Mae debt for two consecutive quarters.

Staff is supportive of the request because the refinancing results in a healthier project with adequate cash flow to service its debt, pay down of approximately \$741,475 to the MSF at closing and potential for an additional pay down of approximately \$956,846 to the MSF within 12 months. Staff believes the refinancing puts the MSF in far better position and the current request fits the spirit of the March 19, 2020 approval. Additionally, no actions of the development team led to the additional requirements. Lastly, the previous approval included language that allowed for adjustment to the MSF loan amount, pending final Fannie Mae loan amount, as follows:

“Based on current estimates of the senior loan amount and closing costs, the MSF would receive \$1,700,000 and the project ownership group would retain \$135,000 for project related expenses. Any significant variance in the senior loan amount will be accommodated by pro-rata adjustment of the MSF pay down and the amount retained by the ownership group.” Later in the memo it said, “As part of the amendment request the remaining MCRP loan balance will be paid down approximately \$1,700,000 to an estimated \$1,100,000 (amount subject to final Fannie Mae loan amount).”

Although the language allowed for adjustment of the MSF loan amount, it did not contemplate an adjustment related to a reserve and escrow requirements or an adjustment so material in nature, therefore MEDC staff deemed it necessary to bring the project back before the MSF Board to request the increase in the loan amount.

The request was further complicated because the rate lock deadline for this project was March 30, 2020. It had already been extended once and no other extensions were being considered. With the rate lock deadline being March 30th and the requirement to close within 5 business days, the option of coming back to the Board before closing was not an option due to the refinancing opportunity being in jeopardy.

The risk of not rate locking and closing was significant, as it would result in re-pricing and would require a review of April collections which may be impacted by recent layoffs and closures. Review of new collections data would likely reduce the amount of the senior loan, thus reducing the funds available to pay down the MSF. With all of these changes, the borrower was faced with a difficult decision. Option one was to wait until the next MSF meeting and ask for the MSF to consider reducing the pay down amount, thus increasing the new direct loan. This option had potential consequences to both the borrower and the MSF as noted above. It also opened the project up to uncertainty about other requirements that may be imposed in future days and weeks and the availability of Fannie Mae or potential lack thereof.

Option two was to ask the project investors to raise the approximate \$956,846 of required reserve out of pocket and ask the MSF to increase the direct loan amount after the Fannie Mae closing which would allow the borrower to reimburse the investors. This option was a significant risk to the investors, but the borrower was able to convince the investors to take that risk because they understood that it was certain to result in a better cash flow position for the project, ultimately resulting in a much higher likelihood of repaying the MSF in full. Because of the benefit of this option to the MSF, and staff’s commitment to bring this request to the MSF Board, the investors raised funds to cover the new reserve requirement.

The refinancing authorized by the MSF on March 19, 2020 as part of amendment #5 closed on April 3, 2020. The previous loan participation agreement was replaced by a direct loan in the amount of \$1,100,000, and the MSF was paid down approximately \$1,720,750. The borrower retained less than \$100,000 as part of that closing which is being held at the project level for future expenses. The investors raised the funds necessary to cover the new required reserve. The Borrower is now requesting that the direct loan amount be increased to approximately \$2,057,000, which would allow the borrower to reimburse the individual investors. As part of the amendment, the borrower would assign the release of reserves to the MSF. The reserves will be tapped if cash flow is reduced to such a point that debt services, taxes, insurance and replacement expenses are unable to be paid. Given the improved cash flow projected with the new senior loan, the 24 months of interest only payments and stimulus and relief programs that are being put into place, it is hoped that the borrower will not need to access the reserve.

Staff is recommending approval of this request to increase the direct loan by approximately \$956,846. The borrower has been in constant contact with the MEDC staff and their actions were motivated by an interest to make decisions that would be mutually beneficial to the MSF and the borrower. They are assigning the release of the reserves and the project investors did not receive any direct disbursement from the refinancing.

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.

On March 19, 2020, an amendment was approved 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 \$1,700,000 pay down on the MSF financing down to approximately \$1,100,000 and re-amortize the loan based on the new loan amount over the original amortization schedule.

