

**MICHIGAN STRATEGIC FUND  
BOARD MEETING AGENDA  
February 24, 2015**

*Public Comment (please limit public comment to three (3) minutes)  
Communications – Information only*

**A. Consent Agenda – Action Item**

Proposed Meeting Minutes – January 27, 2015

**B. Business Investment – Action Items**

**1. Entrepreneurship – Paula Sorrell**

2015 Business Incubator Award – Recommendations

NextEnergy Advanced Energy Acceleration Services – Grant Amendment

SBDC Business Accelerator Fund Amendment

**2. Access to Capital – Action Items**

Community College Skilled Trades Program – Award Recommendations – *Amy Cell*

Community College Skilled Trades Program – Bond Authorizing – *Chris Cook*

Display Pack, Inc. /Hansen Realty Company, LLC – Bond Inducement – *Chris Cook*

**C. Community Vitality – Action Items**

Wright Opera Block Project/City of Alma – CDBG – *Nate Scramlin*

Liberty Way Hospitality; MCRP- *Jennifer Tucker*

Marquette General; DLP Replacement Hospital - Brownfield TIF - *Jennifer Tucker*

55 Ionia Partners – Morton House - MCRP - *Ryan Kilpatrick*

**D. State Branding – Action Item**

Official Pure Michigan Travel Guide RFP - Request to Issue – *David West*

**MICHIGAN STRATEGIC FUND**

**RESOLUTION 2015-**

**APPROVAL OF FEBRUARY 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, for each of which supporting documentation is attached to this Resolution.

Consent Agenda Items:

Proposed Meeting Minutes – January 27, 2015

Ayes:

Nays:

Recused:

Lansing, Michigan  
February 24, 2015

**MICHIGAN STRATEGIC FUND BOARD  
PROPOSED MEETING MINUTES  
JANUARY 27, 2015**

**Members Present:**

Paul Anderson  
Steve Arwood  
Mike Jackson  
Andrew Lockwood (on behalf of Treasurer Clinton)  
Bill Martin  
Jim Walsh  
Shaun Wilson  
Mike Zimmer

**Members Absent:**

Terri Jo Umlor  
Jody DePree Vanderwel

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

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

**Communications:** Andrea Robach, MSF Board Administrator, advised the members that the Chief Compliance Officer's quarterly report was provided in the packet. Also, that a revised terms sheet was provided at each seat for Covisint, for which staff is seeking a MBDP amendment, under the Consent Agenda.

**Resolutions 2015-001 through 2015-006**

*Shaun Wilson recused himself from the Borgwarner action item, and left the room for the entire Consent Agenda discussion and vote.*

Mr. Arwood asked if there were any questions from the Board on any of the Consent Agenda (2015-001) items. There being none, Mike Jackson motioned for the approval of the following:

December 16, 2014 Proposed Meeting Minutes  
HTI Cybernetics – Tool & Die Recovery Zone Amendment **2015-002**  
Covisint – MBDP Amendment **2015-003**  
Borgwarner – MBDP Reauthorization **2015-004**  
Access Business Group, LLC – MBDP Grant Amendment **2015-005**  
Moran Iron Works – MBDP Amendment **2015-006**

Bill Martin seconded the motion. **The motion carried: 7 ayes; 0 nays; 1 recused.**

*Shaun Wilson returns.*

**BUSINESS INVESTMENT**

**Entrepreneurship**

**Resolution 2015-007 – Pure Michigan Venture Capital Development Fund**

*Paula Sorrel & Mike Flanagan, Entrepreneurship & Innovation, provided the Board with information regarding this action item. On January 23, 2013 the MSF Board authorized a second round of funding for the*

PMVDF Program, and on October 23, 2013, the MSF approved two awards under the second round of the Program to Detroit Venture Partners and to Detroit Innovate. Subsequent to approval of those awards, significant changes were made to the proposal submitted by Detroit Innovate. As a result of employee departures, Detroit Innovate has hired two new managing directors, Patti Glaza and Martin Dober, to run the fund. While both are well regarded and have quality track records, the original MSF approval to fund Detroit Innovate, and the prior recommendations of the expert peer reviewer and Joint Evaluation Committee (“JEC”), assumed the original management team. Due to these changes, the MEDC recommends that the PMVDF award to Detroit Innovate be rescinded and that the Program be opened for a third round of funding. MEDC intends to operate the third round in the same manner as previous rounds, in accordance with the attached Program Application, Process, and Guidelines, in order to award a qualified venture fund.

### **Staff Recommendation**

MEDC staff requests that the MSF Board approve the following related to the Pure Michigan Venture Development Fund (“PMVDF” or “Program”):

- rescind the existing PMVDF award of \$2.25 million to Detroit Innovate I, LP, which had been approved by the MSF Board in 2013;
- open a third round of funding for the Program to make additional award(s) to qualified venture fund(s);
- authorize the updated Program Application, Process, and Guidelines (attached); and
- delegate authority to the MSF Fund Manager to modify the Program Application, Process, and Guidelines as necessary, so long as such modifications are not materially adverse to the interests of the MSF.

### **Board Discussion**

Mr. Arwood asked if there were any questions from the Board. There being none, Andrew Lockwood motioned for the approval of Resolution 2015-007. Bill Martin seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused**

### **Business Growth**

#### **Resolution 2015-008 & -009 Forest River Products/St. Joseph County – CDBG & MBDP**

*Mike Gietzen, Development Finance Team, provided the Board with information regarding this action item.* The Village of White Pigeon is requesting the approval of a Community Development Block Grant (“CDBG”) for the Forest River Manufacturing LLC on the job training project in the amount of \$1,600,000. Forest River Manufacturing LLC is also requesting approval of a Michigan Business Development Program (“MBDP”) performance-based grant in the amount of \$350,000. Forest River Manufacturing LLC anticipates that the project will result in \$7,080,000 in total capital investment in the Village of White Pigeon, St. Joseph County and the creation of up to 396 jobs.

Forest River Manufacturing, LLC is a world leader in the recreational vehicle industry. The Company now operates multiple manufacturing facilities throughout the Midwest and West coast U.S. producing motorized Class A, B and C RVs, travel trailers, fifth wheels, pop-up tent campers, park model trailers, destination trailers, cargo trailers, commercial vehicles, buses, pontoons, restroom trailers and mobile offices. The Company currently has headquarters and a very strong manufacturing presence in Indiana. The Company is launching various new products and needs additional facilities to house each new line. The Company plans to construct three facilities of approximately 100,000 square feet each to house new product lines over a three-year timespan.

### **Staff Recommendation**

MEDC Staff recommends approval of a CDBG job training grant agreement, in the amount of \$1,600,000 be authorized for the Village of White Pigeon for the Forest River Manufacturing LLC expansion project subject to submittal of an executed special fee agreement between the Village of White Pigeon and Forest River Manufacturing, LLC, as well as approval of the MBDP request, as outlined in the resolution and terms sheet.

### **Board Discussion**

Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the anticipated wage per hour for the proposed jobs created. There being no further questions, Mike Jackson motioned for the approval of Resolutions 2015-008 & 2015-009. Paul Anderson seconded the motion.

**The motion carried: 8 ayes; 0 nays; 0 recused.**

### **Resolution 2015-010 Toyota Motor Engineering & Manufacturing**

*Trevor Friedeberg, Development Finance Team, provided the Board with information regarding this action item.* This is a request to amend the Michigan Business Development Program Grant Agreement for the Company by increasing the total grant award by \$1 million dollars for the creation of 85 additional Qualified New Jobs and an additional capital investment of \$75,150,000 in Ann Arbor Township, Washtenaw County, Michigan. The Company also evaluated sites in California. State and Local Incentive assistance were crucial to ensure the project would move forward in Michigan.

On August 26, 2014 the Michigan Strategic Fund approved a \$4 million award for the Company under the Michigan Business Development Program (“MBDP”). The Company proposed to relocate its direct procurement from Erlanger, Kentucky to its campus in York Charter Township. The expansion required the Company to construct a new facility and create 250 new jobs at its York Charter Township, Washtenaw County campus. The Company is proposing to expand its powertrain engineering at its existing Ann Arbor Charter Township facility as part of a larger nationwide initiative to evaluate where various units of Toyota North America will conduct their operations. To support this growth the Company will expand its existing powertrain facility by 45,000 square feet and create 85 new jobs. This expansion will involve a capital investment of approximately \$75,150,000.

### **Staff Recommendation**

MEDC Staff recommends approval of the MBDP Proposal as outlined in the terms sheet and resolution.

### **Board Discussion**

Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the facility construction proposed timeline. There being no further questions, Mike Jackson motioned for the approval of Resolution 2015-010. Andrew Lockwood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

### **Access to Capital**

### **Resolution 2015-011 Huron River Ventures Amendment – Accelerator Fund**

*Mike Flanagan, Entrepreneurship & Innovation, provided the Board with information regarding this action item.* On August 9, 2010, the former Commercialization Board approved Huron River Ventures I, to receive an Accelerator Fund award of \$6 million. On September 14, 2010, the MSF and the Fund signed the final convertible loan agreement, and thereafter the MSF entered into the limited partnership agreement, side letter, and other ancillary documents to memorialize the MSF investment into the Fund (collectively, “Fund Documents”). However, the Fund Documents permit a Principal to manage another fund with the consent of the MSF, in the event that at least 70% of the aggregate capital commitments of

the Fund have either been invested, or reserved for future investments (“Investment Threshold”). The Fund advises that it has reached the Investment Threshold.

Huron River Ventures I (the “Fund” or “HRV”), a venture capital fund awarded under the Accelerator Fund Program, both Principals of the Fund, Ryan Waddington and Tim Streit, and MEDC staff are requesting that:

- (i) the MSF amend the Fund Documents to reduce Ryan Waddington’s time commitment to the Fund from 100% to at least 50% of his regular monthly business time;
- (ii) the MSF clarify the Fund Documents to require that Tim Streit’s continue to devote 100% of his regular weekly business time to the Fund; and
- (iii) each of the Principals maintain the required Fund Membership Requirements (the aforementioned, collectively, “Modified Commitment”).

#### **Staff Recommendation**

MEDC Staff recommends that the MSF Board approve the Modified Commitment.

#### **Board Discussion**

Mr. Arwood asked if there were any questions from the Board. There being none, Mike Jackson motioned for the approval of Resolution 2015-011. Shaun Wilson seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

### **COMMUNITY VITALITY**

#### **Resolution 2015-012 Alpena Holiday Inn Express – Brownfield TIF**

*Dan Leonard, Community Assistance Team, provided the Board with information regarding this action item.* The City of Alpena Authority for Brownfield Redevelopment is seeking approval of local and school tax capture for MSF eligible activities in the amount of \$1,278,250. The school taxes will be utilized to redevelop approximately 1.93 acres of property located at 225 River Street in the City of Alpena. The project includes the redevelopment of a vacant lot in downtown Alpena for construction of a new ninety room four-story hotel. The property is currently owned by Alpena Lodging, LLC, an affiliate of the Amerilodge Group. This is a Michigan-based hotel operations and development company with fifteen hotels, predominately in Michigan.

The project includes the development of a Holiday Inn Express in downtown Alpena that will serve as the sole hotel within walking distance to the central business district. Redevelopment of this property will feature approximately 54,000 square footage of commercial space, infill the vacant land and the active patrons staying at the hotel will support existing businesses in the downtown. The subject property has remained vacant for several years due to the contamination issues. In addition to the requested Act 381 Brownfield Plan, the City of Alpena has approved a Commercial Rehabilitation Act PA 210 abatement consisting of a local property tax exemption with an estimated value of \$776,000 in total for the first ten (10) years at 100% upon completion of the hotel.

#### **Staff Recommendation**

The MEDC recommends approval of the request by City of Alpena Authority for Brownfield Redevelopment to capture local and school taxes for the MSF eligible activities totaling \$1,278,250 as described above. Utilizing the blended state to local capture ratio, the amount of school tax capture for this project is estimated at \$813,619.

### **Board Discussion**

Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the existing vacancy rate for the other hotels in the area, and the need for State assistance with the extensive geotechnical support needs of the site. There being no further questions, Bill Martin motioned for the approval of Resolution 2015-012. Andrew Lockwood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

### **ADMINISTRATIVE**

#### **President's Update**

At this time, MSF President and Chairman Steve Arwood gave a brief overview of the Governor's Executive Order which reorganized a selection of State Agencies, including the Michigan Strategic Fund, in creating the Department of Talent and Economic Development. This new department will take effect on March 16, 2015, and among the transfer of duties and powers, includes the transfer of the MSF from the Department of Treasury, to the new department. The MSF Board, as it currently exists, will be abolished, and a new MSF Board will be created under DTED, though the existing Board Members will be reappointed to seats within the new Board.

Mr. Arwood adjourned the meeting at 10:34 am.



## MEMORANDUM

**Date:** February 24<sup>th</sup>, 2015  
**To:** Michigan Strategic Fund Board  
**From:** Roselyn Zator, Managing Director, Entrepreneurial Services  
**Subject:** *FY 2015 Business Incubator Programs Recommendations*

---

### Action

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

### Background

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. For the 2014 fiscal year, the business incubators reported the following results occurred as a result of their activities: 149 (145 companies created in 2013), 5,369 companies served (3,869 in 2013), 709 jobs created (587 in 2013), and \$438 million investment (\$135 million in 2013). These results reflect levels improved over 2012 and 2013 results. The Michigan Economic Development Corporation (“MEDC”) provides administrative services for the business incubator grants.

On November 25<sup>th</sup>, 2014 the MSF Board approved:

- 1) Allocation of \$6.435 million for the program;
- 2) Approval of the RFP
- 3) Appointment of the JEC and
- 4) Approval of the scoring and evaluation criteria

Michigan Economic Development Corporation

300 North Washington Square | Lansing, MI 48913 | 888.522.0103 | MichiganAdvantage.org | michigan.org

## Results

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.

- **Automation Alley (\$500,000 over 10 months to support the launch and scale of the Automation Alley 7Cs program and to provide supplementary resources for entrepreneurial clients):** The requested funds will allow Automation Alley to fully execute the launch of the 7Cs program – which will serve up to 10 advanced manufacturing companies in the first year – and to continue to provide valuable resources to competitive edge technology entrepreneurs and startup companies outside of the 7Cs program. This model guarantees that companies in the following competitive edge technology sectors can be served effectively by Automation Alley: Advanced automotive, Manufacturing and materials technology, Homeland security and defense technology, Alternative energy technology. Automation Alley has partnered with a number of respected vendors throughout Southeast Michigan to offer specific training opportunities and resources to clients in the 7Cs program, including Sandler Sales Training, icube™, Brooks Kushman, Doeren Mayhew and P3. Automation Alley will leverage independently generated membership dues revenues in the amount of \$500,000 as a grant match. Prior to this award the awardee managed similar MSF supported programs and in FY2014 was able to create 7 new companies, 57 new jobs and attract \$7.6 million in follow on funding.
- **Techtown Detroit (\$500,000 over 12 months to continue the DTX services in collaboration with Bizdom, Invest Detroit, and DC3 with the addition of TechStars as a new partner):** The Partners will continue to administer *DTX Launch Detroit*, a startup accelerator for students; *D-Venture*, an entrepreneur-in-residence placement program; and integrated ecosystem services, including start-up company acceleration, incubation and portfolio sharing. The *DTX Fellow* program, a mid-level talent placement program, will also be continued on a limited basis, with one fellow placed at DC3. DTX will welcome the addition of Techstars to expand and enhance the impact of DTX. Techstars will introduce a *Techstars Mobility, Driven by Detroit* Program (Techstars Mobility), a mentorship based accelerator that will bring together leaders in the communication, transportation, marketing and manufacturing domains to help entrepreneurs create the next 100 Years of transportation and mobility innovation. TechTown will match this grant with over \$500,000 in cash and in-kind contribution from the partners. Prior to this award the awardee managed similar MSF supported programs and in FY2014 was able to create 18 new companies, 21 new jobs and attract over \$7 million in follow on funding.
- **Ann Arbor SPARK East (\$350,000 over 2 years to continue the existing activities at their incubator located in Ypsilanti, MI, and the increase in technology transfer activities and collaboration with the Digital Engagement Center at Eastern Michigan University):** SPARK East serves as an innovation hub with access to funding and business development support for start-up and mature stage technology based companies and is the center piece for economic development and re-vitalization in eastern Washtenaw County. SPARK East in partnership with Eastern Michigan University's Center for Digital Engagement (DEC) proposes a two-year project to create a repeatable, clinical program in digital sales and marketing operations. The proposed

clinic will target select post-secondary students. For the specific DEC proposed here, student activities will consist of three parts: (1) professional work experience as part of a team in a business accelerator based startup, (2) classroom instruction, and (3) an external certification exam. These activities will allow students to create portfolios of relevant accomplishment that they can use to further their professional advancement. Companies will benefit from intelligent student labor mentored by experienced academics and professionals based in The Center for Digital Engagement. SPARK will match the award with cash and in-kind from local community partners including Eastern Michigan University, the City of Ypsilanti, Ypsilanti DDA and Ypsilanti Township, Washtenaw County. This grant funding will be contingent on verifying that there is no overlap with TIF funding for the incubator. Prior to this award the awardee managed similar MSF supported programs and in FY2014 was able to create 23 new companies, 116 jobs and attract over \$247.1 million in follow on funding for the companies they assisted.

