

MICHIGAN STRATEGIC FUND BOARD
APPROVED MEETING MINUTES
February 24, 2015

Members Present:

Paul Anderson
Steve Arwood
Mike Jackson
Andrew Lockwood (on behalf of Treasurer Clinton)
Alan Pohl (on behalf of Director Zimmer)
Jody DePree Vanderwel
Shaun Wilson

Members Absent:

Terri Jo Umlor
Jim Walsh

Call to Order: Mr. Arwood called the meeting to order at 10:02 am

Public Comment: Mr. Arwood asked if there were any members of the audience.

Communications: None

Due to the multitude of attendees on behalf of the Marquette projects, Mr. Arwood asked to change the order of the agenda. Paul Anderson motioned for the Board to take the Marquette General; DLP Replacement Hospital & Liberty Way Hospitality projects for consideration before resuming the standard agenda order. Jody DePree Vanderwel seconded the motion. **The motion carried: 7 ayes, 0 nays; 0 recused.**

Resolution 2015-013 Marquette General; DLP Replacement Hospital – Brownfield TIF

Jennifer Tucker, Community Assistance Team, provided the Board with information regarding this action item. The City of Marquette Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of \$55,763,061. The school taxes will be utilized to redevelop approximately 37 acres of property located between West Washington Street and U.S. Highway 41, and between South 7th Street and South McClellan Avenue in the City of Marquette. The proposed project will consist of demolition of existing structures on the site and construction of a new regional hospital. The property is currently owned by the City of Marquette and houses their Municipal Services Center operations. DLP Marquette General Hospital, LLC (DLP), an affiliate of Duke LifePoint Healthcare, has developed a draft purchase agreement for the eligible property, but it will not be executed until the MSF considers the Brownfield TIF for the property.

The project includes the development of an approximately 516,000 square foot acute-care hospital, 160,000 square feet of medical office buildings, and a 500 to 750 space parking deck. Approximately 150 permanent full-time jobs are anticipated to be created by this development project at an average hourly wage of \$32.22 in the first three years of operation, and 2,300 current jobs will be retained. The total capital investment will be at least \$170 million. In addition to the Act 381 Work Plan, the city has approved a PA 255 Commercial Redevelopment Act tax incentive which abates 50% of the local ad valorem taxes for twelve years, and is estimated to provide a contribution of over \$11.1 million. Environmental eligible activity costs including assessment, due care and environmental responses are expected to be approximately \$3.4 million.

Staff Recommendation

The MEDC recommends approval of the request by City of Marquette Brownfield Redevelopment Authority to capture local and school taxes for the MSF eligible activities totaling \$55,763,061 described

above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$31,455,943. Capture of taxes levied for school operating purposes is subject to the following condition; capture of taxes levied for school operating purposes for specific eligible activities shall be prohibited if the costs are paid for or reimbursed under any other grant or tax credit program.

Board Discussion

Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the project timeline, the investment history of Duke LifePoint, and the intended use of the old hospital parcels. There being no further questions, Mike Jackson motioned for the approval of Resolution 2015-013. Andrew Lockwood seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

Resolution 2015-014 Liberty Way Hospitality – MCRP

Jennifer Tucker, Community Assistance Team, provided the Board with information regarding this action item. Liberty Way Hospitality, LLC and Chemical Bank are requesting approval of a Michigan Community Revitalization Program incentive in the amount of the lesser of \$4,100,000 or 25% of “Eligible Investment” in the form of a Loan Participation under Other Economic Assistance. The Applicant anticipates that the project could result in eligible investment of \$18,498,204 and total capital investment in the amount of \$20,358,038 in the City of Marquette and the creation of 19 full time equivalent jobs. The development has been able to secure senior financing in the amount of \$12.4M or 61% of the total development cost. The loan-to-cost ratio is in line with traditional lending levels. Additionally, the project developer has been able to raise owner capital in excess of \$3.4M or 17% and is also deferring 100% of developer fees through cash flow. The remaining gap is being filled by the MCRP proceeds of \$4,100,000, which will be fully repayable.

The current request will support the construction of Building 2, which will consist of an 86,000 square foot extended stay hotel and residential facility, with a total of 108 combined units, of which the top story will contain space considered to be flex space which can be utilized as residential or hotel units depending upon demand. Building 2 will also host an approximately 145 stall underground parking garage. The project will also incorporate the construction of a pedestrian connector path to an extensive trail network and the new Marquette General Hospital health care campus. This will link "north side" neighborhoods, downtown, the hospital campus, and the community's extensive non-motorized trail network.

Staff Recommendation

MEDC staff recommends approval of a MCRP performance-based loan participation in the amount of \$4,100,000 for Liberty Way Hospitality, LLC.