The owners worked with Berkadia to refinance the prior senior debt from Macatawa Bank into a Fannie Mae debt product. As part of the refinancing package, the project obtained \$15,112,000 in lower cost capital (at 3.40%), obtained extended amortizing debt (30 years), and locked in financing for a period of 10 years with interest only payments for the first 24 months. This amended loan structure will still provide significant cash flow savings to the project and the debt service coverage ratio is anticipated to be greater than 1.20 to 1.00. Prior to refinancing and also before the recent economic changes, the previous cash flow was projected to result in a debt service coverage ratio of just over 1.00 to 1.00.

Lofts on Alabama, LLC is managed by **Michael R. VanGessel**, CEO of Rockford Construction. A background check has been completed in accordance with the MSF Background Review Policy, and the project may proceed for MSF consideration. Lofts on Alabama, LLC organizational chart is provided in **Appendix A**.

Below is the structure of the recently amended MCRP Performance Based Direct Loan Award with the proposed changes to the business terms detailed with ~~strike through~~ and **BOLD CAPITALIZED** fonts. Original approval documents are available upon request.

LOAN FACILITY

MSF Facility	MCRP Performance Based Direct Loan
Borrower:	Lofts on Alabama, LLC
Loan Amount:	Estimated to be \$1,100,000 \$2,057,000
Term:	To match that of the senior lender, not to exceed 120 months
Amortization:	Up to 240 months
Interest Rate:	2.50% per annum
Repayment Terms:	monthly principal and interest payments.
Collateral:	Anticipated being a mortgage lien on the property, and assignments of leases/rents and Tax Increment Financing. MSF lien interest in the collateral will be subordinated to that of the third-party senior lender.
Guarantee:	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 of delegation of authority to the MSF Fund Manager to effectuate necessary changes to amend the Agreement, allowing for an increase to the amount of the existing MCRP Performance-Based Direct Loan in order to address the additional reserve requirements imposed by Fannie Mae. The amendment would require assignment of any release in reserve to the MSF for pay down of the MCRP Loan.

APPENDIX A – Organizational Chart

Lofts on Alabama Organizational Structure					
Lofts on Alabama Manager: Michael R. VanGessel					
Member			Lofts on Alabama LLC %	EIN	State of Organization
Hyatt Building Associates, L.L.C. (Kurt D. Hassberger)			25.82%	32-0435924	Michigan
42 North Investments, LLC (Micheal J Jandernoa)	43.55%				
DMDV, LLC (RDV Corporation)	43.55%				
Rockford Hyatt, LLC (Kurt D. Hassberger)	12.90%				
Brian Weirenga		33.33%			
The Michael R. VanGessel Trust		33.34%			
The Adam and Hillary Jones Trust		33.33%			
GKD Alabama, LLC (Gary Genzink)			13.63%	47-2955397	Michigan
Gary Genzink	83.34%				
Kenneth Long	8.33%				
Douglas Mileski	8.33%				
CIOTW, LLC (David R. Durell)			40.64%	46-5670764	Michigan
Manish Varma	27.44%				
Matthew and Vick Chung Family Trust	30.49%				
616 Holdings (Jeffrey L. Baker)	6.10%				
G3 Development (Goosens)	15.24%				
Bridge Hospitality (Norman Leslie)	18.29%				
DJL Holdings II (Dave Durel)	2.44%				
Roll Tide Roll, LLC (Thomas Humphries)			9.09%	46-4907930	Michigan
Thomas Humphries	100%				
Sauer G.R. West Development, LLC			6.66%	46-4829787	Michigan
Jeffery L. Sauer	100%				
W3 Investments, LLC			4.16%	47-3577926	Michigan
Harvey Westmaas	80%				
Scott Wastmaas	10%				
Julie Schwartz	10%				
Key Principals/Carve Out Guarantors:					
Michael R. VanGessel					
TBD					
TBD					

MICHIGAN STRATEGIC FUND

**RESOLUTION
2020-045**

**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 2015-064 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;

WHEREAS, by Resolution 2020 – 035, on March 19, 2020, the MSF Board approved 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 repayment of approximately \$1,700,000 in principal and approximately \$60,000 in accrued interest; and

WHEREAS, the MEDC recommends that the MSF approve an amendment to the MSF Agreement to increase the MCRP Direct Loan to approximately \$2,057,000. Execution of the Transaction Documents for the requested amendment must be completed 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 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.