- **Central Michigan University Research Corridor(CMURC) (\$199,100 over two years for gatekeeper activities):** The funding will be used to cover the salary and expenses of the gatekeeper who will be assisting technology companies with BAF applications and support of BAF activities, assistance with client Pre-Seed applications and support of PreSeed activities and other similar activities. CMU has agreed to a \$500,000 cash per year investment in CMURC to conduct these activities in addition to the incubator and accelerator services all to facilitate the growth of the economy, specifically technology based companies. In 2014 CMURC's programs created 22 companies, 117 jobs and raised \$563,011 for the companies they served. This grant funding is contingent on the MEDC approving a new gatekeeper or identified gatekeeper receiving training to enable them to assist early stage technology based companies.
- **The Regents of the University of Michigan-Desai Family Accelerator (\$199,272 over two years to support gatekeeping activities):** The Desai Family Accelerator, as part of an institute of higher education, will foster the growth of Michigan's technology based economy by funding early stage ventures and helping them grow through an intensive 13-week program. This program will help connect the early stage founders to mentor and provide startups with a collaborative working space. The managing director will also be responsible for all gatekeeping activities including working with the existing SmartZone initiatives. The grant will be matched with private funding to the Ross School of Business through the Desai Family Foundation and Davidson Foundation.
- **Lansing Economic Area Partnership (LEAP) (\$200,000 over two years to support gatekeeping activities):** The funds will go towards the salary and expenses of the Business Accelerator and Gatekeeper position. The match will be provided by LEAP general funds and membership fees. The gatekeeper will be responsible for assisting technology based companies affiliated with the Technology Innovation Center and the MSU technology commercialization pipeline navigate the ecosystem and access the programs run by the various service providers including BAF, pre-seed. In 2014, LEAP helped create 14 companies, 33 jobs and helped to attract \$594,246 in follow on funding/new capital for the companies they assisted. The funding for this grant is contingent on the MEDC approving a new gatekeeper or identified gatekeeper receiving training to enable them to assist early stage technology based companies as well as refining the milestones and metrics.
- **Lawrence Technological University (LTU) (\$100,000 for 12 months to support gatekeeping activities):** LTU and the City of Southfield through the Automation Alley SmartZone are

collaborating to establish the Business and Technology Center in a 4,000 square foot space within a LTU building located on the campus. The Center will be operated by LTU Economic Development, with day to day management provided by the LTU Collaboratory. This grant will fund the salary and expenses of the center's director who will be responsible for all gatekeeping activities including assisting companies with BAF and preseed applications and will also be responsible for collecting and monitoring the outcomes of the center. This grant will be matched with TIF funds from the City of Southfield and in-kind in the form of salaries of the center's advisory board members. This grant funding is contingent on the MEDC approving a new gatekeeper or identified gatekeeper receiving training to enable them to assist early stage technology based companies.

- **Macomb- Oakland University Incubator (\$197,326 over two years to support gatekeeping activities):** This funding will be used to cover the salary and expenses of a new staff member who will be responsible for gatekeeping activities at the incubator. The position will be posted once approval for funding is received with the knowledge that the gatekeeper will have to be approved by the MEDC. This new staff member will also be expected to be responsible for Capital-raise Activities, Direct Consulting, Business Pipeline Development and Supporting the Technology-based Entrepreneurial Ecosystem. Prior to this award the awardee managed similar MSF supported programs and in FY2014 was able to create 8 new companies, 32 new jobs and attract over \$8 million in follow on funding for the companies they assisted. This grant will be matched with \$104, 332 from Oakland University and \$118,200 in in-kind services from the Business Advisory Board. This grant funding will be contingent on the MEDC approving the new gatekeeper as well as refining the milestones and metrics.
- **Michigan Alternative and Renewable Energy Center (MAREC) (\$111,980 over two years to support gatekeeping activities):** This funding will be used to cover the salary and expenses for the business incubator manager who will be a new hire. The position will be posted once approval for funding is received with the knowledge that the gatekeeper will have to be approved by the MEDC. The business incubator manager will run the day-to-day operations of the incubator and be the gatekeeper to guide clients moving through the accelerator, pre-seed, angel investor, SBDC, and other support programs. MAREC-GVSU plans on matching the grant with \$111,980 in cash to cover the remaining portion of the salary and expenses. Prior to this award the awardee managed similar MSF supported programs and in FY2014 was able to create 1 company, 6 new jobs and attract \$240,000 in follow on funding for the companies they assisted. This grant funding is contingent on the MEDC approving the new gatekeeper.
- **MidMichigan Innovation Center, Inc (MMIC) (\$200,000 over two years to support gatekeeping activities):** The funding will cover the costs associated with maintaining a full-time staff person to manage gatekeeping activities and navigate technology based entrepreneurs through the State's entrepreneurial ecosystem. MMIC will match this grant with \$150,000 annually from their corporate partners. Prior to this award the awardee managed similar MSF supported programs and in FY2014 was able to create two companies, 33 new jobs and \$3.5 million in follow on funding for the companies they assisted. This grant funding is contingent on the MEDC approving a new gatekeeper or identified gatekeeper receiving training to enable them to assist early stage technology based companies.
- **Southwest Michigan Innovation Center, Inc (SMIC) (\$200,000 over two years to support gatekeeping activities):** This funding will support the salary and travel expenses for gatekeeping and looking for drug development related technologies for commercialization. The gatekeeper will

be responsible for helping clients navigate the entrepreneurial ecosystem within the State. Prior to this award the awardee managed similar MSF supported programs and in FY2014 was able to create three new companies, 14 new jobs and help attract \$69.4 million in follow on funding for the companies they assisted.

**Recommendation**

MEDC staff, based on the recommendation of the Joint Evaluation Committee, requests that the MSF Board approve the following awards:

\$500,000	- Automation Alley
\$350,000	- Ann Arbor Spark East
\$500,000	- TechTown Detroit (DTX)
\$199,100	- Central Michigan University Research Corporation
\$199,272	- The Regents of the University of Michigan- Desai Family Accelerator
\$200,000	- Lansing Economic Area Partnership
\$100,000	- Lawrence Technological University
\$197,326	- Macomb-Oakland University Incubator
\$111,980	- Michigan Alternative and Renewable Energy Center
\$200,000	- MidMichigan Innovation Center, Inc
\$200,000	- Southwest Michigan Innovation Center, Inc

---

**\$2,757,678 - Total**

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.

**Exhibit A- Scores of Proposals (Sorted in Descending Order of Consensus Score)**

<b>Organization</b>	<b>Requested Amount</b>	<b>Score</b>	<b>Recommended Award</b>	<b>Explanation for Reduced Amount</b>
<b>Southwest Michigan Innovation Center</b>	\$200,000	89.2	\$200,000	
<b>TechTown Detroit-DTX</b>	\$1,000,000	87.4	\$500,000	Funded for only 1 year
<b>Automation Alley</b>	\$500,000	81.4	\$500,000	
<b>Ann Arbor SPARK East</b>	\$500,000	80.2	\$350,000	Eliminated Willow Run collaboration
<b>The Regents of the University of Michigan- Desai Family Accelerator</b>	\$199,272	79.9	\$199,272	
<b>Macomb-Oakland University Incubator</b>	\$197,326	79.8	\$197,326	
<b>Michigan Alternative and Renewable Energy Center</b>	\$111,980	77.6	\$111,980	
<b>Lansing Economic Area Partnership</b>	\$200,000	77.2	\$200,000	
<b>Lawrence Technological University</b>	\$200,000	77.2	\$100,000	Funded for 1 year
<b>Central Michigan University Research Corporation</b>	\$199,100	76.4	\$199,100	
<b>Techtown Detroit-Gatekeeper</b>	\$200,000	72.9	0	Funded higher score proposal
<b>MidMichigan Innovation Center, Inc</b>	\$200,000	72.2	\$200,000	

**MICHIGAN STRATEGIC FUND  
RESOLUTION**

**2015-**

**BUSINESS INCUBATORS AWARDS**

**WHEREAS**, Public Acts 215 and 225 of 2005 (“Act”) established the 21st Century Jobs Trust Fund initiative;

**WHEREAS**, MCL 125.2088k created the Strategic Economic Investment and Commercialization Board (“SEIC Board”) for the purposes of awarding grants and loans for basic research, applied research, university technology transfer, and commercialization of products, processes and services to encourage the development of competitive edge technologies to create jobs within the State of Michigan;

**WHEREAS**, pursuant to Executive Order 2010-8, the Governor ordered the SEIC Board abolished and all powers, duties, and functions of the SEIC Board transferred to the Michigan Strategic Fund (“MSF”), including those powers, duties, and functions provided under MCL 125.2088k;

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

**WHEREAS**, MCL 125.2088k requires that the MSF Board establish a competitive process to award grants and make loans for competitive edge technologies;

**WHEREAS**, on November 25, 2014, the MSF initiated a competitive proposal process to award grants to business incubators to stimulate the creation and continued growth of technology-based businesses and jobs (the “Business Incubators RFP”) and allocated \$6.435 million to the Business Incubators RFP; and

**WHEREAS**, the Act required that proposals received in response to the Business Incubator RFP be reviewed by a joint evaluation committee (“JEC”);

**WHEREAS**, twelve proposals were received in response to the Business Incubator RFP;

**WHEREAS**, the JEC has evaluated all proposals in accordance with the requirements of the RFP, including all statutory requirements, and the scoring and evaluation criteria adopted by the MSF Board on November 25, 2014;

**WHEREAS**, the JEC determined that eleven proposals satisfied the requirements of the RFP, including all statutory requirements, and earned sufficient scores under the scoring and evaluation criteria adopted by the MSF Board; and

**WHEREAS**, the JEC recommends that the entities identified in Exhibit A to this resolution receive awards in the amounts listed (the “Business Incubator Awards”).

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF Board approves the Business Incubator Awards;

**BE IT FURTHER RESOLVED**, the MSF Board may, at its sole discretion, extend the grant periods of the Business Incubator Awards for up to an additional three years and may increase the amount

of the Business Incubators Awards, subject to available funds for so long as the Business Incubator Awards are active; and

**BE IT FURTHER RESOLVED**, that MSF Fund Manager or the MSF Chairperson, with only one required to act and in coordination with MEDC Staff, is authorized to the negotiate final terms and conditions of the Business Incubator Awards and to execute all documents necessary to effectuate the Business Incubator Awards.

Ayes:

Nays:

Recused:

Lansing, Michigan  
February 24, 2015

## MEMORANDUM

**Date:** February 24<sup>th</sup>, 2015

**To:** MSF Board

**From:** Paula Sorrell, VP Entrepreneurship and Innovation

**Subject:** NextEnergy Advanced Energy Acceleration Services Grant Amendment One to Case-72451

---

### ACTION

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.

### BACKGROUND TO AWARD

Under the authorities created by the Michigan Strategic Fund Act (“Act”), MCL 125.2088k, and transferred to the Michigan Strategic Fund (“MSF”) by Executive Order 2010-8, the MSF is charged with awarding grants and loans for basic research, applied research, university technology transfer, and commercialization of products, processes and services to encourage the development of competitive edge technologies to create jobs within the State of Michigan.

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.

### PROGRAM RESULTS

The purpose of the grant was to help drive investment and create jobs in Michigan in the advanced energy sector. NextEnergy has had a long history of assisting the State of Michigan achieve growth in this sector. Since its creation in 2002, NextEnergy has help attract over \$1.4 billion in new investment in the advanced energy sector to the State. Specifically, under the current grant the following metrics were met in 2014. These exceeded the projected metrics in the proposal that was submitted.

They have also provided/achieved the following under the current funding:

- A full assessment of DOE and ARPA-E funding priorities has been performed on FY2014 and FY2015 priorities for the MATch energy grant.
- The I-Corps Energy and Transportation training proved to be an enormous success with 17 teams, 11 from Michigan, participating.
- I-Corps E&T has also helped NextEnergy’s Venture Development team gain traction with the Department of Energy (DOE) and (ARPA-E). NextEnergy won the National Incubator Initiative for Clean Energy (NIICE), as the lead on a team representing the Midwest

Region, along with the Clean Energy Trust (CET) (\$745,000, a 3 year grant). NIICE is a Department of Energy national support network to serve clean energy small businesses and entrepreneurs, providing critical technical assistance and training services in order to bring these essential businesses and entrepreneurs closer to market readiness.

- They were recognized by DOE and ARPA-E as a leader in entrepreneurial training in energy and transportation, and ARPA-E has committed to send 2-4 ARPA-E teams to participate.
- The brought mobility ventures and industry to Michigan via AMP, ITS World Congress, and MOTM leading to continued interest in expanding corporate presence in area from industry such as Qualcomm and Denso, and expansion of local operations from ventures such as Zagster.

	<b>2014 Mature Companies (Actual)</b>	<b>2014 Early Stage Companies (Actual)</b>	<b>2014 Total (Actual)</b>	<b>2014 projected in proposal</b>
<b>Patents, copyrights, or trademarks</b>	11	106	117	100
<b>Licensing agreements</b>	1	16	17	6
<b>New products commercialized</b>	4	100	104	6
<b>New Revenue, \$M</b>	519	48.5	567	50
<b>Funding Secured, \$M</b>	17.5 (11.8 Federal)	38.8 (13.1 Federal)	56.3	20
<b>Jobs Created or Retained</b>	134	439	573	115

### **BACKGROUND TO REFUNDING REQUEST**

There is a need to continue offering services for companies and organizations operating in the advanced energy technology space in Michigan to continue to attract funding and help grow the industry. The services that NextEnergy provides are instrumental in growing this industry.

With this funding NextEnergy will continue to provide the following services: venture development, technology vetting and business consulting, supporting the growth of advanced energy industry clusters and matching making and partnership services. Expected outcomes from this funding include 100 companies served, an additional 100 jobs created and \$25 million in private investment leveraged.

### **RECOMMENDATION**

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. As such, 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.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION**

**2015-**

**NEXTENERGY GRANT AMENDMENT**

**WHEREAS**, Public Acts 215 and 225 of 2005 (“Act”) established the 21st Century Jobs Trust Fund initiative;

**WHEREAS**, MCL 125.2088k created the Strategic Economic Investment and Commercialization Board (“SEIC Board”) for the purposes of awarding grants and loans for basic research, applied research, university technology transfer, and commercialization of products, processes and services to encourage the development of competitive edge technologies to create jobs within the State of Michigan;

**WHEREAS**, pursuant to Executive Order 2010-8, the Governor ordered the SEIC Board abolished and all powers, duties, and functions of the SEIC Board transferred to the Michigan Strategic Fund (“MSF”), including those powers, duties, and functions provided under MCL 125.2088k;

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

**WHEREAS**, on December 28, 2013, the MSF Board authorized the issuance of a request for proposals (“RFP”) for awarding a grant to a non-profit corporation to provide energy acceleration services to businesses in Michigan (the “Energy Acceleration Services RFP”);

**WHEREAS**, on March 25, 2014, NextEnergy received a grant of \$2,500,000 under the Energy Acceleration Services RFP (the “NextEnergy RFP”)

**WHEREAS**, the MEDC recommends that an additional \$1,500,000 be allocated to the NextEnergy Grant (the “Grant Amendment”)

**WHEREAS**, the MSF Board wishes to approve the Grant Amendment.

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

**BE IT FURTHER RESOLVED**, that MSF Fund Manager or the MSF Chairperson, with only one required to act and in coordination with MEDC Staff, is authorized to the negotiate final terms and conditions of the Grant Amendment and to execute all documents necessary to effectuate the Grant Amendment.

Ayes:

Nays:

Recused:

Lansing, Michigan  
February 24, 2015

## MEMORANDUM

**Date:** February 24, 2015  
**To:** MSF Board  
**From:** Paula Sorrell, VP Entrepreneurship, Innovation, & Venture Capital  
**Subject:** SBDC BAF Grant Amendment

---

### ACTION

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.

### BACKGROUND

Under the authorities created by the Michigan Strategic Fund Act (“Act”), MCL 125.2088k, and transferred to the Michigan Strategic Fund (“MSF”) by Executive Order 2010-8, the MSF is charged with awarding grants and loans for basic research, applied research, university technology transfer, and commercialization of products, processes and services to encourage the development of competitive edge technologies to create jobs within the State of Michigan.

The BAF was first launched on October 1, 2011 to provide strategic business acceleration services to Michigan companies commercializing advanced technologies. Through a maximum grant award of \$50,000, high potential companies are selected through a competitive review process and can utilize the grant funds to pay for specialized services (i.e.: engagements with business consultants including market studies, financial modeling, and market plans or engagements with manufacturers, software developers, or engineers for product development). The funding goes to the service providers to provide the services to the companies, and these engagements are managed by Michigan’s SmartZone incubators and accelerators.

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.

### RESULTS

This is a flagship success program for MEDC, offering crucial support services to Michigan start-up companies from Michigan based service providers, and delivering outstanding outcomes. Since its initiation in 2011, the total 21st Century Jobs Funds investment of \$6,016,205 in the BAF program has led to \$58,993,144 in new capital formation and \$30,802,375 in new sales, serving 189 companies and generating 187 new jobs and 23 new businesses.

### 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.

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.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION**

**2015-**

**GVSU-SBDC GRANT AMENDMENT**

**WHEREAS**, Public Acts 215 and 225 of 2005 (“Act”) established the 21st Century Jobs Trust Fund initiative;

**WHEREAS**, MCL 125.2088k created the Strategic Economic Investment and Commercialization Board (“SEIC Board”) for the purposes of awarding grants and loans for basic research, applied research, university technology transfer, and commercialization of products, processes and services to encourage the development of competitive edge technologies to create jobs within the State of Michigan;

**WHEREAS**, pursuant to Executive Order 2010-8, the Governor ordered the SEIC Board abolished and all powers, duties, and functions of the SEIC Board transferred to the Michigan Strategic Fund (“MSF”), including those powers, duties, and functions provided under MCL 125.2088k;

**WHEREAS**, on April 11, 2011 a public hearing was held and public comments were received on a Request for Proposals (“RFP”) to award grants to non-profit organizations that provide specialized entrepreneurial support services to companies and institutions in commercializing competitive edge technologies and building innovative businesses with the potential for high growth and job creation (“Entrepreneurial Support Services RFP”);

**WHEREAS**, on October 23, 2013, the MSF Board approved the issuance of the Entrepreneurial Support Services RFP;

**WHEREAS**, the Grand Valley State University Michigan Small Business Development Center (“GVSU-SBDC”) received a grant of \$1,733,248 to provide entrepreneurial support services (the “GVSU-SBDC Grant”);

**WHEREAS**, in order to continue these entrepreneurial support services, the MEDC recommends that the GVSU-SBDC Grant be extended to December 31, 2015 and that an additional \$1,965,000 be allocated to the GVSU-SBDC Grant (“Grant Amendment”); and

**WHEREAS**, the MSF Board wishes to approve the Grant Amendment.

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan  
February 24, 2015



## MEMORANDUM

**Date:** February 24, 2015  
**To:** Michigan Strategic Fund Board  
**From:** Amy Cell, Senior Vice President, Talent Enhancement  
Ryan Hundt, Senior Program Manager, Talent Enhancement  
**Subject:** *Approve Awards for Community College Skilled Trades Equipment Program*

---

### **Request**

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.

### **Background**

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.