Board Discussion

Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the return on investment, as well as the additional financing secured for the project. There being no further questions, Paul Anderson motioned for the approval of Resolution 2015-014. Andrew Lockwood seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

At this time, Mr. Arwood resumed the normal order of business.

Resolution 2015-015 February Consent Agenda

Mr. Arwood asked if there were any questions on items falling under the consent agenda. There being none, Shaun Wilson motioned for the approval of the **January 2015 Proposed Meeting Minutes**, by Resolution 2015-015. Paul Anderson seconded the motion. **The motion carried: 7 ayes, 0 nays, 0 recused.**

Business Investment

Entrepreneurship

Resolution 2015-016 Business Incubator 2015 Award Recommendations

Paula Sorrell, Entrepreneurship & Innovation, provided the Board with information regarding this action item. The MEDC requests that the MSF Board approves awards in the amount of \$2,757,678 to the following 11 nonprofit/university organizations to provide business incubator services to early stage technology companies and institutions for commercializing competitive-edge technologies:

- Automation Alley
- Ann Arbor SPARK East
- Techtown Detroit
- Central Michigan University Research Corporation
- The Regents of the University of Michigan- Desai Family Accelerator
- Lansing Economic Area Partnership
- Lawrence Technological University
- Macomb-Oakland University Incubator
- Michigan Alternative and Renewable Energy Center
- MidMichigan Innovation Center, Inc
- Southwest Michigan Innovation Center, Inc

Since 2009 the Michigan Strategic Fund (“MSF”) has provided funding to business incubators to stimulate the creation and continued growth of technology-based businesses and jobs by capitalizing on the State of Michigan's growing base of high technology industry, its skilled labor force, its nationally recognized university system, its SmartZones, and its business incubators.

Staff Recommendation

The MEDC received 12 proposals totaling \$3,707,678 in response to the RFP. The JEC reviewed the proposals and decided to fund all proposals that received a consensus score of 70 or higher. One exception to this was the TechTown Detroit gatekeeper proposal. The RFP stated that each applicant could only apply under one of the two criteria, TechTown applied twice, the JEC decided to fund the proposal that scored highest of the two.

Of the 12 proposals, 11 were recommended for funding totaling \$2,757,678. MEDC staff also recommends 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 and all necessary agreements with awardees.

Board Discussion

Mr. Arwood asked if there were any questions from the Board. There being none, Jody DePree Vanderwel motioned for the approval of Resolution 2015-016. Alan Pohl seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

Resolution 2015-017 NextEnergy Advanced Energy Acceleration Services – Grant Amendment

Paula Sorrell, Entrepreneurship & Innovation, provided the Board with information on this action item. MEDC Staff recommends the MSF Board approve a grant amendment in the amount of \$1,500,000 to NextEnergy to fund the continuation of their Advanced Energy Acceleration Services grant. The Advanced Energy Acceleration Services grant was funded to help drive investment and support job creation/retention in advanced energy technology based companies in the State of Michigan.

On March 25, 2014, the MSF selected NextEnergy to receive this grant in the amount of \$2,500,000 (Resolution No. 2014-035). This amount is governed under the terms and conditions of a Grant Agreement. The Grant Agreement term began April 1, 2014 and ends March 31, 2015.

NextEnergy, through this grant, continues to provide significant economic impact for the state. The grantee has continuously demonstrated stringent stewardship of the fund, while meeting or exceeding the expected metrics.

Staff Recommendation

MEDC Staff recommends the MSF Board approve this grant amendment for the amount of \$1,500,000, using funds allocated for the Fiscal Year 2015 21st Century Jobs Fund to support Entrepreneurship and Innovation. The grant would be administered under an amended grant agreement with NextEnergy with refined milestones and metrics. MEDC staff also recommends 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 and all necessary agreements with NextEnergy.

Board Discussion

Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the goal of sustainability for this grant, and the expected timeline. There being no further questions, Shaun Wilson motioned for the approval of Resolution 2015-017. Paul Anderson seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

Resolution 2015-018 SBDC Business Accelerator Fund Amendment

Paula Sorrell, Entrepreneurship and Innovation, provided the Board with information regarding this action item. MEDC Staff recommends the MSF Board approve an amendment and additional funding of \$1,965,000 to the Small Business Development Center (SBDC) for the Business Accelerator Fund (BAF) grant to enable continuation of services provided to the entrepreneurial community through December 31, 2015. The MSF approved the initial funding of the BAF for \$3,532,957, later approved the amendment to add \$750,000, and then approved an additional award of \$1,733,248 (2014-017), so over the last 3.5 years the BAF program has received \$6,016,205.