Ayes: Britany L. Affolter-Caine, Paul Ajegba, Ronald W. Beebe, Mark Burton, Jeff Donofrio, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner

Nays: None

Recused: None

Lansing, Michigan
April 14, 2020



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: April 14, 2020

To: Michigan Strategic Fund Board

From: Rob Garza, Brownfield and MCRP Senior Program Specialist

Subject: Request for Amendment Four
Brownfield Michigan Business Tax (MBT) Credit
The Mid at 3750 Woodward Project

REQUEST

3750 Woodward Avenue, LLC (“Qualified Taxpayer” or “QT”) requests approval of an amendment as follows:

- A change in scope to Phase 1 of the project to reduce the building from a 25-story hotel and condominium building to a 15-story hotel; and
- Project completion be established as the completion of the first 7 floors of the 15-story hotel tower.

The request will allow the applicant to achieve completion of the portion of the project necessary to meet the MBT minimum eligible investment before the MBT credit’s statutory expiration date of June 10, 2021. The Certificate of Completion request would be reviewed after permanent certificate of occupancy for the entire 15-story building is issued by the City of Detroit. A permanent certificate of occupancy for the entire building is anticipated by December 31, 2021. Eligible investment related to the first seven floors of the building is anticipated to be \$50 million for this phase and total capital investment for this phase will be approximately \$164 million.

PROJECT BACKGROUND

The project was originally approved by the Michigan Economic Growth Authority (“MEGA”) on December 14, 2010 as the demolition of an existing building and the new construction of a mixed-use medical office, retail building, and parking garage at 3800 Woodward Avenue in Detroit. The project qualifies for an MBT credit because it is a facility.

The MBT credit was previously amended on July 22, 2014 to add Midtown Project, LLC as a qualified taxpayer and change the scope to reflect a two-phase project consisting of the construction of a medical office building and parking ramp in Phase 1 and a retail building in Phase 2. A second amendment was approved on October 27, 2015 and included the addition of The Plaza Midtown, LLC as a qualified taxpayer, the addition of 5 years to complete the project, and a scope change for Phase 2 to reflect the rehabilitation of the existing 12-story building instead of the new construction of the retail building. The most recent amendment was approved on July 23, 2019 and included the addition of 3750 Woodward Avenue, LLC as a qualified taxpayer and a change in scope for Phase 1 to reflect the new construction of

an approximately 25-story tower that includes retail and event space, 225 hotel rooms, and condominiums.

The reason for this request is because the development team has determined that a 15-story, 225 room hotel tower is a better fit for Phase 1 of the project site and the Woodward Corridor. Even with this reduction in scope, the building will not be able to be fully completed by the MBT credit's statutory expiration date of June 10, 2021, which is 10 years from the date the original Pre-Approval Letter was issued. The development team has requested that the MBT project consist of the completion and associated eligible investment of the first seven floors of the hotel tower. Eligible investment would be incurred through June 10, 2021 and would be approximately \$50,000,000. The MBT Certificate of Completion request for this phase would not be reviewed until the permanent certificate of occupancy is issued by the City of Detroit following completion of the entire building, which is anticipated by December 31, 2021. Total capital investment for the Phase 1 project is \$164,165,369.

Phase 2 of the project, which is the rehabilitation of the existing 12-story building, was completed by a different development team before Phase 1 and the component certificate was issued in December 2017 with a value of \$1,030,000.

3750 Woodward Avenue, LLC is a single purpose entity created to develop Phase 1 of the project. The principal, Mohammad Qazi, owns the Ciena Group, which operates 86 skilled, for-profit nursing facilities in Michigan, Ohio, North Carolina, Virginia, and Indiana. His group was responsible for opening the Regency at Chene, a 160-bed nursing facility near Eastern Market in Detroit. Mr. Qazi was also a primary investor in the Foundation Hotel and Apparatus Room, also located in Detroit.

Appendix A addresses the Brownfield MBT tax credit structure and **Appendix B** includes the Ownership Organizational Chart.