Skilled Trades are an important sources of jobs in Michigan’s economy, they represent about 5 percent of Michigan’s employment. There are varying types of occupations within the Skilled Trades fields, those that generally require higher levels of formal education and longer periods of on-the-job training – apprenticeships – and are associated with higher wages. Skilled Trades occupations requiring an apprenticeship or long-term on-the-job training have a median wage of around \$24 per hour and have an expected growth of around 2.3 percent through 2013; this is in comparison to Skilled Trades occupation that require moderate to short-term on-the-job training, which have a median wage around \$19 per hour and an anticipated growth of about 1.7 percent through 2013. The Skilled Trades occupations that require an associate’s degree or a postsecondary or vocational certificate are among the highest paid occupations in the group.

In order to facilitate the growth of the Skilled Trades, an investment in education is fundamental. Investing in Skilled Trades education infrastructure also has larger implications for economic growth due to the strong correlation between an occupation’s required education / training and its

median wage. By 2020, Skilled Trades occupations that require larger investments in hands on training and education will see the most employment growth and provide more opportunities for jobseekers.

Community Colleges offer both formal education and hands on training by maintaining college facilities that supply students with the opportunity to train on equipment in accordance to industry standards. Technologies utilized by the Skilled Trades workforce have progressed rapidly, and community colleges need to keep their equipment updated in order to effectively prepare students to be competent in the latest technologies used by industry.

**Awards:**

<b><u>College</u></b>	<b><u>CCSTEP Funds</u></b>	<b><u>Match Funds</u></b>	<b><u>Total Project Cost</u></b>
Alpena Community College	468,750.00	156,250.00	625,000.00
Delta College	1,569,005.00	639,440.00	2,092,006.00
Grand Rapids Community College	2,949,928.24	983,309.41	3,933,237.65
Henry Ford College	4,528,613.00	2,180,359.00	6,708,972.00
Kalamazoo Valley Community College	3,575,116.95	1,178,565.18	4,753,682.13
Kellogg Community College	2,107,575.00	526,894.00	2,634,469.00
Lansing Community College	4,800,000.00	4,042,120.00	8,842,120.00
Macomb Community College	2,829,055.21	987,798.80	3,816,854.01
Mott Community College	3,061,420.00	1,020,475.00	4,081,895.00
Northwestern Michigan College	2,078,174.00	697,061.00	2,775,235.00
Oakland Community College	4,538,505.00	1,512,835.00	6,051,340.00
Bay College	\$748,893.37	\$251,304.42	\$1,000,197.79
Jackson College	\$3,874,595.00	\$968,649.00	\$4,843,224.00
Washtenaw Community College	\$4,399,634.17	\$2,323,685.11	\$6,723,319.28
West Shore Community College	\$423,791.06	\$147,120.75	\$571,003.71
Montcalm Community College	\$1,285,314.00	\$430,955.19	\$1,716,709.19
Muskegon Community College	\$4,105,446.00	\$2,641,987.00	\$6,641,987.00
Kirtland Community College	\$2,656,184.00	\$887,786.00	\$2,901,380.00
<b>TOTALS</b>	<b>50,000,000.00</b>	<b>21,576,594.86</b>	<b>70,712,631.76</b>

- **Note:** CCSTEP Funds + Match Funds not equal to Total Project Cost due to additional third-party contributions towards individual projects where applicable

**Recommendation**

MEDC Staff makes the following recommendations with respect to the program(s):

- Based on the determination of the Joint Evaluation Committee, staff recommends the Board approve the list awards presented for the Community College Skilled Trades Equipment Program.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2015-**

**COMMUNITY COLLEGE SKILLED TRADES EQUIPMENT AWARD**

**WHEREAS**, Public Act 252 of 2014 (the “Act”) authorized the Michigan Strategic Fund (“MSF”) to award up to \$50,000,000 for the community colleges skilled trades equipment program for equipment and related investments that ensure that Michigan community colleges can deliver educational programs in high-wage, high-skill, and high-demand occupations, as identified by regional labor market conditions and that build and retain a talented workforce in Michigan;

**WHEREAS**, twenty-seven proposals were received in response to the Request for Proposals;

**WHEREAS**, the Joint Evaluation Committee scored and ranked the proposals and have recommended 18 awards (collectively “CCSTEP Awards”) as follows:

<b>College</b>	<b>CCSTEP Funds</b>	<b>Match Funds</b>	<b>Total Project Cost</b>
Alpena Community College	468,750.00	156,250.00	625,000.00
Delta College	1,569,005.00	639,440.00	2,092,006.00
Grand Rapids Community College	2,949,928.24	983,309.41	3,933,237.65
Henry Ford College	4,528,613.00	2,180,359.00	6,708,972.00
Kalamazoo Valley Community College	3,575,116.95	1,178,565.18	4,753,682.13
Kellogg Community College	2,107,575.00	526,894.00	2,634,469.00
Lansing Community College	4,800,000.00	4,042,120.00	8,842,120.00
Macomb Community College	2,829,055.21	987,798.80	3,816,854.01
Mott Community College	3,061,420.00	1,020,475.00	4,081,895.00
Northwestern Michigan College	2,078,174.00	697,061.00	2,775,235.00
Oakland Community College	4,538,505.00	1,512,835.00	6,051,340.00
Bay College	\$748,893.37	\$251,304.42	\$1,000,197.79
Jackson College	\$3,874,595.00	\$968,649.00	\$4,843,224.00
Washtenaw Community College	\$4,399,634.17	\$2,323,685.11	\$6,723,319.28
West Shore Community College	\$423,791.06	\$147,120.75	\$571,003.71
Montcalm Community College	\$1,285,314.00	\$430,955.19	\$1,716,709.19
Muskegon Community College	\$4,000,000.00	\$2,641,987.00	\$6,641,987.00
Kirtland Community College	\$2,656,184.00	\$887,786.00	\$2,901,380.00
<b>TOTALS</b>	<b>49,894,554.00</b>	<b>21,576,594.86</b>	<b>70,712,631.76</b>

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

**WHEREAS**, the MEDC recommends that the MSF approve the CCSTEP Awards.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board approves the CCSTEP Awards, subject to the following:

- (i) Due diligence is performed, the results of which are acceptable to the MSF Fund Manager;
- (ii) Funding, acceptable to the MSF and MEDC, is available; and
- (iii) All necessary requirements under the Act to finalize the CCSTEP Awards have been satisfied to the satisfaction of the MSF Fund Manager.

**BE IT FURTHER RESOLVED**, that the MSF Fund Manager or the MSF Chairperson, with only one required to act and in coordination with MEDC Staff, is authorized to negotiate final terms and conditions of the CCSTEP Awards and to execute all documents necessary to effectuate the CCSTEP Awards.

Ayes:

Nays:

Recused:

Lansing, Michigan  
February 24, 2015



## MEMORANDUM

**Date:** February 24, 2015

**To:** Michigan Strategic Fund Board

**From:** Chris Cook, Director of Capital Access

**Subject:** *Bond – Authorizing  
Community College Skilled Trade Equipment Fund  
Not to Exceed \$57,000,000 – New*

---

### **Request:**

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.

### **Background:**

The purpose of the Community College Skilled Trades Equipment Program (CCSTEP) is to provide Michigan community colleges funding in order to purchase equipment required to deliver educational programs in high-wage, high-skill, and high-demand occupations, as identified by regional labor market conditions, in order to build and retain a talented workforce in Michigan.

At the September 2014 MSF Board meeting, the CCSTEP program and the Inducement for the bonding were approved.

### **Plans of Finance:**

Similar to the structure utilized with the Facility for Rare Isotope Beams on the campus of Michigan State University project, a reimbursement agreement between the MSF, the State Budget Office (“SBO”), and the participating community colleges provides that:

- The SBO will agree to request an annual appropriation sufficient to cover debt service each year that the bonds are outstanding; and
- The MSF agrees to supply such an appropriation strictly to the payment of the bonds.

No further contractual obligations exist between the MSF, the SBO, and the participating community colleges which relate to the payment of the bonds. A failure to appropriate debt service payments will result in the default of the MSF on its obligations. Bond buyers are assuming the “appropriation risk” when they purchase the bonds. Some impact to all bond ratings associated with state appropriation risk could be expected in the event the State Legislature fails to appropriate funds necessary to pay debt service on the bonds. This risk being viewed collectively by rating agencies and bond buyers creates an

incentive for the Legislature to appropriate funds in order to protect the rating on that debt and preserve the ability to issue such debt at competitive interest rates in the future.

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

**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.

RESOLUTION TO AUTHORIZE THE ISSUANCE OF THE  
MICHIGAN STRATEGIC FUND  
LIMITED OBLIGATION REVENUE BONDS  
(COMMUNITY COLLEGES SKILLED TRADES EQUIPMENT PROGRAM)  
SERIES 2015

---

Resolution 2015-\_\_\_\_\_

Background

A. The Michigan Strategic Fund (the “Fund”) is authorized by 1984 PA 270, as amended (the “Act”), to borrow money and issue bonds for the purpose of making grants and paying the costs of expenditures of the Fund incidental to and necessary or convenient to carry out the Fund’s purposes, objectives or powers.

B. Section 1052 of 2014 PA 252 (“Act 252”) provides that up to \$50,000,000 for the Community Colleges Skilled Trades Equipment Program (“CCSTEP”) shall be made available to Michigan community colleges (each a “Community College”) for equipment and related investments for educational programs in high-wage, high-skill, and high-demand occupations that build and retain a talented workforce in Michigan.

C. Pursuant to the Act and Act 252, the Fund proposes to issue its Limited Obligation Revenue Bonds (Community Colleges Skilled Trades Equipment Program) Series 2015 (the “Bonds”) in the aggregate principal amount of not to exceed \$57,000,000 or such other amount as is necessary to make available up to \$50,000,000 for the CCSTEP, pursuant to this resolution (the “Resolution”) and a Bond Indenture (the “Indenture”) between the Fund and U.S. Bank National Association, as trustee (the “Trustee”), in order to provide funds to be used to finance grants made in connection with the CCSTEP and pay costs of issuing the Bonds.

D. On October 28, 2014, the Fund Board adopted Resolution 2014-191, authorizing a request for proposals and approving guidelines for the CCSTEP, and the Fund Board adopted Inducement Resolution 2014-192, in preparation for issuance of the Bonds.

E. Pursuant to Resolution 2014-191, the Fund is currently accepting applications from Community Colleges wishing to participate in the CCSTEP and will provide a grant to each selected Community College pursuant to a Reimbursement Agreement among the Fund, the State Budget Office and each Community College (each a “Reimbursement Agreement”).

F. The Bonds will be purchased by Citigroup Global Markets Inc., as underwriter (the “Underwriter”) pursuant to a bond purchase contract (the “Bond Purchase Contract”) between the Underwriter and the Fund.

NOW, THEREFORE, Be It Resolved by the Board of the Fund:

SECTION 1. Issuance of Bonds; Limited Obligation. The issuance of the Bonds in one or more series is authorized for the purpose of providing funds to finance reimbursement grants

to be made to eligible Community Colleges under the CCSTEP and paying the costs of issuing the Bonds including costs of bond insurance, if any, and Fund administrative expenses.

The terms of the Bonds shall be substantially in the form contained in the Indenture, with the changes permitted or required by action of the Fund or the Indenture. The Bonds shall bear the manual or facsimile signature of a member of the Fund's Board of Directors (a "Member") or of a person authorized by Board Resolution to sign Bond documents on behalf of the Fund (an "Authorized Officer"), and the official seal of the Fund (or a facsimile of the seal) shall be impressed or imprinted on the Bonds.

The Bonds and the interest and any premium on the Bonds are not a debt or obligation of the State of Michigan or a general obligation of the Fund within the meaning of any constitutional or statutory limitation and do not constitute a charge against the credit or taxing powers of the State of Michigan or the general funds or assets of the Fund (including funds relating to other Fund loans or activities), but shall be limited obligations of the Fund payable solely and only from the security pledged under the Indenture.

**SECTION 2. Approval, Execution and Delivery of Documents.** The forms of the following documents, on file with the staff of the Fund and on which have been endorsed by the staff of the Fund the date of adoption of this Resolution, are approved:

- a. Reimbursement Agreement;
- b. Indenture;
- c. Bond Purchase Contract.

Any Member and Authorized Officer are authorized to execute and deliver the Bond Purchase Contract and any Member or Authorized Officer is authorized to execute and deliver the remaining documents identified in this Section in substantially the forms approved, with any changes as are considered necessary or desired by him or her, permitted by the Act or otherwise by law, and not materially adverse to the Fund.

**SECTION 3. Completion of Document Terms.** Any Member or Authorized Officer may approve the principal amount of the Bonds in an amount not to exceed \$57,000,000, or such other amount as is necessary to make available up to \$50,000,000 for the CCSTEP, and the interest rates of the Bonds, which shall not be more than 6.00% per annum for any series issued as tax-exempt bonds, and not be more than 8.00% per annum for any series issued as federally taxable bonds. Approval of these terms shall be evidenced by the execution of the Bond Purchase Contract by a Member or Authorized Officer.

**SECTION 4. Sale and Delivery of the Bonds.** A Member or an Authorized Officer shall execute, seal, and deliver the Bonds upon receipt of the following documents and payment of the purchase price for the Bonds:

- a. an opinion of bond counsel to the Fund acceptable to the Fund and the Attorney General of the State of Michigan (the "Attorney General"), and
- b. an approving opinion of the Attorney General.

Upon receipt, the proceeds of the Bonds shall be paid over to the Trustee to be credited in accordance with the Indenture.

SECTION 5. Designation of Certain Parties. U.S. Bank National Association is approved as the Trustee for this transaction. The Trustee's acceptance of duties shall be evidenced by its execution of the Indenture.

SECTION 6. Preliminary Official Statement and Official Statement. The use and distribution by the Underwriter of a Preliminary Official Statement to solicit offers to purchase the Bonds, in substantially the form on file with the Fund and on which an Authorized Officer shall endorse the date of adoption of this Resolution, is approved. The use and distribution of an Official Statement in substantially the same form as the Preliminary Official Statement is approved. Any Member or Authorized Officer is authorized to approve changes in the Preliminary Official Statement or Official Statement as may be necessary or desirable, permitted by the Act or otherwise by the law, and not materially adverse to the Fund.

SECTION 7. Continuing Disclosure. The Fund agrees to undertake material events disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission. The Fund requests that the State of Michigan agree to provide financial disclosure information regarding the State needed for all Bond offering materials and to cause an appropriate official of the State to enter into a continuing disclosure undertaking in such form that will permit the Bonds to be publicly offered and which will comply with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission.

SECTION 8. Federally Taxable Bonds. If an Authorized Officer, after consultation with the Attorney General and bond counsel to the Fund, determines to issue a portion of the Bonds as federally taxable bonds, such Bonds shall be issued in one or more separate series and an Authorized Officer shall designate all Bonds of such series of Bonds as federally taxable. The designation of such Bonds shall include the words "Federally Taxable." Any Authorized Officer may approve revisions to the forms of documents approved by this Resolution as are determined to be necessary or appropriate in connection with the issuance of such series of federally taxable Bonds.

SECTION 9. Transfer of Appropriated Funds. Any Authorized Officer is authorized, on or prior to the delivery of the Bonds, to transfer the funds appropriated by the legislature in Act 252 for the CCSTEP to the Trustee for deposit in one or more of the funds created pursuant to the Indenture.

SECTION 10. Authorization of Filings, Submissions and Other Documents. Any Member or Authorized Officer, as well as counsel to the Fund, is authorized to apply for or submit, execute, and deliver the other certificates, documents, opinions, and papers to any party or governmental agency as may be required by the Indenture, the Reimbursement Agreement, or the Bond Purchase Contract, or as may be necessary to effectuate the valid issuance, sale and delivery of the Bonds, effectuate the issuance of any tax-exempt series of the Bonds as tax-exempt bonds, and otherwise as contemplated by those documents.

SECTION 11. Conflict and Effectiveness. All resolutions or other proceedings of the Fund in conflict with this Resolution are repealed to the extent of the conflict. This Resolution shall become effective upon adoption. If the Bonds are not delivered to their original purchaser on or before September 30, 2015, the authority granted by this Resolution shall lapse.

Adopted.

Ayes: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Nays: \_\_\_\_\_

Lansing, Michigan  
February 24, 2015



**MEMORANDUM**

**Date:** February 24, 2014

**To:** Michigan Strategic Fund Board

**From:** Christopher Cook, Director of Capital Markets

**Subject:** Private Activity Bond – Bond Inducement  
Display Pack, Inc. / Hansen Realty Company, L.L.C.  
Manufacturing - \$10,000,000.00 – New

---

**Request:**

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.

**Background:**

Display Pack was founded in 1967 by Roger Hansen in his garage. It was incorporated in Michigan on June 29, 1971. It was incorporated in Michigan on June 29, 1971. Since then it has continued to grow into a company with a diverse set of capabilities that primarily revolve around the plastic thermoforming process. Display Pack is still privately held and primarily owned and managed by Roger’s sons, Victor and Jonathan Hansen.

**Plans for Finance:**

The proposed bonds are expected to be structured as tax-exempt variable rate limited obligation revenue bonds, to be privately placed with Wells Fargo Bank, N.A. The approximate costs of the project to be financed with the proceeds of the bonds are as follows:

Building acquisition	\$ 6,300,000
Building improvements	\$ 2,000,000
Site improvements	\$ 100,000
Machinery & equipment	\$ 1,450,000
Bond issuance costs (max. of 2% of bond proceeds)	\$ 150,000

TOTAL

\$ 10,000,000

**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.

MICHIGAN STRATEGIC FUND

INDUCEMENT RESOLUTION  
2015-

Display Pack, Inc.  
Hansen Realty Company, L.L.C.

**WHEREAS**, Display Pack, Inc., a Michigan corporation, and co-borrower Hansen Realty Company, L.L.C., a Michigan limited liability company (collectively, the “Company”), are presently located at 1340 Monroe Avenue, NW, City of Grand Rapids, Michigan 49505;

**WHEREAS**, the Company desires to acquire and renovate an approximately 365,000 square foot building to house manufacturing operations, as well as to invest in new machinery and equipment and site improvements, all to be located at 660 West Street NE, City of Cedar Springs, Kent County, Michigan (collectively, the “Project”);

**WHEREAS**, the Company has applied to the Michigan Strategic Fund (“MSF”) for a loan (the “Loan”) to finance the Project as defined in 1984 PA 270 (the “Act”);

**WHEREAS**, the Company has advised the MSF that the cost of the Project to be financed with the Loan will not exceed Ten Million Dollars (\$10,000,000);

**WHEREAS**, the Act authorizes the MSF to loan moneys to business enterprises for the purpose of financing projects and to obtain the moneys for such loans by the issuance of bonds pursuant to the Act; and

**WHEREAS**, this Resolution has the purpose of providing the necessary official intent of the MSF to meet the requirements of Sections 141 and 144 of the Internal Revenue Code of 1986, as amended (the “Code”) and the regulations promulgated in connection therewith and, in particular, Section 1.150-2 of the Income Tax Regulations.