Staff Recommendation

MEDC Staff recommends the MSF Board approve \$1,965,000 funding to the BAF. The grant would be administered under an amended grant agreement with the MI-SBDC. The source of the funding is from the 2015 21st Century Jobs Fund allocation to Entrepreneurship.

Board Discussion

Mr. Arwood asked if there were any questions from the Board. There being none, Jody DePree Vanderwel motioned for the approval of Resolution 2015-018. Alan Pohl seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

Access to Capital

Resolution 2015-019 Community College Skilled Trades Program – Award Recommendations

Amy Cell & Ryan Hundt, Talent Programs and Chris Cook, Capital Access Programs, provided the Board with information regarding this action item. The Michigan Economic Development Corporation (“MEDC”) is requesting approval of awards related to the Community College Skilled Trade Equipment Program (“CCSTEP”), a program that will provide a total of \$50,000,000 in funding to certain Michigan Community Colleges, in order to cover costs related to purchasing, installing and training on equipment necessary to train and educate students in skilled-trade programs. The purpose of the CCSTEP is to provide Michigan Community Colleges funding to through the skilled trades equipment program to purchase equipment required to ensure Michigan community colleges can deliver educational programs in high-wage, high skill, and high-demand occupations as identified by regional labor market conditions, that build and retain a talented workforce in

Michigan. The CCSTEF is authorized by PA 252 of 2014. This Act authorizes the Michigan Strategic Fund to borrow up to \$50,000,000 for the purpose of making grants from the CCSTEF.

Staff Recommendation

MEDC Staff, based on the determination of the Joint Evaluation Committee, recommends the Board approve the listed awards presented for the Community College Skilled Trades Equipment Program, as outline in the resolution.

Board Discussion

Mr. Arwood asked if there were questions from the Board. Discussion ensued, pertaining to the application and review process. Alan Pohl, acting for and on behalf of Director Mike Zimmer, noted that there was a discrepancy in the amount awarded to Muskegon Community College. The resolution was amended to reflect the accurate amount. There being no further questions, Paul Anderson motioned for the approval of Resolution 2015-019, as amended. Alan Pohl seconded the motion, as amended. **The amended resolution motion carried: 7 ayes; 0 nays; 0 recused.**

Resolution 2015-020 Community College Skilled Trade Equipment Fund – Bond Authorizing

Chris Cook, Capital Access Programs, provided the Board with information regarding this action item. The Michigan Economic Development Corporation (the “MEDC”) is requesting the Michigan Strategic Fund (the “MSF”) issue in an amount necessary to fund up to \$50,000,000.00 in grants to Michigan Community Colleges in order to purchase equipment and related investments related to skilled trades programs. At the September 2014 MSF Board meeting, the CCSTEP program and the Inducement for the bonding were approved.

According to MCL 125.2023 (1)(a), the MSF can issue bonds and give the proceeds of those bonds to Michigan Community Colleges pursuant to a grant or other agreement where the Community Colleges agree to use the proceeds for the purchase of equipment. The money will only be paid to the Community Colleges on a reimbursement basis in order to comply. The colleges must also provide a 25% match and meet other conditions in order to participate in the program.

MSF Counsel:	Office of Attorney General
Bond Counsel:	Miller Canfield, P.L.C.
Financial Advisor:	Robert W. Baird
Senior Managing Underwriter:	Citigroup Global Markets, Inc.
Underwriter’s Counsel:	Dickinson Wright, PLLC
Trustee:	U.S. Bank

Staff Recommendation

Based upon a determination by Miller Canfield and the State of Michigan Attorney General’s office that this transaction complies with state and federal law requirements, the staff recommends the adoption of a Bond Authorizing Resolution in an amount not to exceed \$57,000,000.

Board Discussion

Mr. Arwood asked if there were any questions from the Board. There being none, Jody DePree Vanderwel motioned for the approval of Resolution 2015-020. Mike Jackson seconded the motion. **The motion carried by a roll call vote: 7 ayes; 0 nays; 0 recused.**

Resolution 2015-021 Display Pack, Inc./Hansen Realty Company, LLC – Bond Inducement

Chris Cook, Capital Access Programs, provided the Board with information regarding this action item. Display Pack, Inc. (“Display Pack”), a Michigan corporation, and Hansen Realty Company (“Hansen”), a Michigan limited liability company, are requesting private activity financing to invest in new machinery, equipment, and the acquisition and construction/improvement of an approximately 365,000 sq/ft building located in Cedar Springs within Kent County. Display Pack currently has 147 full-time employees at its Grand Rapids, Michigan manufacturing facility. The new facility will primarily manufacture plastic packaging and automotive trim products, and is expected to create approximately 50 full-time jobs within 3 years, with 32 being manufacturing.