RECOMMENDATION

MEDC staff recommends approval of the Brownfield MBT credit amendment request to revise the scope of Phase 1 of the project to reduce the building from a 25-story hotel and condominium building to a 15-story hotel and to recognize that Phase 1 completion is considered to be the completion of the first 7 stories of the 15-story tower and associated eligible investment incurred through the Brownfield MBT Credit statutory expiration date of June 10, 2021. A permanent certificate of occupancy for the 15-story tower must be issued by the City of Detroit before MEDC staff can review any Certificate of Completion request. However, prior to expiration of the amended pre-approval letter for the Project, the Qualified Taxpayer must execute a written agreement with the developer of Phase II of the Project regarding the repayment requirements of the previously issued tax credits should Phase I fail to be completed by the Qualified Taxpayer.

APPENDIX A – Brownfield Tax Credit Structure

Brownfield MBT Credit Amendment Request By:

3750 Woodward LLC
 400 Town Center Suite 2000
 Southfield, Michigan 48075

Contact: Mohammad Qazi, Managing Member

	Previous Approval	Amendment
Total Project Eligible Investment:	\$141,372,571	\$67,902,326
Project Eligible Investment Phase I	\$123,470,245	\$50,000,000
Project Eligible Investment Phase II	\$17,902,326	\$17,902,326
Requested Credit Amount Phase I	\$8,970,000	\$8,970,000 (capped)
Requested Credit Amount Phase II	\$1,030,000	\$1,030,000 (completed)
Requested Credit Percentage:	20%	20%

The project is a multi-phase project and will be completed in two (2) phases as described below:

Phase I – Completion of up to the first 7 floors of a 15-story tower and associated eligible investment, and;

Phase II (Completed) – Redevelopment of an existing 12-story building into mixed-use space including 2,000 square feet of first floor retail and approximately 72 residential apartments on floors 2-12. The credit for this phase is capped at \$1,030,000.

COST OF ELIGIBLE INVESTMENTS BY PHASE

Phase I		
Site Improvements	\$	1,664,666
New Construction	+	<u>48,335,334</u>
Phase I Total	\$	<u>50,000,000</u>
 Phase II		
Demolition	\$	1,000,326
Site Improvements	+	800,000
New Construction	+	<u>16,102,000</u>
Phase II Total	\$	<u>17,902,326</u>

TOTAL COST OF ELIGIBLE INVESTMENTS

Demolition	\$	1,000,326
Site Improvements	+	2,464,666
New Construction	+	<u>64,437,334</u>
Total	\$	<u>67,902,326</u>

APPENDIX B – Organizational Chart

3750 Woodward Avenue, LLC, Organizational Structure					
3750 Woodward Avenue, LLC, EIN: 82-5150228					
3750 Woodward Avenue, LLC, Manager: The Mid Class A, LLC					
Member			Ownership Interest	EIN	State of Organization
The Mid Class A, LLC			100.00%	83-4685687	Michigan
Mohammad A Qazi Living Trust u/t/a dated 9/26/97	100.00%				
Mohammad A. Qazi, Beneficiary		100.00%			
Key Principals/Guarantors:		Amount of Guarantee			
Mohammad A. Qazi		a completion guarantee			

MICHIGAN STRATEGIC FUND

**RESOLUTION
2020-046**

**THE MID AT 3750 WOODWARD PROJECT
3750 WOODWARD AVENUE, LLC
BROWNFIELD REDEVELOPMENT MBT CREDIT – AMENDMENT #4
CITY OF DETROIT**

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

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

WHEREAS, by Resolution 2010-219 on December 14, 2010, the MEGA Board awarded a Brownfield MBT Tax Credit to Woodward Offices, LLC (the “Applicant”) to make eligible investment up to \$50,000,000 at an eligible property in the City of Detroit (the “Project”);

WHEREAS, by Resolution 2019-121 on July 23, 2019, the MSF Board amended the project to add 3750 Woodward Avenue, LLC as a qualified taxpayer to the project (the “Qualified Taxpayer”);

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

WHEREAS, a request has been submitted to amend the Project to change the scope of Phase I of the project to reduce the building from a 25-story hotel and condominium building to a 15-story hotel and to establish project completion as the completion of the first seven floors of a 15-story tower and associated eligible investment; and

WHEREAS, a component certificate of completion has been issued for one of the Project’s two phases; and