**NOW, THEREFORE, BE IT RESOLVED**, by the Michigan Strategic Fund that:

1. The MSF intends to provide the Loan to the Company subject to the conditions of this Resolution.
2. The Loan shall be designated for the Project in accordance with the Company’s Tax-Exempt Application Form dated February 6, 2015.
3. The maximum principal amount of the bonds (the “Bonds”) expected to be issued to provide the Loan to finance the Project shall not exceed Ten Million Dollars (\$10,000,000). The Company shall be obligated to make loan repayments in an amount sufficient to assure full repayment of the Bonds, establish appropriate reserves and pay costs and expenses relating to the issuance of the Bonds and the making of the Loan.
4. The MSF’s obligation to issue the Bonds and make the Loan shall be conditioned upon a) the ability of the MSF to issue, sell and deliver the Bonds under applicable federal and state laws, b) receipt of an allocation from the State Treasurer pursuant to 1988 PA 496 as it relates to limitations on the issuance by states of private activity bonds under the Code, and c) any prioritization, fee schedulers or other requirements or limitations implemented by the MSF or the State Treasurer.

5. The MSF's obligation to make the Loan and issue the Bonds contemplated by this Resolution shall expire two years after the date of this Resolution.
6. The Loan may be evidenced by a promissory note and secured by such instruments as are in form and substance satisfactory to the MSF, the Attorney General of the State of Michigan (the "Attorney General") and bond counsel to the MSF, including a loan agreement, indenture, first mortgage, security agreement and such additional security as may be required by the MSF or purchaser of the Bonds.
7. Subject to compliance with this Resolution, the MSF will authorize a bond resolution approving the issuance of the Bonds (the "Bond Resolution") for the purpose of making the Loan and funding the reserves and costs associated with the issuance and administration of the Bonds, and enter into a loan agreement and related documents with the Company and a bond purchase agreement with a bond purchaser, which documents shall be subject to the approval of the Attorney General and bond counsel to the MSF.
8. The Bonds shall not be general obligations of the MSF but shall be payable as to principal and interest solely from the proceeds of the payments to be made by the Company to the MSF (or to a trustee appointed by the MSF pursuant to the Bond Resolution), as provided in the Bond Resolution. The agreements relating to the Loan and the issuance of the Bonds shall contain such provisions as will be necessary to make absolutely certain that under no circumstances will the Bonds or this Resolution be a debt or obligation of the State of Michigan or a general obligation of the MSF, nor will the State of Michigan be liable on the Bonds.
9. All costs and expenses involved in the authorization, issuance, sale, and delivery of the Bonds and in the making of the Loan shall be paid from the Bond proceeds or, if they are insufficient, by the Company.
10. The staff of the MSF is authorized and directed to initiate the proceedings described in this Resolution and to enter into negotiations, subject to the approval of the MSF, with a bond purchaser for the sale of the Bonds. Any authorized signatory is authorized to prepare and file with the Michigan Department of Treasury a request for allocation as it relates to the State limitations on the issuance of private activity bonds.
11. Bond counsel to the MSF and the Attorney General are authorized and directed to prepare and submit to the appropriate parties all proceedings, agreements and other documents as shall be necessary or appropriate in connection with the issuance of the Bonds and to make applications on behalf of the MSF to the United States Internal Revenue Service and to other governmental agencies for such income tax and other rulings and approvals as may be necessary in relation to the issuance of the Bonds. Any authorized signatory is authorized to execute such powers of attorney and other documents as may be appropriate in connection with the foregoing. All costs and expenses pertaining to the above matter shall be paid from the bond proceeds or by the Company.
12. A preliminary official statement or other offering materials may be used in connection with the sale of the Bonds; provided, however, that no preliminary official statement or other offering materials shall be circulated unless any description of the MSF, the Bonds and documents to which the MSF is a party shall have been approved by bond counsel to the MSF and the Attorney General.
13. All resolutions and parts of resolutions insofar as they conflict with this Resolution are rescinded.

**ADOPTED**

Ayes:

Nays:

Recused:

Lansing, Michigan



## MEMORANDUM

**Date:** February 24, 2015

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

**From:** Deborah Stuart, Director, Community Development Incentives  
Nate Scramlin, Community Assistance Team Specialist

**Subject:** Project Update and Extension Approval For:  
Wright Opera Block, LLC  
Request for Approval of a \$1,000,000 Michigan Community Revitalization Program (MCRP) Performance-Based Grant

Wright Opera Block Infrastructure Project  
City of Alma, County of Gratiot  
Request for Approval of a \$419,958 Community Development Block Performance-Based Grant (“CDBG”)

---

### **Project Background**

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.

Associated with this development, the City of Alma will be upgrading the surrounding infrastructure with the help of CDBG funds to accommodate the increased residents as well as the visitors and employees of the newly created commercial spaces. The CDBG funds will be used for the reconstruction and landscaping of three downtown parking lots, and replacing 14 thirty year old sodium street lights with historically correct LED fixture lighting. CDBG-funded activities will be strictly focused on the infrastructure improvements with match-funded activities being split between engineering and actual infrastructure improvements.

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.

A time-extension to execute the written agreement associated with the MCRP was approved in October 2014 to allow MEDC staff time to perform additional due diligence regarding the project. Since the MSF approval, the City of Alma became in default with an approved grant for another project through MSHDA utilizing MSF funding (101 Downie Street – Maples Building) with a developer having common ownership

(Kurt Wassenaar) as the Wright Opera Block project. Due to the common ownership between the Maples Building and the Wright Opera Block, MEDC staff chose to not execute the grants associated with the Wright Opera Block project so that it could conduct appropriate due diligence surrounding the MSHDA grant and provide for additional securities surrounding the approved MSF incentives.

#### **Grant Default Resolution (Maples Building)**

On December 18, 2014, MEDC and MSHDA staff met with the City of Alma regarding the defaulted grant. The timeline associated with the completion of the Maples Building has been hindered by a contract dispute between the project developer and the general contractor. After discussions, MSHDA, MEDC, and the City of Alma agreed that the best resolution of the grant would be the completion of the Maples Building project, but without appropriate assurances at that time, the City of Alma was asked to repay the MSHDA grant. Full repayment was provided to MSHDA on January 20, 2015. MSHDA has granted the City and project developer a 45 day grace period in which they will hold payment for the grant in hopes that the developer will complete the project. If MSHDA is satisfied with significant movement on the project before the end of the 45 day period, an extension will be allowed to complete the project. In that scenario, the project will be in compliance, and the City would be provided their check back. However, if the project is not reactivated before the 45 day grace period ends, MSHDA will complete the City of Alma's repayment transaction.

#### **Wright Opera Block Project – Additional Due Diligence**

The Wright Opera Block project stands ready to move forward and complete construction. MEDC staff has confirmed that all other funding sources have been confirmed and/or approved for the project.

#### **Funding Summary:**

- Closure on senior debt financing with Isabella Bank for the project;
- Approval and documents prepared for execution of the tax credit investment with Isabella Bank as the tax credit investor; and
- Approval and documents prepared for execution of the bridge loan with Develop Michigan LLC to bridge the MCRP grant and Tax Credit investments.

As MCRP funds are paid upon satisfaction of project milestones and the ultimate completion of construction, this project is considered a low-risk investment for the MSF. Upon execution of a grant agreement and subsequent closing of the project financing, any liens associated with the property will be released.

The CDBG grant was initially structured as an upfront grant that would be qualified by future job creation. However, the grant will be adjusted to require that evidence of job creation be demonstrated prior to any grant funds being dispersed. The City of Alma is in full support of this change and understands the need for the MSF to reduce their risk.

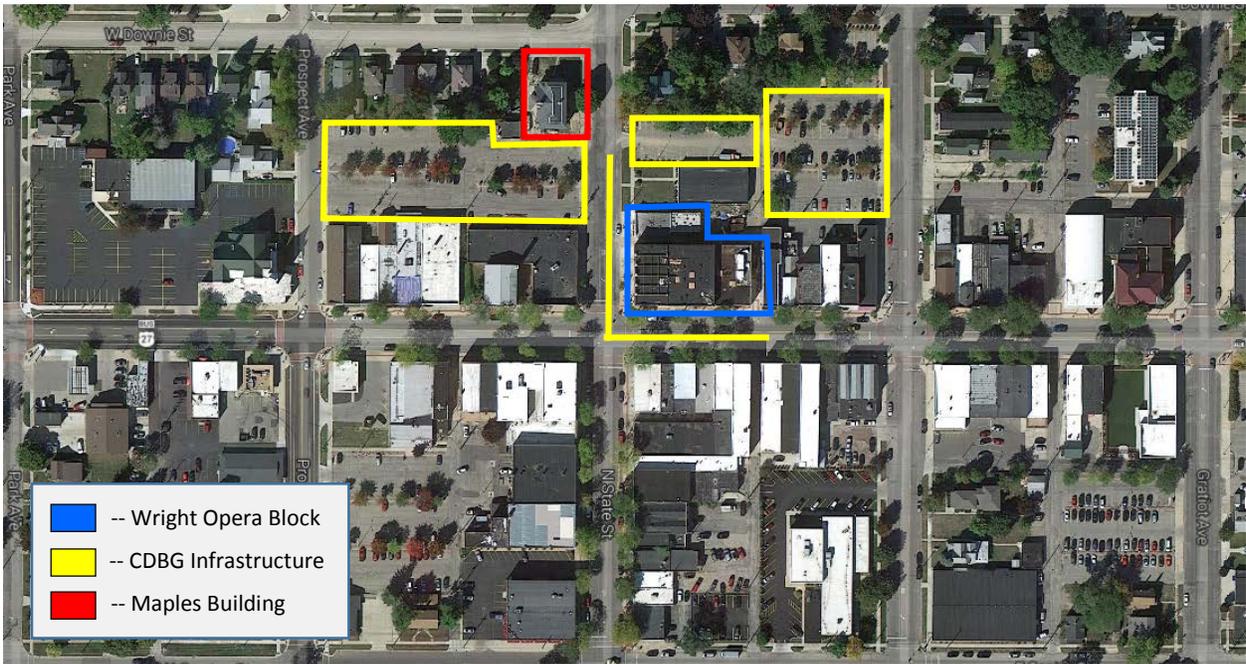
The Developer has over 30 years of architecture, planning, and development experience in the State of Virginia. Mr. Wassenaar has completed historic renovations and new construction on numerous properties dating back to the 1980's including the Jefferson Theatre in Charlottesville, the Barren Ridge Winery, and multiple mixed-use buildings in and around downtown Charlottesville.

#### **Wright Opera Block Project – 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:

1. Approval of a MCRP performance-based grant in the amount of \$1,000,000 for Wright Opera Block, LLC, and
2. 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.

## APPENDIX A: Downtown Alma Project Map



**MICHIGAN STRATEGIC FUND**

**RESOLUTION 2015-**

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM  
PERFORMANCE-BASED GRANT AWARD FOR WRIGHT OPERA BLOCK, LLC AND  
APPROVAL OF A COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM  
PERFORMANCE-BASED GRANT FOR THE WRIGHT OPERA BLOCK INFRASTRUCTURE  
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), as later amended, 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 No. 2011-185, the MSF (i) created the MCRP, (ii) adopted the guidelines for the MCRP, as later amended (“Guidelines”), and (iii) approved the MSF Fund Manager to negotiate the final terms and conditions of the written agreements to be used to memorialize MCRP awards on the MSF’S behalf in accordance with the Guidelines (“Transaction Documents”);

**WHEREAS**, on June 24, 2014, by resolution No. 2014-090, the MSF awarded the MCRP Applicant a performance based grant award under the MCRP for the Project in an amount not to exceed up to \$1,000,000 (“MCRP Award Request”);

**WHEREAS**, the time period to execute the agreement for the MCRP Award Request expired, the applicant is requesting a 60 day extension from the MSF Board date to execute the MCRP performance-based grant award;

**WHEREAS**, the MEDC recommends that the MSF approve the MCRP Award Request extension, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents within 60 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 30 days (“MCRP Award Recommendation”);

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

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

**WHEREAS**, on June 24, 2014, by resolution No. 2014-091, the MSF authorized a CDBG grant to the City of Alma (the “Community”) not to exceed \$419,958 for the payment or reimbursement of costs associated with the Wright Opera Block Infrastructure Project (the “CDBG Project”).

**WHEREAS**, the time period to execute the CDBG grant agreement expired, the Community is requesting a 60 day extension from the MSF Board date to execute the CDBG performance-based grant agreement;

**WHEREAS**, MEDC staff recommends that a performance-based grant agreement be authorized and entered into with the Community for funds from the CDBG program for the reasons set forth in this Resolution;

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

**BE IT FURTHER RESOLVED**, the MSF Fund Manager, in coordination with MEDC Staff, is authorized to negotiate the final terms and conditions of, and sign, the Transaction Documents necessary to effectuate the MCRP Award Recommendation.

**BE IT FURTHER RESOLVED**, that the MSF authorizes a CDBG performance-based grant to the Community not to exceed \$419,958 for the payment or reimbursement of costs associated with the CDBG Project. The MSF allocates \$419,958 from the Michigan CDBG program for the purpose of funding the Community's proposed CDBG Project contingent upon the MSF's continued receipt of CDBG funds and availability of adequate funds and the ability of the developer to provide written certification of the executed loan agreement, note and mortgage, evidencing that the Wright Opera Block, LLC has closed on financing;

**BE IT FURTHER RESOLVED**, staff is directed to negotiate the terms of a CDBG performance-based grant agreement for the CDBG Project consistent with this Resolution. The Fund Manager or MSF President is authorized to execute, on behalf of the MSF, all documentation necessary to effectuate the proposed CDBG Project; and

**BE IT FURTHER RESOLVED**, if the Community fails to execute and return the CDBG performance-based grant agreement to staff within 60 days of the date this Resolution is adopted, this Resolution shall be of no further force and effect and shall be void; based upon a showing of good cause, MEDC staff may extend the time period for executing and returning the grant agreement for an additional 30 day period.

Ayes:

Nays:

Recused:

Lansing, Michigan  
February 24, 2015



## MEMORANDUM

**Date:** February 24, 2015

**To:** Michigan Strategic Fund Board

**From:** Brent Morgan, Manager, Community Revitalization and Brownfield Programs  
Julius Edwards, Capital Services  
Jennifer Tucker, Community Assistance Team Specialist

**Subject:** Liberty Way Hospitality, LLC and Chemical Bank  
Michigan Community Revitalization Program  
Request for Approval of up to \$4,100,000 in Other Economic Assistance – Loan Participation

---

### Request

Liberty Way Hospitality, LLC (“Applicant” or “Borrower”) and Chemical Bank (“Lender”) 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 team has worked diligently to secure adequate senior financing from a traditional financing institution with the capacity and understanding of the market to meet the senior financing needs of the project. Additionally, securing financing was further complicated by the cost of the underground parking, which adds a non-traditional cost of over \$3.5M to the project that traditional financing sources are unwilling to finance. The process has been a lengthy one, but 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.

### Background

Liberty Way Hospitality, LLC, an affiliate of the Veridea Group, will own the property, while the Veridea Group’s Hospitality Division will manage the hotel and residential units.

The Veridea Group acquires, develops, owns, and manages quality lodging, retail, office, and residential properties. With the experience gained from over 40 completed projects exceeding 550,000 square feet and \$100 million in value, Veridea Group is one of the Upper Peninsula’s largest providers of premier leaseholds and hospitality properties. Their projects have been recognized for their positive transformative impact on neighborhoods and communities, whether it be the renovation of a 100 year-old neighborhood storefront into a thriving restaurant (Border Grill on 3rd Street) to the \$30 million + conversion of a blighted industrial site into a high density, mixed use, urban center at Liberty Way.

The Veridea Group, Principal, Robert Mahaney, has a successful record of hotel management. Presently, they operate two other Upper Peninsula hotels that ranks in the top 5% nationally within their market segments. One of their hotels was recognized as the best amongst all 1,400 Carlson Rezidor hotels worldwide in 2010.

Liberty Way is a 5 acre, high density, mixed use project that is located on a brownfield site in the heart of the City of Marquette at 855-857 West Washington Street. Formerly a blighted industrial baking facility, Veridea acquired the abandoned property in 2011. Phase I of the redevelopment began in 2012 and was completed in December 2013. Upon completion of all three phases, the project will consist of three buildings and over \$35 million of investment, with end uses including office, residential, restaurants and lodging. It is estimated that over 200 permanent jobs will be created by Liberty Way's end users, as a total development.

Phase 1 of the Liberty Way development was accomplished with the assistance of MCRP and an Act 381 Work Plan. The Act 381 Work Plan provides tax increment financing for all three phases of development.

The Applicant is in compliance with both programs.

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.

During this phase of the project, parking must be constructed for both this phase and for the future project of Building 3. The 145 stall, 2 level, underground parking garage allows Veridea to construct the required parking spaces to accommodate the needs of Building 2, while maximizing the potential size of Building 3, and capturing an important tenant that is growing and providing professional job opportunities in the community. The parking also helps to achieve the high density, urban use intended for the site, as well as providing a parking solution on a severely sloped property.

Veridea has an opportunity to lease approximately 25,000 square feet of Building 3 to a regional healthcare service provider. The rapid growth of this prospect's business will lead to an expected increase of 50 total employees over the next several years. It desires a location close to the relocating hospital campus and within a modern, efficient "Class A" office setting. The future project of Building 3, in addition to the two level parking as part of Building 2, meets all these objectives. Building 3 will also contain restaurant space, bringing its total size to 28,000 square feet above ground.

The project is located downtown Marquette and qualifies for a MCRP award because it is functionally obsolete.

The project's statutory requirements are addressed in Appendix A and a project map and renderings are provided in Appendix B.