Staff Recommendation

After reviewing the Private Activity Bond Application for Display Pack and Hansen, staff recommends the adoption of an Inducement Resolution in an amount of \$10,000,000.

Board Discussion

Mr. Arwood asked if there were any questions from the Board. There being none, Andrew Lockwood motioned for the approval of Resolution 2015-021. Alan Pohl seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

Community Vitality

Resolution 2015-022 Wright Opera Block Project/City of Alma – CDBG

Nate Scramlin, Community Assistance Team, provided the Board with information regarding this action item. Wright Opera Block, LLC will be redeveloping the Wright Opera House and adjoining properties located on approximately 0.50 acres. In 2010, the Wright Opera Block was decimated by fire and the developer would like to restore the building to its former historic glory. The Wright Opera Block consists of multiple three-story buildings and an adjacent one story building known as the "Boiler Building". Within the Opera Block the top two floors will be renovated into approximately 14 residential units for 47 Alma College students. A lease has been executed with Alma College. Roughly 20,000 square feet of residential space will be created. The first floor will be renovated to accommodate multiple commercial/retail tenants. The total retail space to be renovated will be roughly 18,000 square feet. On June 24, 2014, the MSF unanimously approved a \$1,000,000 MCRP incentive in the form of a performance-based grant with Wright Opera Block, LLC and a \$419,958 CDBG Grant with the City of Alma in association with the redevelopment. Roughly 38,000 square feet of mixed-use space is to be redeveloped in Downtown Alma with a total private investment of \$6.7 million and the creation of 42 full-time equivalent positions. The Wright Opera Block project remains the number one priority for the City of Alma and the Downtown Development Authority because of the impact this transformational project will have on the downtown.

Staff Recommendation

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

Board Discussion

Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the issue the project ran into with MSDHA, and how that issue was resolved for all parties with interest in the project. There being no further questions, Jody DePree Vanderwel motioned for the approval of

Resolution 2015-022. Andrew Lockwood seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

Resolution 2015-023 55 Ionia Partners – MCRP

Ryan Kilpatrick, Community Assistance Team, provided the Board with information regarding this action. 55 Ionia Partners, LLC (“Applicant” or “Borrower”) and Macatawa Bank (“Lender”) are requesting approval of a Michigan Community Revitalization Program incentive in the amount of the lesser of \$4,325,000 or 20% of “Eligible Investment” in the form of a Loan Participation under Other Economic Assistance. The Applicant anticipates that the project could result in eligible investment of \$25.3M and total capital investment in the amount of \$34.4 M in the City of Grand Rapids and the creation of 25 jobs. The building being redeveloped has been vacant since 2008. The development team has taken the necessary steps to secure \$20,000,000 in senior financing. Additionally, the project has secured \$170,000 in other grants and is contributing over \$9.5M in owner equity to the project. The project owner views this project as a long-term hold and the MCRP incentive will allow the project to produce a minimal annual cash-on-cash return of under 6% prior to sale.

The Applicant plans to renovate a 13 story building in the central business district of downtown Grand Rapids. The project will include 38,000 square feet of ground floor retail and second story office, as well as 111 market rate residential units on approximately 0.10 acres of property located at 55 Ionia in the City of Grand Rapids. The top two floors of the project will consist of for-sale condominium units which are not being considered for MEDC support.

Staff Recommendation

The MEDC staff recommends approval of an MCRP performance-based loan participation in the amount of \$4,325,000 for 55 Ionia Partners, LLC.

Board Discussion

Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the benefits of this project and how they impact the City’s goals and strategic plan. There being no further questions. Mike Jackson motioned for the approval of Resolution 2015-023. Jody DePree Vanderwel seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

State Branding

Resolution 2015-024 Official Pure Michigan Travel Guide – Request to Issue RFP

David West, Travel Michigan, provided the Board with information regarding this action item. For more than 20 years, Travel Michigan has entered into a contract with a full-service, integrated marketing partner and publisher for the development, sales, production and proactive distribution of the official state of Michigan travel guides, featuring articles with a focus on high quality content, editorial experience, compelling photography and innovative – but proven – proactive distribution solutions. For the past two years, this has included three seasonal guides – a spring/summer guide, a fall guide and a winter guide. As the existing contract for this project is near expiration, MEDC requests approval to issue a request for proposal to attract a new project contract.

Staff Recommendation

The MEDC recommends that the MSF Board approve the release of the RFP for the State of Michigan Official Travel Guide.

Board Discussion

Mr. Arwood asked if there were any questions from the Board. Discussion pertaining to the scope of the

work contained in the RFP ensued. There being no further questions, Mike Jackson motioned for the approval of Resolution 2015-024. Andrew Lockwood seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Mr. Arwood adjourned the meeting at 11:21 am.