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF, and recommends approval of the amendment by the MSF Board, provided that the maximum credit amount does not exceed \$10,000,000 and that prior to expiration of the amended pre-approval letter for the Project, the Qualified Taxpayer executes a written agreement with the qualified taxpayer of Phase II of the Project regarding the claw back of previously issued tax credits should Phase I fail to be completed by the Qualified Taxpayer;

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board amends the Project by modifying the scope of Phase I of the Project to reduce the building from a 25-story hotel and condominium building to a 15-story hotel and to establish project completion as the completion of the first 7 floors of a 15-story tower and associated eligible investment;

BE, IT FURTHER RESOLVED, that the Project is amended by identifying the phasing of the Project as follows:

Phase I – Completion of up to the first seven floors of a 15-story tower and associated eligible investment. The credit for this phase is capped at \$8,970,000; and

Phase II - Redevelopment of an existing 12-story building into mixed-use space including 2,000 square feet of first floor retail and approximately 72 residential apartments on floors 2-12. The credit for this phase is capped at \$1,030,000.

BE IT FURTHER RESOLVED, prior to expiration of the amended pre-approval letter for the Project, the Qualified Taxpayer must execute a written agreement with the qualified taxpayer of Phase II of the Project regarding the claw back of previously issued tax credits should Phase I fail to be completed by the Qualified Taxpayer;

BE IT FURTHER RESOLVED, that the Project's final component Certificate of Completion request will only be reviewed by MEDC staff upon the issuance of a permanent certificate of occupancy by the City of Detroit for the completed 15-story building; and

BE IT FURTHER RESOLVED, that the Project is required to submit a Certificate of Completion request for the final phase within one year of Project completion.

Ayes: Britany L. Affolter-Caine, Paul Ajegba, Mark Burton, Jeff Donofrio, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner

Nays: None

Recused: None

Lansing, Michigan
April 14, 2020



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: April 14, 2020

To: Michigan Strategic Fund

From: Fred Molnar, Vice President, Entrepreneurship and Innovation

Subject: Pre-Seed III Fund – Award Recommendation

Request

MEDC requests that the MSF Board approve a grant with an initial term beginning May 1, 2020 through April 30, 2025, with the option to extend up to an additional five years and an initial allocation of \$3,000,000 for the first year of the initial term, with the option to allocate additional funding throughout the term at the sole discretion of the MSF and subject to available funds (the “Request”).

Background

Section 88b(2)(c) of the MSF Act (the “Act”) provides that money transferred or appropriated to the MSF may be expended for programs or activities under any chapter of the Act. According to Section 2 of the Act, the purpose of the MSF is to, among other things, help diversify the economy of the State of Michigan, to assist business enterprise in obtaining additional sources of financing to aid the State in achieving the goal of long-term economic growth and full employment, to meet the growing competition for business enterprises, to preserve existing jobs, to create new jobs, to reduce the cost of business and production.

On December 17, 2019, the MSF Board approved the following:

- 1) Allocation of \$3,000,000 from the 2020 Entrepreneurship and Innovation budget appropriation to the MSF for the Pre-Seed Fund to solicit proposals from non-profit organizations to operate the Pre-Seed III Fund.
- 2) FY20 Pre-Seed Fund RFP.
- 3) Joint Evaluation Committee (“JEC”) comprised of MEDC Staff and external partners to review the proposals submitted and make award recommendations to the MSF Board, including:

Phil Tepley, Director of Technology Commercialization Services, Michigan Small Business Development Center (SBDC)

Dale Grogan, Managing Partner, Charter Capital Partners

Raymond Johnson, CEO, Innovation Marquette Enterprise Corporation

Fredrick Molnar, Vice President, Entrepreneurship & Innovation, MEDC

Nataliya Stasiw, Portfolio Manager, Entrepreneurship & Innovation, MEDC

4) Scoring and evaluation criteria for the review of Pre-Seed Fund proposals.

The award of this Pre-Seed Fund is especially critical at this time, considering the impact of COVID-19 pandemic on Michigan technology early stage companies. Now more than ever, the goal is to get best support possible to early stage technology companies, putting them on a path to survive the current economic crisis and scale when the downturn subsides.

Results

The MEDC received 4 proposals in response to the RFP. Initial written reviews were completed by the JEC, which subsequently agreed on consensus Written Scores on a 100-point scale.