#### **FINANCING OPPORTUNITY – MCRP LOAN PARTICIPATION**

The project is seeking MSF participation in coordination with Chemical Bank as the senior lender. The Lender, along with the Borrower, has requested the MSF participate in up to \$4,100,000 in a \$16,536,769 construction to permanent loan facility. The MSF Share will be split into two separate notes. One note will be for \$3,100,000 in a traditionally amortizing note and the other note will be for \$1,000,000 non-amortizing note due at maturity, sale, or refinance. The MSF would participate in all payments in proportion to its

share of the loan, but would allow the collateral to apply first to the Lender's share in an event of liquidation. Below outlines a summary of the development sources and the proposed structure of the loan participation.

**SUMMARY OF DEVELOPMENT SOURCES:**

Chemical Bank Share	\$	12,436,769	61.1%
MSF Share	\$	4,100,000	20.1%
Developer Equity	\$	3,407,816	16.8%
Deferred Developer Fees	\$	413,453	2.0%
<b>TOTAL</b>	<b>\$</b>	<b>20,358,038</b>	<b>100.0%</b>

**LOAN FACILITIES**

**MSF Facility** MCRP Loan Participation and Servicing Agreement Under "Other Economic Assistance"

**Borrower:** Liberty Way Hospitality, LLC

**Lender:** Macatawa Bank

**Total Amount of Loans:** Currently estimated at \$16,536,769

**Lender Share:** Currently estimated at \$12,436,769

**MSF Share:** Up to \$4,100,000

***MSF Note 1***

**Loan Amount:** Up to \$3,100,000

**Term:** To match that of the Lender, not to exceed 60 months with an interest only period of up to 36 months.

**Amortization:** To match that of the Lender, not to exceed 240 months following the interest only period.

**Interest Rate:** On the MSF Share 1.00% per annum

**Fee:** The MSF shall be paid a one-time fee equal to 1.00% of the MSF's share of the loan. The Lender may charge the borrower for this fee.

**Repayment Terms:** On the MSF Share up to 36 months of monthly interest only payments followed by monthly principal and interest payments.

***MSF Note 2***

**Loan Amount:** Up to \$1,000,000

**Term:** To match that of the Lender, not to exceed 60 months.

<b>Amortization:</b>	Non-Amortizing
<b>Interest Rate:</b>	On the MSF Share 1.00% per annum
<b>Fees:</b>	The MSF shall be paid a one-time fee equal to 1.00 of the MSF Share of the loan, and an annual fee equal to 1.00% of the MSF Share thereafter.
<b>Repayment Terms:</b>	Principal due at the earliest of maturity, refinance or sale.

***Shared Terms for MSF Note 1 and Note 2***

<b>Collateral:</b>	To match that of the Lender, currently anticipated being a mortgage lien on the property, assignment of leases and rents, assignment of tax increment financing revenue, and all assets of the borrower. MSF Share of collateral will be subordinated to that of the Lender.
<b>Guarantee:</b>	To match that of the Lender, currently anticipated to be the unlimited, unsecured personal guarantees of Robert Mahaney, Craig Coccia, and Kellie Holstrom & Trust. The MSF share of guarantee will be subordinated to the Lender.
<b>Funding:</b>	The MSF will fund up to \$4,100,000 to be disbursed following closing of the Loan and other performance criteria.
<b>Other Conditions:</b>	The MSF's investment will be contingent upon a minimum owner equity contribution being made to the project equal to the lesser of 17% of budgeted project cost or \$3,400,000.

**Recommendation**

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

## APPENDIX A

### MCRP PROGRAM AND ITS GUIDELINES

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

### SOURCE OF INFORMATION

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

As required under the program, the following statutory criteria shall be considered by the MSF, as MEDC Staff believes each is reasonably applicable to proposed project:

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

The project, centrally located in the City of Marquette will add 32 market rate residential units and 76 extended stay hotel units to the central business district, providing further strength to the local retail and business climate.

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

One of the primary objectives of the project is to inspire continued development and investment in downtown Marquette and the underutilized area surrounding Liberty Way. Evidence of this can already be seen; since the beginning of Phase I of Liberty Way seven neighboring parcels totaling over 40 acres have been acquired and are in various stages of redevelopment.

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

The City of Marquette has provided \$7,501,029 in financial support through brownfield tax increment financing for the project as part of its first phase, completed in December 2013.

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

The development team has worked diligently to secure adequate senior financing from a traditional financing institution with the capacity and understanding of the market to meet the senior financing needs of the project. Additionally, securing financing was further complicated by the cost of the underground parking, which adds a non-traditional cost of over \$3.5M to the project that traditional financing sources are unwilling to finance. The process has been a lengthy one, but 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.

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

The project does not include reuse or redevelopment of buildings, but will redevelop a former blighted industrial bakery site into a three building, mixed use, high density development of Liberty Way.

**F. Creation of jobs:**

As a result of the development of Building 2, 10 full-time and 25 part-time jobs are expected to be created, totaling 19 full time equivalent positions. The average hourly wage is estimated to be \$12.02.

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

It is anticipated that the development of Building 2 will result in a total capital investment of \$20,358,038. Overall project investment in all Phases of the Liberty Way development is expected to be approximately \$35 million. No other contributions or federal sources are a factor in this project.

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

It is anticipated that the project upon reaching stabilization will generate adequate cash flow to meet its debt service requirements with a debt service coverage of greater than 1.30x. Additionally, the project will have the financial support of Robert Mahaney and Craig Coccia.

Staff performed a review of the occupancy assumptions for the project. Based on market information contained within a market study performed by Hospitality Real Estate Counselors, staff has concluded that there is adequate demand in the area to support the project. The project's feasibility is bolstered by the future relocation of Market General Hospital to a site adjacent to the project and the extended stay niche that is currently unmet in the market.

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

The revitalization of this property is a key component to increasing the density of occupied properties and viable businesses in the Washington Street corridor through its accessibility, mixed-use, and multi-story nature. Building 2 is a four story mixed use development which also includes two stories of underground parking, necessary in achieving the high density, urban use intended for the site, as well as providing a parking solution on a severely sloped property.

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

Building 2 will consist of an 86,000 square foot mixed use development, of which the commercial portion (extended stay hotel) will occupy the ground, second, and third floors. The residential portion will occupy the fourth floor of the building. The project also includes the construction of a pedestrian connector path to the City's existing non-motorized trail, the Noquemanon Trail Network, the Iron Ore Heritage Trail, 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 that link to neighborhoods, through downtown, the hospital campus.

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

The project does not convert public buildings to private use.

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

Construction of the building will incorporate LEED equivalent practices, including LED light fixtures, automation of building systems, low-flow water conservation devices, energy efficient mechanical equipment, high efficiency insulation in walls and roof, and will feature the IHG Green Engage Program into the operation of the facility.

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

The project does not involve rehabilitation of a historic resource.

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

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

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

Presently, there is not an extended stay hotel in the Marquette area. The future construction and operation of a new campus for the hospital, adjacent to the Liberty Way site, along with expanded medical specialties and services, the growing mining activity in the region, Northern Michigan University, and Marquette's overall growth as the Upper Peninsula's economic, governmental and cultural center, all create strong demand drivers for an extended stay hotel. Also driving demand is the growing influx of seasonal residents seeking temporary housing. A market study conducted in 2014 by Hospitality Real Estate Consultants, Memphis TN, supports these findings.

The need for mid to upper scale residential apartments targeted towards these same groups, is also apparent. Few new midscale apartment units have been constructed in the past 10-12 years, and all existing units are fully rented with waiting lists. Liberty Way's excellent location, quality of construction, Lake Superior views, indoor parking and on-site amenities (fitness center, concierge, outdoor fitness courts, and trail access) will drive demand for residential units of this caliber.

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

The development of Building 2 does not address contamination, as this was included in the first phase of redevelopment of this site. Phase 1 of Liberty Way, completed in December, 2013, initially involved the demolition of the former bakery manufacturing facilities, removal of hazardous materials and underground storage tanks, and recycling approximately 30% of the waste tonnage. This was followed by site work, installation of all underground utilities, surface parking, street and public area improvements, and the construction of Building 1.

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

The project does not involve rehabilitation of a historic resource.

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

The project will compete with existing hospitality establishments, but is expected to have minimal impact on the occupancy of other area hotels. The project is also meeting an extended stay niche currently unmet in the market. The development is expected to tap into unmet demand generated by the opening of the Eagle Mine.

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

No additional criteria needs to be considered.

## APPENDIX B



**MICHIGAN STRATEGIC FUND  
RESOLUTION 2015-**

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM  
LOAN PARTICIPATION AWARD TO LIBERTY WAY HOSPITALITY, 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 2090-1(3), 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**, Chemical Bank (“Lender”) will be providing financing to Liberty Way Hospitality, LLC and or related entities (“Proposed Borrower”) of up to \$16,536,769 toward the construction activities and infrastructure improvements to real property (“Project”);

**WHEREAS**, the Lender and the Proposed Borrower have requested a performance based loan participation award from the MSF under the MCRP for the Project in an amount not to exceed up to \$4,100,000 (“Award Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

**WHEREAS**, the MEDC has recommended that the MSF approve the Award Request in accordance with the Term Sheet and Guidelines, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents for the Award Request within 120 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 90 days (“MCRP Award Recommendation”);

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

**ADOPTED**

Ayes:

Nays:

Recused:

Lansing, Michigan  
February 24, 2015

## **Exhibit A**

### **LOAN FACILITIES**

**MSF Facility** MCRP Loan Participation and Servicing Agreement Under "Other Economic Assistance"

**Borrower:** Liberty Way Hospitality, LLC

**Lender:** Macatawa Bank

**Total Amount of Loans:** Currently estimated at \$16,536,769

**Lender Share:** Currently estimated at \$12,436,769

**MSF Share:** Up to \$4,100,000

#### ***MSF Note 1***

**Loan Amount:** Up to \$3,100,000

**Term:** To match that of the Lender, not to exceed 60 months with an interest only period of up to 36 months.

**Amortization:** To match that of the Lender, not to exceed 240 months following the interest only period.

**Interest Rate:** On the MSF Share 1.00% per annum

**Fee:** The MSF shall be paid a one-time fee equal to 1.00% of the MSF's share of the loan. The Lender may charge the borrower for this fee.

**Repayment Terms:** On the MSF Share up to 36 months of monthly interest only payments followed by monthly principal and interest payments.

#### ***MSF Note 2***

**Loan Amount:** Up to \$1,000,000

**Term:** To match that of the Lender, not to exceed 60 months.

**Amortization:** Non-Amortizing

**Interest Rate:** On the MSF Share 1.00% per annum

**Fees:** The MSF shall be paid a one-time fee equal to 1.00 of the MSF Share of the loan, and an annual fee equal to 1.00% of the MSF Share thereafter.

**Repayment Terms:** Principal due at the earliest of maturity, refinance or sale.

### *Shared Terms for MSF Note 1 and Note 2*

- Collateral:** To match that of the Lender, currently anticipated being a mortgage lien on the property, assignment of leases and rents, assignment of tax increment financing revenue, and all assets of the borrower. MSF Share of collateral will be subordinated to that of the Lender.
- Guarantee:** To match that of the Lender, currently anticipated to be the unlimited, unsecured personal guarantees of Robert Mahaney, Craig Coccia, and Kellie Holstrom & Trust. The MSF share of guarantee will be subordinated to the Lender.
- Funding:** The MSF will fund up to \$4,100,000 to be disbursed following closing of the Loan and other performance criteria.
- Other Conditions:** The MSF's investment will be contingent upon a minimum owner equity contribution being made to the project equal to the lesser of 17% of budgeted project cost or \$3,400,000.



## MEMORANDUM

**Date:** February 24, 2014

**To:** Michigan Strategic Fund Board

**From:** Brent Morgan, Manager, Brownfield and Community Revitalization Programs  
Dan Wells, Senior Specialist, Brownfield Program  
Jennifer Tucker, Community Assistance Team Specialist

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

---

### **Request**

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.

### **Background**

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. The eligible activities that will be undertaken to alleviate Brownfield conditions on the property and complete the project include lead and asbestos assessment on the existing structures, demolition of the City Municipal Service Center building and two ancillary storage buildings, and relocation of the City Municipal Service Center to another site. Infrastructure improvements undertaken in support of the project include a roundabout on US 41, realignment of Baraga Street, intersection improvements at South 7th and West Spring Streets, a traffic bridge over US 41 at Grove and Seventh Streets, public water and sewer lines to the project, urban storm water management on site, and public electrical infrastructure improvements. Various site preparation activities including geotechnical engineering, excavation of urban fill material, laying geotechnical fabric, grading, and relocation of active utilities will enable the new vertical construction. Interest up to 5% for the eligible activity cost loans and bonds issued by the City are included for 20 years. It is likely that the bond interest costs will be lower when those agreements are developed due to the current lending environment and the City's AA+ bond rating.

The existing hospital was acquired by DLP in 2012 and upon extensive review it was determined that the current facility and location would not meet their needs for expansion and service. This location was considered along with available space located in the outskirts of the City of Marquette and neighboring townships to accommodate the requirements for the new hospital. Other sites were considered, but DLP

will not only be able to address their functional and expanding needs, but also the revitalization and redevelopment of a priority site within the City of Marquette. This redevelopment site which currently generates no tax value can be viewed as a catalyst for downtown Marquette.

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.

**Property Eligibility**

The project is located within the boundaries of the City of Marquette, which is a Qualified Local Governmental Unit, and has been determined to be a facility as verified by Michigan Department of Environmental Quality (DEQ) on January 6, 2015. The property is the subject of a Brownfield Plan, duly approved by the City of Marquette on October 27, 2014.

**Other State and Local Assistance to the Project**

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.

**Tax Capture Breakdown**

There are 50.5635 non-homestead mills available for capture, with school millage equaling 24 mills (47.46%) and local millage equaling 26.5635 mills (52.54%). Tax increment capture will begin in 2016 and is estimated to continue for 24 years. The project has been approved for a Commercial Redevelopment Act (PA 255) that is a 50% abatement of local taxes for 12 years. During the 12 years the PA 255 is in effect, the school millage will equal 24 mills (64.37%) and local millage will equal 13.28175 mills (35.63%). The blended ratio of capture for the entire 24 years is 56.41% state to 43.59% local. The requested tax capture for MSF eligible activities breaks down as follows:

School tax capture (56.41%)	\$31,455,943
Local tax capture (43.59%)	\$24,307,118
<b>TOTAL</b>	<b>\$55,763,061</b>

**Cost of MSF Eligible Activities**

Demolition	\$ 214,000
Lead or Asbestos Abatement	86,000
Infrastructure Improvements	13,725,000
Site Preparation	3,175,000
Relocation of Public Buildings	+18,000,000
Sub-Total	\$35,200,000
Interest (5%)	+20,553,061
Sub-Total	\$55,753,061
Brownfield/Work Plan Preparation	+ 10,000
<b>TOTAL</b>	<b>\$55,763,061</b>

**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.

### **KEY STATUTORY CRITERIA**

Act 381 requires the following information to understand and explain the benefits of the project.

**a) Overall Benefit to the Public:**

The redevelopment of the site for DLP is anticipated to include over \$170 million of investment on an underutilized property with significant contamination that currently generates no tax revenue. The replacement hospital and associated medical office building will provide jobs, increase tax base, and stimulate additional private and public investment in downtown Marquette.

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

This project is expected to create approximately 150 new, full-time jobs in the community and retain approximately 2,300 full time jobs. The current hospital is a major employer in Marquette and the development of the replacement hospital is anticipated to significantly expand services and staff, along with recruitment of additional physicians, physician assistants, nurses, technicians, and health care professionals.

**c) Area of High Unemployment:**

The County of Marquette unadjusted jobless rate was 5.2% in December of 2014.

**d) Level and Extent of Contamination Alleviated:**

Previous environmental investigations have identified that the central parcel of the project area was formerly a railroad roundhouse dating from 1884, and there is known soil and groundwater contamination by metals and volatile organic compounds related to bulk fuel storage and train maintenance activities that exceed Michigan Department of Environmental Quality (MDEQ) Generic Residential Cleanup Criteria (GRCC). All development will meet necessary and required due care obligations to prevent exposure to and exacerbation of pre-existing contamination. The proposed redevelopment of the property anticipates removal of a significant amount of the impacted soils on the property and appropriate disposal in a licensed waste disposal facility. Additional due care activities include the installation of exposure barriers and due care compliance activities.

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

The project is not qualifying as functionally obsolete or blighted.

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

DLP conducted an evaluation of potential sites both inside the City of Marquette and in surrounding communities. The proposed property for redevelopment was identified as the optimal prospect for a replacement hospital facility for both the community and DLP. There was strong interest in locating the replacement hospital in a downtown location, however the development would not be possible or economically feasible without Brownfield TIF to offset the extraordinary costs estimated at \$35 million associated with the redevelopment of this urban property.

**g) Whether Project will Create a New Brownfield Property in the State:**

The existing hospital is currently located at Seventh and Magnetic Streets in the northern portion of the City of Marquette, near Northern Michigan University. The hospital was acquired by DLP, a major private health care service provider, in 2012. After extensive review, DLP determined that the current facility and location could not adequately meet future needs and opportunities. DLP has committed to working with the community to determine the most effective use of the current hospital facilities and property through this transition. DLP and the City of Marquette have begun to develop an evaluation process for the adaptive reuse of the former hospital site through an

inventory of existing facilities, equipment, and infrastructure, a community input process to identify community goals and objectives for the property. A formal public input and planning process beginning in the winter of 2015 and lasting about two years will determine opportunities and assets, evaluation of opportunities, option development, community discussion, and adaptive reuse plan development.

**h) Whether the Project is Financially and Economically Sound:**

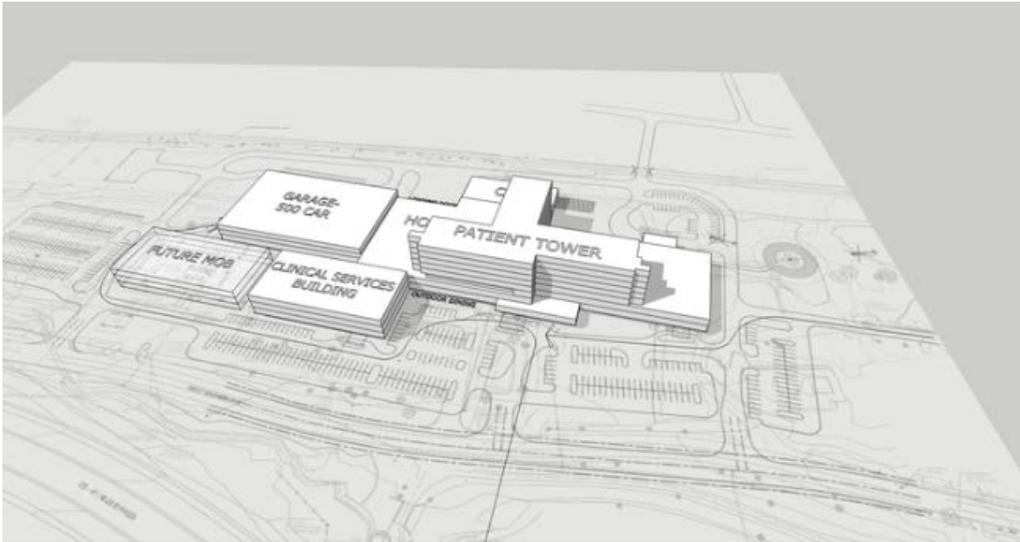
From the materials received, the MEDC infers that the Work Plan is financially and economically sound.

**i) Other Factors Considered:**

No additional factors need to be considered for this project.

**MAP OF PROJECT AREA**





**RESOLUTION 2014-  
MICHIGAN STRATEGIC FUND**

**City of Marquette Brownfield Redevelopment Authority  
DLP Marquette General Replacement Hospital  
City of Marquette**

At the meeting of the Michigan Strategic Fund (“MSF”) held on February 24, 2015 in Lansing, Michigan.

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

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

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

**WHEREAS**, captured school operating tax revenues may be used under 1996 PA 381 as amended, for infrastructure improvements that directly benefit eligible property, for lead or asbestos abatement, and for structure demolition and site preparation that are not response activities under the Natural Resources and Environmental Protection Act, 1994 PA 451;

**WHEREAS**, the City of Marquette Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located on 37 acres between West Washington Street and US Highway 41, and South 7<sup>th</sup> Street and South McClellan Avenue within the City of Marquette, known as the DLP Marquette General Replacement Hospital (the “Project”);

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

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

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

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as the 56.41% to 43.59% ratio currently existing between school and local taxes for

non-homestead properties and with the application of a 12 year PA 255 abatement, to reimburse the cost of site preparation, demolition, lead and asbestos abatement, infrastructure improvements and relocation of public facilities for economic development purposes as presented in the revised Work Plan dated January 6, 2015. Any change in millage that increases the capture percentage of school operating taxes by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on a maximum of \$35,200,000 for the principal activity costs of non-environmental activities and a contingency, a maximum of \$20,553,061 in interest, and a maximum of \$10,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$31,455,943.

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

**BE IT FURTHER RESOLVED**, that the MSF Board is authorizing that capture of taxes levied for school operating purposes for the payment of interest, up to a maximum of \$20,553,061 related to the eligible activities for the Project.

**BE IT FURTHER RESOLVED**, 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.

Ayes:

Nays:

Recused:

February 24, 2015  
Lansing, Michigan



## MEMORANDUM

**Date:** February 24, 2015

**To:** Michigan Strategic Fund Board

**From:** Brent Morgan, Manager, Community Revitalization and Brownfield Programs  
Julius Edwards, Capital Services  
Ryan Kilpatrick, Community Assistance Team Specialist

**Subject:** 55 Ionia Partners, LLC and Macatawa Bank  
Michigan Community Revitalization Program  
Request for Approval of up to \$4,325,000 in Other Economic Assistance - Loan Participation

---

### Request

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.

Traditionally, projects of this size and nature have been difficult for private developers to justify redeveloping without some form of additional financial assistance aside from traditional financing mechanisms to make the project financially feasible. Similar difficult to redevelop properties are located one block to the east of this site and have been a continued blight on the downtown for a number of years. 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.

### Background

55 Ionia Partners, LLC will be managed by the RDV Corporation. The RDV Corporation is a private investment and financial management firm for the family of Mr. Richard M. DeVos and provides investment management, estate planning, tax and personal services, and foundation administration to the DeVos family. The firm was incorporated in 1991 and is based in Grand Rapids, Michigan. Rockford Construction Group will be supervising the construction of the project. Rockford is one of the top 400 contractors in the nation with projects in 44 states. Rockford has successfully developed numerous properties in Grand Rapids, including the Cherry Street Landing, Blue Cross Blue Shield building (adjacent to The Morton), the Grand Rapids Police Department, the Peck Building, and Front Row Condominiums. Rockford is committed to revitalizing blighted properties, evidenced by their rehabilitated headquarters located in the former Miller Products brownfield site on the west side of Grand Rapids.

The Applicant has not received any incentives from the MSF previously. However, Rockford Construction did receive a \$1,000,000 grant and brownfield participation on the recent construction of their headquarters in downtown Grand Rapids.



<b>Lender:</b>	Macatawa Bank
<b>Total Amount of Loans:</b>	Currently estimated at \$24,325,000
<b>Lender Share:</b>	\$20,000,000 (82.2%)
<b>MSF Share:</b>	Up to \$4,325,000 (17.8%)
<b>Term:</b>	To match that of the Lender, not to exceed 120 months with an interest only period of up to 30 months.
<b>Amortization:</b>	To match that of the Lender, not to exceed 276 months following the interest only period.
<b>Interest Rate:</b>	On the MSF Share 3.00% per annum
<b>Repayment Terms:</b>	On the MSF Share up to 30 months of monthly interest only payments followed by monthly principal and interest payments.
<b>Collateral:</b>	To match that of the Lender, currently anticipated being a security position in all assets of the Borrower (including the Development Support Policy Reimbursements), a mortgage lien on the property and assignment of leases and rents. MSF Share of collateral will be subordinated to that of the Lender.
<b>Guarantee:</b>	To match that of the Lender, currently it is anticipated that the loan will not be guaranteed. The MSF Share of guarantee will be subordinated to the Lender
<b>Fee:</b>	The MSF shall be paid a one-time fee equal to 1.00% of the MSF's share of the loan. The Lender may charge the borrower for this fee.
<b>Funding:</b>	The MSF will fund up to \$4,325,000 to be disbursed following closing of the Loan and other performance criteria.
<b>Other Conditions:</b>	196 Investors, LLC will be a Co-Borrower on the loan during construction and until the project has reached stabilization as defined by the Lender.  The MSF's investment will be contingent upon a minimum owner equity contribution being made to the project in a minimum of \$9,505,000.

**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.

## APPENDIX A

### MCRP PROGRAM AND ITS GUIDELINES

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

### SOURCE OF INFORMATION

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

As required under the program, the following statutory criteria shall be considered by the MSF, as MEDC Staff believes each is reasonably applicable to proposed project:

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

The project will revitalize approximately 113,000 square feet of vacant functionally obsolete space located in the heart of downtown Grand Rapids and will add more than 100 market rate dwelling units to the central business district providing further strength to the local retail and business climate. Additionally, the project is anticipated to create 25 new jobs.

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

Similarly difficult properties to redevelop are located one block to the east of this site and have been a continued blight on the downtown for a number of years. The successful redevelopment of 55 Ionia is anticipated to spark the redevelopment of the remaining problem sites within the downtown.

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

The City of Grand Rapids and the DDA are providing over \$2,000,000 in support for this project through an areaway infill grant, streetscape grants, energy grant, development reimbursement support for façade improvements and an EPA revolving loan fund for asbestos abatement.

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

Traditionally, projects of this size and nature have been difficult for private developers to justify redeveloping without some form of additional financial assistance aside from traditional financing mechanisms to make the project financially feasible. 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.

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

The 13 story structure was last occupied in 2008 at the end of its cycle as Section 8 housing. Long term maintenance had been significantly neglected and serious issues were uncovered during the demolition process.

**F. Creation of jobs:**

A minimum of 25 jobs are expected to be created. The average hourly wage is estimated to be \$10.

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

The development team will be contributing \$9.5M in equity and has secured a \$20M loan with Macatawa Bank.

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

The rental market in Grand Rapids continues to be strong with high demand and vacancy under 3% for comparable properties in the area. During construction and lease up, the project will have the financial support of 196 Investors, which the Lender is requiring to maintain a minimum of \$40M in unencumbered liquid assets. Following stabilization it is anticipated the project will produce sufficient cash flow to support the loans (DSC greater than 1.25x). Additionally, the ownership team consists of family members from one of the most prominent families in the Grand Rapids area; a family that have been stalwarts in the community in the areas of investment and philanthropy.

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

The project will add 111 additional residential units to the downtown on a site that is just over 1/10<sup>th</sup> of an acre.

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

The project will include ground floor retail, second floor office and upper story residential. The site is located at the intersection of Monroe Center and Ionia Ave and is walkable to all of the downtown amenities, including museums, the arena, convention center, medical institutions, colleges and universities.

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

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

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

The project will incorporate significant upgrades to the site mechanicals, insulation and windows to improve building efficiency.

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

The original was constructed in 1933 but is not a registered historic structure.

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

The building is located in the heart of downtown Grand Rapids, with frontage on Monroe Center (retail district) and the Ionia Avenue business corridor. Once renovated, the building will provide much-needed residential space to support growing demand for downtown living space. This greater population of urban residents will also drive demand for increased downtown retail and commercial opportunities. The project will result in the creation of new retail and commercial space needed for entrepreneurs to make investments in the local community. In addition, the redevelopment of this property will significantly increase its taxable value, which will benefit the community by providing increased revenue for municipal services and other public improvements within Grand Rapids.

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

The project does not address an underserved market.

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

Significant asbestos remediation is required to properly rehabilitate the building.

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

The project is not a registered historic resource.

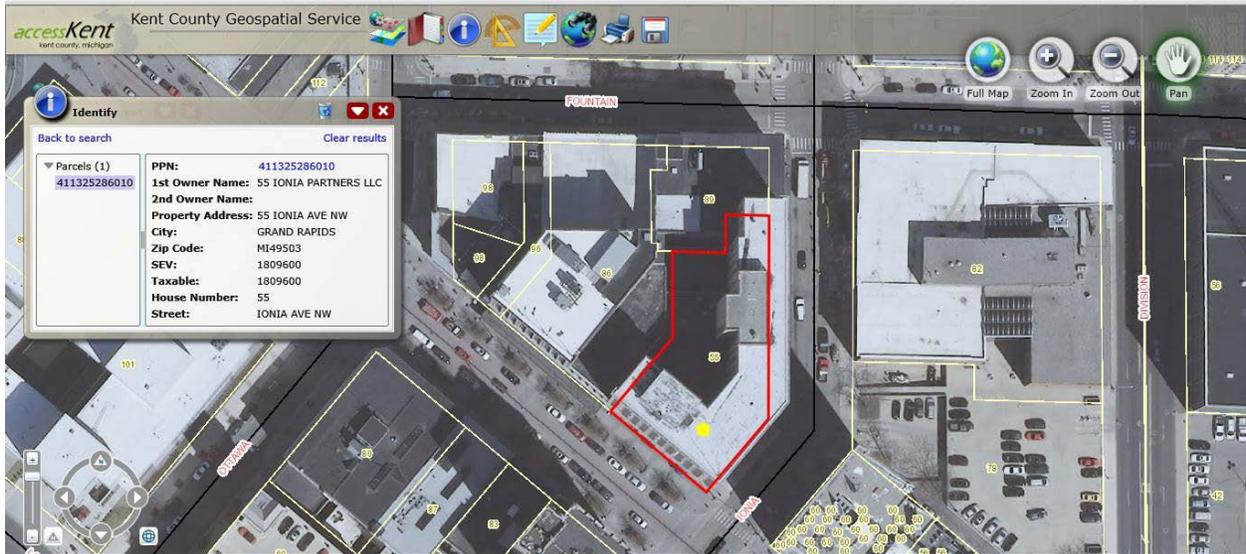
**R. Whether the project will compete with or affect existing Michigan businesses within the same industry:**

The project is expected to compete with other residential rental developments in the area, but is not expected to negatively impact them because demand is more than sufficient to support the new development. Retail tenants have not been firmly identified, but it is anticipated that the space will have minimal impact and add to the retail options for consumers as consumer wealth and spending has continued to increase in the Grand Rapids market.

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

No additional criteria is necessary.

# APPENDIX B



**MICHIGAN STRATEGIC FUND  
RESOLUTION 2015-**

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM  
LOAN PARTICIPATION AWARD TO 55 IONIA PARTNERS, LLC**

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

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

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

**WHEREAS**, pursuant to SFCR 2090-1(3), 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**, Macatawa Bank (“Lender”) will be providing financing to 55 Ionia Partners, LLC and or related entities (“Proposed Borrower”) of up to \$24,325,000 toward the construction activities and infrastructure improvements to real property (“Project”);

**WHEREAS**, the Lender and the Proposed Borrower have requested a performance based loan participation award from the MSF under the MCRP for the Project in an amount not to exceed up to \$4,325,000 (“Award Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

**WHEREAS**, the MEDC has recommended that the MSF approve the Award Request in accordance with the Term Sheet and Guidelines, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents for the Award Request within 120 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 90 days (“MCRP Award Recommendation”);

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

**ADOPTED**

Ayes:

Nays:

Recused:

Lansing, Michigan  
February 24, 2015

## Exhibit A

### LOAN FACILITY

<b>MSF Facility</b>	MCRP Loan Participation and Servicing Agreement Under "Other Economic Assistance"
<b>Borrower:</b>	55 Ionia Partners, LLC
<b>Lender:</b>	Macatawa Bank
<b>Total Amount of Loans:</b>	Currently estimated at \$24,325,000
<b>Lender Share:</b>	\$20,000,000 (82.2%)
<b>MSF Share:</b>	Up to \$4,325,000 (17.8%)
<b>Term:</b>	To match that of the Lender, not to exceed 120 months with an interest only period of up to 30 months.
<b>Amortization:</b>	To match that of the Lender, not to exceed 276 months following the interest only period.
<b>Interest Rate:</b>	On the MSF Share 3.00% per annum
<b>Repayment Terms:</b>	On the MSF Share up to 30 months of monthly interest only payments followed by monthly principal and interest payments.
<b>Collateral:</b>	To match that of the Lender, currently anticipated being a security position in all assets of the Borrower (including the Development Support Policy Reimbursements), a mortgage lien on the property and assignment of leases and rents. MSF Share of collateral will be subordinated to that of the Lender.
<b>Guarantee:</b>	To match that of the Lender, currently it is anticipated that the loan will not be guaranteed. The MSF Share of guarantee will be subordinated to the Lender
<b>Fee:</b>	The MSF shall be paid a one-time fee equal to 1.00% of the MSF's share of the loan. The Lender may charge the borrower for this fee.
<b>Funding:</b>	The MSF will fund up to \$4,325,000 to be disbursed following closing of the Loan and other performance criteria.
<b>Other Conditions:</b>	196 Investors, LLC will be a Co-Borrower on the loan during construction and until the project has reached stabilization as defined by the Lender.  The MSF's investment will be contingent upon a minimum owner equity contribution being made to the project in a minimum of \$9,505,000.



## MEMORANDUM

**Date:** February 24, 2015  
**To:** MSF Board Members  
**From:** David West, Vice President, Travel Michigan  
**Subject:** State of Michigan Official Travel Guide Request for Proposals

---

### **Background**

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.

In 2014, one million copies of the official state travel guide were produced, including 650,000 proactively distributed to *Midwest Living* subscribers in key markets in Illinois, Indiana, Ohio and Wisconsin and 100,000 copies each of the fall and winter travel guides.

The official state travel guide is promoted via the Travel Michigan call center when inquirers phone Michigan's toll-free number for general travel information; at various Travel Michigan public relations and social media efforts; by the Travel Michigan website; through the Pure Michigan tourism e-newsletter program; and at Michigan's fourteen Welcome Centers.

### **Recommendation**

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

**REQUEST FOR PROPOSALS**

**State of Michigan Official Travel Guide**

**RFP-Case 129028**

## **REMINDER**

Please check your proposal to make sure you have included all of the specifications in the Request for Proposals. In addition, please submit an electronic version of each of the following:

- Technical Proposal (Section III-A);
- Price Proposal (Section III-D);
- Signed Independent Price Determination Certificate (Attachment D); and
- Conflicts of Interest Disclosure (if applicable) (Section II-G).
- ***BIDDERS ARE RESPONSIBLE FOR ASSURING THAT THE FOLLOWING IDENTIFYING INFORMATION APPEARS IN THE SUBJECT LINE OF THE EMAIL: “RFP-Case 129028 Technical Proposal” and “RFP-Case 129028 Pricing Proposal” with Company Name, and “message 1 of 3” as appropriate if bid consists of multiple emails.***

## **IMPORTANT DUE DATES**

- **Monday, March 16, 2015, at 3:00 p.m.:** Questions from potential Bidders are due via email to [contracts&grants@michigan.org](mailto:contracts&grants@michigan.org). Please note: The Michigan Strategic Fund (“MSF”) will not respond to questions that are not received by the above date and time. In addition, questions that are phoned, faxed or sent through regular mail will not be accepted.
- **Monday, March 23, 2015, by close of business:** Responses to all qualifying questions will be posted on the MSF’s website, <http://www.michiganbusiness.org/129028-rfp/>
- **Friday, May 1, 2015, at 3:00 p.m.:** Electronic versions sent separately of each of your Technical and Price Proposals due to the MSF via email to [contracts&grants@michigan.org](mailto:contracts&grants@michigan.org). **Proposals will not be accepted via U.S. mail or any other delivery method.**

## Table of Contents

Section I –Work Statement.....	1
A – Purpose .....	1
B – Background Statement and Objectives .....	1
Section II – RFP Process and Terms and Conditions.....	7
A – Pre-Bid Meeting/Questions .....	7
B – Proposals.....	7
C – Economy of Preparation .....	7
D – Selection Criteria.....	7
E – Bidders Costs.....	8
F – Taxes .....	8
G – Conflict of Interest.....	8
H – Breach of Contract.....	8
I – Disclosure of Litigation.....	9
J – False Information .....	9
K – Disclosure .....	9
L – Changes in the RFP .....	9
M – Electronic Bid Receipt .....	9
N --Reservation of MSF Discretion .....	10
O -- Bid Protest Period .....	10
P – Jurisdiction .....	11
Section III – Proposal Format.....	11
A – Technical Proposal .....	11
B – Price Proposal.....	12
C – Proposal Submittal.....	12
Section IV – Contractual Terms and Conditions .....	13
A – Contract Terms and Conditions.....	13
B – Contractor Responsibilities.....	13
C – Acceptance of Proposal Content.....	13
D – Project Control and Reports.....	14
Attachment A-Warm Weather proposal breakout .....	
Attachment B-Fall and Winter proposal breakout .....	
Attachment C – Professional Services Contract Terms and Conditions .....	
Attachment D – Independent Price Determination and Prices Held	
Firm Certification .....	