Organization	Written Score
Michigan State University Foundation	87.4
Invest Michigan	87.0
Ann Arbor SPARK	85.4
Start Garden	53.2

Based on those scores, the JEC recommended oral interviews for proposals that scored 70 or higher. There were 3 proposals that went on to the oral interview stage as a result. One proposal that scored less than 70 did not sufficiently meet the criteria to move forward. After two rounds of oral interviews were conducted, the JEC determined consensus Oral Scores on a 100-point scale.

Organization	Oral Score
Michigan State University Foundation	90.6
Invest Michigan	83.8
Ann Arbor SPARK	75.6

The Final Score was then determined by averaging the consensus Written Scores and consensus Oral Scores.

Organization	FINAL Score
Michigan State University Foundation	89.0
Invest Michigan	85.4
Ann Arbor SPARK	80.5

After a thorough evaluation, the Joint Evaluation Committee has unanimously determined to recommend a single award to Michigan State University Foundation (MSUF). The following key factors were considered:

- Solid leadership, significant FTE/EIR commitment, and efficient process in place to effectively manage and deploy Pre-Seed Fund.
- Significant matching capital commitment, including \$2.5M in cash from MSUF, that might have otherwise not been available for this purpose.
- Successful funding model and active engagement with pre-seed stage companies consisting of capital, coaching, assistance with grant funding, and investment syndication.
- Strong partnerships and active engagements with local investment community; 25 Letters of Support received from various institutions and companies from across the state relevant to the MSUF's application.
- Clear understanding and alignment with the MEDC Strategic Plan.

Recommendation

The MEDC requests that the MSF Board approve funding of \$3,000,000 over a 1-year period to Michigan State University Foundation for execution of Pre-Seed Fund III. The MEDC also requests that the MSF Board delegate authority to the MSF Fund Manager, with the assistance of MEDC staff, to negotiate and execute the final terms and conditions for the grant agreement.

MICHIGAN STRATEGIC FUND

RESOLUTION

2020-047

PRE-SEED FUND GRANT AWARD RECOMMENDATION

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

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

WHEREAS, pursuant to Section 88b(2)(c) of the MSF Act, MCL 125.2088b(2)(c), funds appropriated to the MSF for purposes of carrying out the MSF Act shall be expended or invested for activities authorized under the MSF Act as long as those activities provide for repayment for breach of the written agreement or the failure to meet measurable outcomes;

WHEREAS, on December 17, 2019 the MSF issued a request for proposals for awarding grants to non-profit organizations that operate early stage funding programs (the “Pre-Seed Fund RFP”), appointed a joint evaluation committee (“JEC”) to evaluate the proposals received in response to the Pre-Seed Fund RFP, and adopted scoring and evaluation criteria to be used by the JEC;

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

WHEREAS, the JEC determined that one proposal earned sufficient scores to warrant funding under the Pre-Seed Fund RFP;

WHEREAS, the JEC recommends that the MSF Board authorize a grant with an initial term of May 1, 2020 through April 30, 2025, with the option to extend up to an additional five years and an initial allocation of \$3,000,000 for the first year of the initial term, with the option to allocate additional funding throughout the term at the sole discretion of the MSF Board and subject to available funds (the “Pre-Seed Fund Grant Award”);

WHEREAS, the MSF Board wishes to approve the Pre-Seed Fund Grant Award, subject to completion of a civil and criminal background check under the MSF Background Review Policy.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the Pre-Seed Fund Grant Award subject to completion of a civil and criminal background check under the MSF Background Review Policy; and

BE IT FURTHER RESOLVED, that the MSF Board authorizes the MSF Fund Manager to negotiate the final terms and conditions and execute all final documents necessary to effectuate the Pre-Seed Fund Grant Award.

Ayes: Paul Ajegba, Mark Burton, Jeff Donofrio, September Hargrove, Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner

Nays: None

Recused: Britany L. Affolter-Caine

Lansing, Michigan
April 14, 2020



April 7, 2020

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, April 14, 2020.

- Entrepreneurship and Innovation: Pre-Seed III Fund – Award Recommendation

The reason for my recusal is that I have a potential conflict of interest with respect to recommended awardee, MSU Foundation.

Sincerely,

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

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



STATE OF MICHIGAN
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Rachael Eubanks
State Treasurer

Cc: Eric Bussis
Andrew Lockwood