**REQUEST FOR PROPOSAL**  
**State of Michigan Official Travel Guide**  
**RFP-Doc-4259**

This Request for Proposals (“RFP”) is issued by the Michigan Strategic Fund (the “MSF”), Contracts and Grants Unit (“C&G”). The Michigan Economic Development Corporation (the “MEDC”) provides administrative services associated with the programs and activities of the Michigan Strategic Fund Act on behalf of the MSF. C&G is the sole point of contact with regard to all bidding and contractual matters relating to the services described in this RFP. Under the direction of the MSF, C&G is the only office authorized to change, modify, amend, alter, clarify, etc. the specifications, terms and conditions of this RFP and any contract(s) awarded as a result of this RFP (the “Contract”). C&G will remain the SOLE POINT OF CONTACT throughout the bidding process. All communications concerning this RFP must be addressed to:

Michigan Strategic Fund  
Contracts and Grants  
300 North Washington Square, 3rd Floor  
Lansing, Michigan 48913  
[contracts&grants@michigan.org](mailto:contracts&grants@michigan.org)

**SECTION I**  
**WORK STATEMENT**

**A) PURPOSE**

The purpose of this RFP is to enter into a contract with a full-service integrated marketing partner and publisher with extensive knowledge of the Michigan tourism product to handle copy writing and content development, sales, production, and proactive distribution of the official State of Michigan warm weather, fall and winter travel guides, featuring articles, with a focus on editorial expertise, compelling photography, and innovative distribution solutions.

**B) BACKGROUND STATEMENT AND OBJECTIVES**

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. The guide’s final presentation should be an inviting, user-friendly piece that features comprehensive information designed to “pitch” Michigan as an appealing travel destination to prospective visitors. The overall major objective is to encourage inquirers to make specific travel plans to visit Michigan.

The book needs to feature experiential, compelling, dynamic content that differentiates Michigan from our competitors. Therefore, the project will be awarded to that vendor whose bid clearly demonstrates its ability to accomplish this objective in an innovative, logically organized, informative and vividly attractive format, balanced with cost-efficient considerations.

In 2014, one million copies of the official state travel guide were produced, including 650,000 pro-actively distributed to Midwest Living subscribers in key markets in Illinois, Indiana, Ohio and Wisconsin and 100,000 copies each of the fall and winter travel guides.

The official state travel guide is promoted via the Travel Michigan call center when inquirers phone Michigan's toll-free number for general travel information; at various Travel Michigan public relations and social media efforts; by the Travel Michigan website; through the Pure Michigan tourism e-newsletter program; and at Michigan's 14 Welcome Centers.

### **TRAVEL MICHIGAN MARKETING OVERVIEW**

The health of the tourism industry, one of the State's largest industries, is crucial to Michigan's economy. Last year, leisure travel spending contributed a record \$13.8 billion to the State's economy.

The State's tourism marketing mission is to increase visitor spending in Michigan. The overall marketing goals are to sell Michigan as the ideal vacation destination, create awareness of michigan.org as a travel planning tool and drive traffic to the website. To accomplish its mission and goals, Travel Michigan applies an integrated marketing approach that includes research, electronic media (television, cable and radio), magazine, newspaper, e-marketing (e-newsletter campaigns and web promotions), search engine optimization, a matching partnership initiative with the Michigan travel industry, outdoor advertising, an official state travel guide, media and public relations campaigns, a toll free information number and social media presence on eight channels, including Facebook, Twitter, Instagram and the Pure Michigan blog.

To promote michigan.org, Michigan's advertising programs have included national cable TV advertising; seasonal in-state and out-of-state regional paid advertising campaigns on television, radio, outdoor and print; a pay-per-click program; and, the annual official state travel guide.

Marketing efforts focus on reaching high-value customers. Historically the marketing focus has targeted the Great Lakes region. Specific markets include Chicago, Cleveland, Cincinnati, Columbus, Dayton, Toledo, Indianapolis, South Bend, Fort Wayne, Milwaukee, Green Bay, St. Louis and Southern Ontario – as well as various markets in Michigan. In 2010, Travel Michigan launched a national campaign designed to showcase what makes Michigan unique and to increase visitation to the state from more-distant markets outside the Great Lakes region.

## **OBJECTIVES**

**The role of the official state travel guide in our overall marketing efforts will be:**

1. To serve as a proactive marketing tool that would be effective in enticing readers to come to Michigan.
2. To target consumers who have a proven interest in traveling to Michigan.
3. To enhance readers' perception of Michigan.
4. To extend Travel Michigan's reach in out-of-state markets.
5. To afford the Michigan travel industry an effective way to invest advertising dollars to promote their tourism product outside Michigan.
6. To produce the State's official warm-weather, fall and winter, full-color, glossy travel guides at the most economical cost.
7. To complement Travel Michigan's overall campaign marketing efforts
8. To support Travel Michigan's successful Pure Michigan branding initiatives.

Bidder may submit a proposal for all three guides; or a separate proposal for the warm-weather guide; and/or a separate proposal for fall and winter guides. Therefore, one bidder may submit one or two proposals to be reviewed independently.

## **TASKS and CAPABILITIES**

The following is a preliminary list of the major tasks involved for developing the end product of this project. A background synopsis was provided in the Background/Problem Statement previously outlined, which details the process. The Contractor is not, however, constrained from supplementing this listing with additional steps, sub-tasks or elements deemed necessary to permit the development of alternative approaches or the application of proprietary analytical techniques.

1. The Contactor will be responsible for publishing a four-color official state travel guide, a four-color fall travel guide as well as a four-color winter travel guide to showcase Michigan as a desirable travel destination.
2. The Contractor will be responsible for supporting the Pure Michigan tourism marketing strategy by providing expert creative, production, personnel and/or sub-contractors.
3. The Contractor must work with Travel Michigan in the execution of this work to assure it is consistent with Travel Michigan's overall goals and objectives.
4. The Contactor must produce a cost effective direct mail product with overruns that can be used to respond to inquiries and for public relations activities of Travel Michigan.
5. The Contractor must create original, **unique content** for all editorial pages. The Contractor is responsible for all fact checking and proofing.

6. The Contractor must provide an **original list of articles** presented in a reader-friendly format with appealing and compelling photography. Editorial must be sensitive to a well-balanced geographical representation and ethnic diversity.
7. The Contractor must provide **all new photography** with full rights to Travel Michigan for advertising, public relations, media distribution, or collateral materials to promote Michigan tourism, including the Travel Michigan website. The Contractor must ensure that all photography supplied pursuant to this contract is a certified Michigan location.
8. The Contractor must provide creative project management and execution for design, layout, illustrations and artwork, production, distribution, marketing and promotion, sponsorship and advertising sales. The design must focus on instant reader impact.
9. The Contractor must develop, write, edit, photograph and provide specified pre-press preparations for the annual official state travel guide which will carry the subtitle **“Official Travel Guide.”** (**The contractor is encouraged to suggest new a title for each season’s travel guide**).
10. The Contractor must provide all editorial material in an electronic format with full rights to Travel Michigan for advertising, public relations, and online use.
11. The Contractor must design a unique “web bug” graphic treatment to direct readers to the corresponding story URL.
12. The Contractor must provide additional content and photography to complement each story as expanded content for **michigan.org**. The online supplement must also contain travel tips (web addresses and phone numbers) from the articles contained in the printed piece.
13. The Contractor must recommend innovative ways to drive traffic to michigan.org from the printed piece and other resources at its disposable.
14. The Contractor may not resale portions of the finished product to other publishers, or use for any for-profit purposes without the written consent of Travel Michigan.
15. The Contractor shall compile two indexes, one by city and one listed by activity and/or attraction.
16. The Contractor shall provide corrected page proofs which include all listings, and editorial copy and a proof with ads, copy and graphics in position prior to the final finished color proof. However, Travel Michigan state shall have unlimited author’s alterations on all proofs.
17. The Contractor’s final product must complement and support Travel Michigan’s **“Pure Michigan”** branding initiative.
18. The Contractor must provide an online version of each feature in the guide utilizing a rich media canvas. Therefore, the contractor must demonstrate their ability to design, implement and support a format using integrated voice, streaming video, animation, hosting podcast and web collaboration in a converged network.

19. The contractor must produce a rich media version of the publications that is compatible with major mobile devices; i.e., iPad, iPhone, Android, Mac & PC networks.

Minimum content considerations (**the overall edit:ad ratio is 60:40**):

- Line-up of feature articles based on the most up-to-date research and travel trends.
- Editorial development with consistent tone.
- Selection and placement of appealing and compelling photography.
- Descriptive copy and photo captioning.
- Well-ordered listings and graphically appealing tables and charts.
- Michigan map showing major cities and major roads.
- Event calendar treatment.
- Formatted advertising pages.

The Contractor shall solicit paid advertising to help defray the cost of the publication. The Contractor shall have total responsibility for all bad advertising debt in the publication. The Contractor shall solicit appropriate advertisers (both **Michigan-based travel-related businesses and corporate accounts**) however; all advertisers and advertising must be travel-related and subject to Travel Michigan approval. (Commission rates must be addressed in the pricing component. See Attachment A).

The Contractor must develop and manage an aggressive advertising and marketing strategy. Although the publication is to be advertiser-supported, it is not intended that the advertising will drive the editorial component.

1. The Contractor must present a sales strategy and a proposed rate structure subject to Travel Michigan approval.
2. The Contractor agrees that all rate discounts offered to potential advertisers receive prior approval from Travel Michigan before offering the discount to the potential advertiser.
3. The Contractor agrees that all “make goods” receive prior approval from Travel Michigan and that a written record be forwarded to Travel Michigan as well as to the Contractor’s accounting department.
4. The Contractor agrees to provide Travel Michigan bi-weekly advertising sales reports, which reflect the net/net advertising revenue to date. These reports must be broken down into appropriate categories as determined by Travel Michigan.
5. The Contractor shall be responsible for responding to all complaints regarding advertising, service, and processing of complaints for adjustments. The Contractor shall provide a report listing all complaints received, the name and location of business/person making the complaint and the action taken to resolve the complaint.
6. The Contractor shall not sell any copies of the official state travel guide or ship any copies of the guide to any entity other than the state of Michigan or its designee.

7. The Contractor shall develop and provide a media kit and rate card for the official state travel guide.
8. The state shall inspect and approve all advertising materials, media releases and other publicity/marketing items.
9. The only advertisements that shall be allowed in the official state travel guide shall be advertisements of businesses that provide a direct service to the traveling and/or tourism public in the State of Michigan.
10. The Contractor shall only be allowed to sell advertisements to businesses licensed to operate within the State of Michigan and businesses that have a place of operation within the State of Michigan unless specially pre-approved by the State in writing.
11. The Contractor shall solicit advertising from all regions of the State of Michigan in order to present the most geographic balance possible.
12. The Contractor shall be aware that the State may elect to make changes in design, theme and editorial comment, to the publication at no cost to the State.
13. The Contractor is responsible for providing an up-to-date comprehensive state highway map.
14. The Contractor must provide advertisers an opportunity to showcase their product via a rich media application.

The Contractor will be responsible for a number of intricate account management functions.

1. The Contractor is responsible for providing support, direction and overall quality assurance.
2. The Contractor will conduct regular update meetings.
3. The Contractor must recommend ways to grow the magazine's ROI.
4. The Contractor must conduct readership surveys.
5. The Contractor must provide pro-active distribution to Travel Michigan's target markets.
6. The Contractor must provide bulk shipping of guides.
7. The Contractor shall provide the State a comprehensive schedule for all phases of planning, which should include copy writing, design, advertising, production and delivery.

The Contractor must provide a complete list of available databases and/or any and all mailing lists that are available to Travel Michigan for proactive distribution.

The Contractor must demonstrate its ability to match Travel Michigan's target market demographics and to distribute by mail the publication to a minimum of 650,000 households in the Travel Michigan's target markets as outlined earlier and other destination marketing areas as determined by research.

Up to 335,000 copies of the guide shall be bulk-shipped, at cost, to Travel Michigan's warehouse. Additionally, 50,000 copies (taken from the bulk quantity) shall be bulk-shipped directly to Travel Michigan's fulfillment center.

**The Contractor is encouraged to recommend alternative ways to publish and distribute the official travel guides while still adhering to Travel Michigan strategic goals and marketing objectives.**

**The Contractor is encouraged to recommend optional proactive distribution points and opportunities that it would like to be considered by Travel Michigan.**

## SECTION II RFP PROCESS AND TERMS AND CONDITIONS

### A) **PRE-BID MEETING/QUESTIONS**

A pre-bid meeting will not be held. Questions from Bidders concerning the specifications in this RFP must be received via e-mail no later than **3:00 pm on Monday, March 16, 2015**. Questions must be submitted to:

Contracts and Grants  
[contracts&grants@michigan.org](mailto:contracts&grants@michigan.org)

### B) **PROPOSALS**

To be considered, Bidders must submit a complete response to this RFP, using the format provided in Section III of this RFP, by **3:00 p.m. on Friday, May 1, 2015**. No other distribution of proposals is to be made by the Bidder.

The Technical Proposal must be **signed in ink or by electronic signature** of an official of the Bidder authorized to bind the Bidder to its provisions. The proposal must include a statement as to the period during which it remains valid; this period must be at least ninety (90) days from **May 1, 2015**. The rates quoted in the Price Proposal must remain firm for the period indicated in Section III.

### C) **ECONOMY OF PREPARATION**

Each proposal should be prepared simply and economically, providing a straightforward, concise description of the Bidder's ability to meet the requirements of the RFP. Emphasis should be on completeness and clarity of content, and **limited to no more than 30 pages**. Any pages submitted over the maximum of 30 pages, will not be considered.

### D) **SELECTION CRITERIA**

Responses to this RFP will be evaluated based upon a two-step selection process. The first step is an evaluation of which bids are satisfactory to meet the requirements of the RFP. Bids will be graded on three criteria for this purpose. Only those proposals that the Joint Evaluation Committee (JEC) have determined satisfactorily meet the requirements described in the RFP will be considered for evaluation in Step II

**E) BIDDERS COSTS**

The MSF is not liable for any costs incurred by any Bidder prior to signing of the Contract by all parties.

**F) TAXES**

The MSF may refuse to award a contract to any Bidder who has failed to pay any applicable taxes or if the Bidder has an outstanding debt to the State or the MSF.

Except as otherwise disclosed in an exhibit to the Proposal, Bidder certifies that all applicable taxes are paid as of the date the Bidder's Proposal was submitted to the MSF and the Bidder owes no outstanding debt to the State or the MSF.

**G) CONFLICT OF INTEREST**

The Bidder must disclose, in an exhibit to the proposal, any possible conflicts of interest that may result from the award of the Contract or the services provided under the Contract.

Except as otherwise disclosed in the proposal, the Bidder affirms that to the best of its knowledge there exists no actual or potential conflict between the Bidder, the Bidder's project manager(s) or its family's business or financial interests ("Interests") and the services provided under the Contract. In the event of any change in either Interests or the services provided under the Contract, the Bidder will inform the MSF regarding possible conflicts of interest which may arise as a result of such change and agrees that all conflicts shall be resolved to the MSF's satisfaction or the Bidder may be disqualified from consideration under this RFP. As used in this Section, "conflict of interest" shall include, but not be limited to, the following:

1. Giving or offering a gratuity, kickback, money, gift, or anything of value to a MSF official, officer, or employee with the intent of receiving a contract from the MSF or favorable treatment under a contract;
2. Having or acquiring at any point during the RFP process or during the term of the Contract, any contractual, financial, business or other interest, direct or indirect, that would conflict in any manner or degree with Bidder's performance of its duties and responsibilities to the MSF under the Contract or otherwise create the appearance of impropriety with respect to the award or performance of the Contract; or
3. Currently in possession of or accepting during the RFP process or the term of the Contract anything of value based on an understanding that the actions of the Bidder or its affiliates or Interests on behalf of the MSF will be influenced.

**H) BREACH OF CONTRACT**

Except as otherwise disclosed in an exhibit to Bidder's proposal, Bidder is not in material default or breach of any contract or agreement that it may have with the State of Michigan or any of its departments, commissions, boards or agencies, or any other public body in the State of Michigan. Further, Bidder represents and warrants that it has not been a party to any contract with the State or any public body that was terminated within the previous five (5) years because the Bidder failed to perform or otherwise breached an obligation of such contract.

**I) DISCLOSURE OF LITIGATION**

Except as otherwise disclosed in an exhibit to Bidder's proposal, there is no criminal litigation, investigations or proceedings involving the Bidder (and each subcontractor, if subcontractors will be used to provide the goods/services requested under this RFP) or any of the Bidder's officers or directors or any litigation or proceedings under the Sarbanes-Oxley Act. In addition, Bidders must disclose in the exhibit requested under this Section of the RFP any civil litigation, arbitration or proceeding to which the Bidder (or, to the extent Bidder is aware, any subcontractor) is a party and which involves: (1) disputes that might reasonably be expected to adversely affect the viability or financial stability of the Bidder (or subcontractor); or (2) a claim or written allegation of fraud or breach of contract against Bidder (or, to the extent Bidder is aware, subcontractor), by a governmental or public entity arising out of their business dealings with governmental or public entities. Details of any settlements which Bidder is prevented from disclosing under the terms of the settlement may be annotated as such.

**J) FALSE INFORMATION**

If the MSF determines that a Bidder purposefully or willfully submitted false information in response to this RFP, the Bidder will not be considered for an award and any resulting Contract that may have been executed will be terminated.

**K) DISCLOSURE**

All Bidders should be aware that proposals submitted to the MSF in response to this RFP may be subject to disclosure under the provisions of Public Act 442 of 1976, as amended, known as the "Freedom of Information Act" (FOIA). Accordingly, confidential information should be excluded from Bidders' proposals. Bidders, however, are encouraged to provide sufficient information to enable the MSF to determine the Bidder's qualifications and to understand or identify areas where confidential information exists and could be provided. The FOIA also provides for the complete disclosure of the Contract and any attachments or exhibits thereto.

**L) CHANGES IN THE RFP**

Changes made to the RFP as the result of responses made to qualifying questions or concerns will be put in writing to each Bidder. The MSF will not respond to telephone inquiries or visitation by Bidders or their representatives. The MSF does not commit to answering questions received after the date and time specified in Section II-A.

**M) ELECTRONIC BID RECEIPT**

ELECTRONIC VERSIONS OF EACH OF YOUR TECHNICAL AND PRICE PROPOSALS SENT SEPARATELY MUST BE RECEIVED AND TIME-STAMPED BY THE MSF TO [contracts&grants@michigan.org](mailto:contracts&grants@michigan.org), ON OR BEFORE **3:00 p.m. on Friday, May 1, 2012**. Bidders are responsible for timely submission of their proposal. THE MSF HAS NO OBLIGATION TO CONSIDER ANY PROPOSAL THAT IS NOT RECEIVED BY THE APPOINTED TIME.

## **N) RESERVATION OF MSF DISCRETION**

Notwithstanding any other statement in this RFP, the MSF reserves the right to:

- 1) reject any and all proposals;
- 2) waive any errors or irregularities in the bidding process or in any proposal;
- 3) rebid the project;
- 4) negotiate with any Bidder for a reduced price, or for an increased price to include any alternates that the Bidder may propose;
- 5) reduce the scope of the project, and rebid or negotiate with any Bidder regarding the revised project; or
- 6) defer or abandon the project.

## **O) BID PROTEST PERIOD**

If a Bidder wishes to initiate a protest of the award recommendation, the Bidder must submit a protest in writing by 5:00 p.m. within fourteen calendar days from the date of the notice of award sent by the MSF. The written protest should include the RFP number, clearly state the facts believed to constitute an error in the award recommendation, and describe the desired remedy. Only the information provided within the protest period will be considered in arriving at a decision. The MSF is not required to take into consideration any material filed by any party after the protest deadline. The MSF Chairperson or the MSF Fund Manager, with only one required to act, will provide a written decision to the protesting party after investigating the matter or, if more information is needed, will schedule an informal meeting before issuing a decision. This decision is final.

To maintain the integrity of the procurement process and to ensure that procurements are received without undue delay, protests requesting a waiver of the following omissions and requirements cannot be granted:

1. Failure of a Bidder to properly complete sealed bid return envelope instructions;
2. Failure of a Bidder to submit the Bid by the due date and time;
3. Failure of a Bidder to provide samples, descriptive literature or other required documents by the date and time specified;
4. Failure of a Bidder to submit a protest within the time stipulated in the notice to award or as determined by the MSF.

In fairness to Bidders who meet specifications and to prevent delays in procurement, the MSF will not withdraw an award or re-evaluate bids when a protest maintains that the RFP specifications were faulty or that a bid exceeding specifications provided a better value than a lower bid meeting specifications.

**P) JURISDICTION**

In the event that there are conflicts concerning this RFP that proceed to court, jurisdiction will be in a Michigan Court of Claims if against the MSF and in the Ingham County Circuit Court if against other parties. Nothing in this RFP shall be construed to limit the rights and remedies of the MSF that are otherwise available.

**SECTION III  
PROPOSAL FORMAT**

To be considered, each Bidder must submit a COMPLETE proposal in response to this RFP using the format specified. Bidder's proposal must be submitted in the format outlined below. There should be no attachments, enclosures, or exhibits other than those required in the RFP or considered by the Bidder to be essential to a complete understanding of the proposal. Each section of the proposal should be clearly identified with appropriate headings:

**A) TECHNICAL PROPOSAL**

1. Proposal Content – The proposal should describe how the Contractor plans to address the objectives and tasks outlined in this RFP with an emphasis on the following:
  - a. Mock-up and creative concepts to include cover, table of contents, Michigan Moments section, one feature story, calendar of events treatment, state parks and camping chart, banner advertising section, BRC Card, reader-service listing.
  - b. Advertising Sales Strategy including timetable, ad rates and commission rates
  - c. Database options and direct mail opportunities and mailing capabilities.
  - d. Added-Value Opportunities.
2. Business Organization and History – State the full name, address, and phone and facsimile number of your organization and, if applicable, the branch office or other subordinate element that will perform, or assist in performing, the work hereunder. Indicate whether it operates as an individual, partnership, or corporation; if as a corporation, include the state in which it is incorporated. If appropriate, the proposal must state whether the organization is licensed to operate in the State of Michigan.
3. Statement of the Problem – State in succinct terms your understanding of the problem(s) presented by this RFP.
4. Narrative – Include a narrative summary description of the proposed effort and of the services(s)/products(s) that will be delivered.
5. Prior Experience – Describe the prior experience of your organization which you consider relevant to the successful accomplishment of the project defined in this RFP. Include sufficient detail to demonstrate the relevance of such experience. Proposals submitted should include, in this Section, descriptions of qualifying experience to include project descriptions, costs, and starting and completion dates of projects successfully completed; also include the name, address, and phone number of the responsible official of the client organization who may be contacted.

6. Project Staffing – The Bidder must be able to staff a project team which possesses talent and expertise in the field of publishing and integrated marketing with extensive knowledge of the Michigan tourism product. Identify a Project Manager and staff assigned by name and title. Include biographies, experience and any other appropriate information regarding the work team’s qualification for this initiative. Indicate staff turnover rates. Show where the project team will be physically located during the time they are engaged in the work. Indicate which of these individuals you consider key to the successful completion of the work. Indicate the amount of dedicated management time for the Bidder’s Project Manager and other key individuals. Do not include any financials for the contemplated work within the Technical Proposal. Resumes of qualifications should be supplied for proposed project personnel.

Please Note: The MSF further reserves the right to interview the key personnel assigned by the Contractor to this project and to recommend reassignment of personnel deemed unsatisfactory.

7. Subcontractors – List here all subcontractors that will be engaged to accomplish the project described in this RFP; include firm name and address, contact person and complete description of work to be subcontracted. Include descriptive information concerning subcontractor’s organization and abilities. Also, the information provided in response to A-6, above, should include detailed information about each potential subcontractor.
8. Bidder’s Authorized Expediter – Include the name and telephone number of person(s) in your organization authorized to expedite any proposed contract with the MSF.
9. Additional Information and Comments – Include any other information that is believed to be pertinent, but not specifically asked for elsewhere.

## **B) PRICE PROPOSAL**

Provide the cost/rate/price information for all firms/persons named in your Technical Proposal to demonstrate the reasonableness of your Price Proposal. Attach a schedule of all expenses covering each of the services and activities identified in your proposal.

The MSF is exempt from federal excise tax, and state and local sales taxes. The Price Proposal should not include taxes.

**THE PRICING PROPOSAL MUST BE IDENTIFIED AND SENT SEPARATELY FROM THE TECHNICAL PORTION OF YOUR PROPOSAL ACCORDING TO THE INSTRUCTIONS OF THIS RFP.**

Bidders Please Note: Rates quoted in response to this RFP are firm for the duration of the Contract; no price increase will be permitted.

## **C) PROPOSAL SUBMITTAL**

Submit separately marked electronic versions of each of your Technical and Price proposals to the MSF via email to [contracts&grants@michigan.org](mailto:contracts&grants@michigan.org) not later than **3:00 p.m. on Friday, May 1, 2015**. The MSF has no obligation to consider any proposal that is not timely received. **Proposals will not be accepted via U.S. mail or any other delivery method.**

BIDDERS ARE RESPONSIBLE FOR ASSURING THAT THE FOLLOWING IDENTIFYING INFORMATION APPEARS IN THE SUBJECT LINE OF THE EMAIL: "RFP-Doc-4259 Technical Proposal" and "RFP-Doc-4259 Pricing Proposal" with Company Name, and "message 1 of 3" as appropriate if bid consists of multiple emails.

## **SECTION IV CONTRACTUAL TERMS AND CONDITIONS**

### **A) CONTRACT TERMS AND CONDITIONS**

- 1) The Contract – The proposal selected will be subject to the terms and conditions of the MSF's Professional Services Contract (the "Contract") upon execution of the Contract by the MSF and Bidder. The standard terms and conditions of the Contract are attached to this RFP as Attachment A.
- 2) Term of Work – It is estimated that the activities in the proposed Contract will cover the period October 1, 2015, through September 30, 2018, with the option for two one-year extensions.
- 3) Modification of Service – The MSF reserves the right to modify the requested services during the course of the Contract. Such modifications must be made in writing and may include the addition or deletion of tasks or any other modifications deemed necessary. Any changes in pricing proposed by the bidder resulting from the requested changes are subject to acceptance by the MSF. Changes may be increases or decreases.

In the event changes are not acceptable to the MSF, the Contract shall be subject to competitive bidding based upon the new specifications.

- 4) Subcontracting – The MSF reserves the right to approve any subcontractors for the Contract and to require the bidder, upon award of the Contract, to replace subcontractors that the MSF finds to be unacceptable.
- 5) Award of Contract – The MSF reserves the right to award all or any part of this RFP and, based on what is in the best interest of the MSF, the MSF will award the Contract considering price, value and quality of the bids.

### **B) CONTRACTOR RESPONSIBILITIES**

The selected Bidder will be required to assume responsibility for all contractual activities offered in this RFP whether or not the Bidder performs them. Further, the MSF will consider the selected Bidder to be the sole point of contact with regard to contractual matters, including payment of any and all charges resulting from the Contract.

### **C) ACCEPTANCE OF PROPOSAL CONTENT**

If awarded a Contract, the contents of this RFP will become contractual obligations. The following constitute the complete and exclusive statement of the agreement between the parties as it relates to this transaction:

- 1) This RFP (including subsequent written clarification provided in response to questions raised by email ) and any Addenda thereto; and

2) Final Executed Contract.

In the event of any discrepancies between the above documents, the final executed Contract shall control. Failure of the successful Bidder to accept these obligations may result in cancellation of the award.

**D) PROJECT CONTROL AND REPORTS**

1. Project Control

- A. The Contractor will carry out this project under the direction and control of Travel Michigan. Travel Michigan will have a significant role in the decision making process for content and layout for each issue.
- B. Although there will be continuous liaison with the Contractor team, the Contract Manager will meet with the Contractor's Project Manager for the purpose of reviewing progress and providing necessary guidance to the Contractor in solving problems which arise.
- C. The Contractor will submit brief monthly invoices stating that the work for which payment is requested has been appropriately performed. Progress payments may be made up to a total of 85% of the Contract. The billing statement must show funds received to date, project expenditures to date, and tasks completed to date. Payment of the final 15% of the Contract amount shall be made only after the satisfactory completion of the required work, including all reports, and the submission of a final invoice that includes expenditures of MSF funds reported by line item and compared to the approved budget. When applicable, the Contract Manager shall approve a final report from the Contractor. If the Contractor is in material compliance with the terms and conditions of the Contract, payment will be made.
- D. Within five (5) working days of the execution of the contract, the Contractor will submit to the Contract Manager for final approval, a work plan. This final implementation plan must be in agreement with Section IV-C Subsection 2 as proposed by the bidder and accepted by the MEDC for contract, and must include the following:
  - 1) The Contractor's project organizational structure.
  - 2) The Contractor's staffing table with names and titles of personnel assigned to the project. This must be in agreement with staffing of the accepted proposal. Necessary substitutions due to change of employment status and other unforeseen circumstances may only be made with prior approval of the MEDC.
  - 3) A comprehensive time line, including the project breakdown showing sub-projects, activities and tasks.
- E. Travel Michigan reserves the right to provide up to eight (8) pages of information, which shall carry the heading "Special Travel Guide Section, provided by Travel Michigan." Publisher agrees to perform all pre-press functions related to this special section to include, but not limited to **CVB listings, and trip planning resources.**
- F. Travel Michigan shall have the right to reproduce the overall publication—including all text (with edit options) and photography – in advertising, public relations, or collateral materials it creates to promote tourism in Michigan, and on the Travel Michigan website.

G. Travel Michigan agrees to provide advertiser lists and a letter of support to endorse the publication to prospective advertisers.

*(Remainder of this page intentionally left blank)*

**Attachment A**

**OFFICIAL WARM WEATHER STATE TRAVEL GUIDE COST PROPOSAL BREAKOUT**

<b>C)</b>	
<b>D) <u>Specifications for warm weather guide</u></b>	<b>Cost</b>
<b>E)</b>	
<p><b>Sponsorship Costs</b> to print up to 1,000,000 copies Including writing, designing, typesetting, keylining, film &amp; color, separations, proactive mail distribution, stripping &amp; finished art, and commission costs</p> <p><b>F) <u>Production Specifications</u></b>  <b>Quantity:</b> 1,000,000 copies  <b>Size:</b> 7 7/8" x 10 1/2" folded perfect bound trim size  <b>Pages:</b> 108 pages plus 4-page cover min.  <b>Binding:</b> Perfect-bound  <b>Paper:</b> Cover 100 # w/ UV coating or equivalent;  Body 38#, brightness should be #2 or better  <b>Insertion:</b> perforated BRC card on card stock that must meet postal regulations on mail back  <b>Printing:</b> Web-fed  offset <b>Color:</b> Four-color  throughout  <b>Delivery Spec:</b> Packed in boxes weighing no more than 47lbs each and shrink-wrapped on pallets</p>	
Separate cost per unit to proactively distribute (direct mail) 650,000 copies in key markets—Illinois, Indiana, Ohio, and Wisconsin	
Separate cost per unit to bulk ship 335,000 copies to Lansing	
Advertising Rate Structure for 4-color as well as 2-color/B&W and B&W, including commission costs	
BRC production oversight	
<b>Value of added-value components</b>	
<b>Sales Commission</b>	
<b>Estimated ad sales revenue</b>	
<b>Total net cost to Travel Michigan for the book after deducting the ad revenue</b>	
<b>Total price of bid</b>	

**Attachment B**

**OFFICIAL FALL & WINTER STATE TRAVEL GUIDES COST PROPOSAL BREAKOUT**

<b>G)</b>	
<b>H) <u>Specifications for fall &amp; winter travel guides</u></b>	<b>Cost</b>
<b>I)</b>	
<p><b>Sponsorship Costs</b> to print a minimum of 100,000 copies including writing, designing, typesetting, keylining, film &amp; color, separations, proactive mail distribution, stripping &amp; finished art, and commission costs</p> <p><b>J) <u>Production Specifications</u></b></p> <p><b>Quantity:</b> 100,000 copies minimum  <b>Size:</b> 7 7/8" x 10 1/2" folded perfect bound trim size  <b>Pages:</b> 24 pages plus 4-page cover min.  <b>Binding:</b> Perfect-bound  <b>Paper:</b> Cover 100 # w/ UV coating or equivalent  Body 38#, brightness should be #2 or better  <b>Insertion:</b> perforated BRC card on card stock that must meet postal regulations on mail back  <b>Printing:</b> Web-fed  offset <b>Color:</b> Four-color throughout  <b>Delivery Spec:</b> Packed in boxes weighing no more than 47lbs each and shrink-wrapped on pallets</p>	
Advertising Rate Structure for 4-color as well as 2-color/B&W and B&W, including commission costs	
BRC production oversight	
<b>Sales Commission</b>	
<b>Estimated ad sales revenue</b>	
<b>Total net cost to Travel Michigan for the book after deducting the ad revenue</b>	
<b>Total price of bid</b>	



- D) Public Act 533 of 2004 requires that payments under this Agreement be processed by electronic funds transfer (EFT). Contractor is required to register to receive payments by EFT at the Contract & Grant Payment Express website ([www.cpexpress.state.mi.us](http://www.cpexpress.state.mi.us)).
- E) Changes in the budget will be allowed only upon prior review and written approval by the Contract Manager.
- F) Contractor's billing statement(s) may be subject to a final audit prior to the release of final payment.

#### **IV. MSF CONTRACT MANAGER**

Contractor should communicate with the following MSF representative regarding this Agreement:

Robin Peebles  
Travel Michigan Economic  
Development Corporation  
Michigan Strategic Fund  
300 N. Washington Square  
Lansing, Michigan 48913

#### **V. TERMS AND CONDITIONS**

##### **A) Contractor Duties**

- 1) Contractor agrees to undertake, perform, and complete the services described in Exhibit A, which is incorporated herein by reference.
- 2) Within seven (7) business days of the last business day of each month, the Contractor will provide a progress report to the MSF Contract Manager. The progress report must contain a brief summary of the work accomplished during that month; the work to be accomplished during the subsequent month; and any problems, risks, or anticipated which should be brought to the attention of the MSF Contract Manager. Further, this report must provide notice of any significant deviation from previously agreed upon work plans.

##### **B) Independent Contractor**

Contractor will act as an independent contractor under this Agreement, and neither Contractor nor any employee or agent or contract personnel of Contractor is, or shall be deemed to be, an employee of the MSF due to this Agreement and the relationship between Contractor and MSF. In its capacity as an independent contractor, Contractor agrees to and represents the following:

- 1) Contractor will provide the services under this Agreement free from the direction or control of the MSF as to means, manners, and methods of performance;
- 2) Contractor has the right and does fully intend to perform services for third parties during the Term;

- 3) Contractor acknowledges that any work product developed by Contractor in performance of this Agreement shall be the sole property of the MSF and the MSF shall have the right to copyright or otherwise protect its rights in and ownership of the work product;
- 4) The services required by this Agreement shall be performed by Contractor, or Contractor's employees or contract personnel, and the MSF shall not hire, supervise, or pay any assistants to help Contractor;
- 5) Neither Contractor nor Contractor's employees or contract personnel shall receive any training from the MSF in the professional skills necessary to perform the services required by this Agreement;
- 6) Neither Contractor nor Contractor's employees or contract personnel shall be required by the MSF to devote full time to the performance of the services required by this Agreement; and
- 7) Contractor does not receive the majority of its annual compensation from the MSF.

The Parties acknowledge and agree that the MSF is entering into this Agreement with reliance on the representations made by Contractor relative to its independent contractor status.

C) **Permits and Licenses**

Contractor declares that Contractor has complied with all federal, state and local laws requiring any business permits, certificates or licenses required to carry out the services to be performed under this Agreement, and Contractor will maintain those permits, certificates and/or licenses throughout the term.

D) **Materials**

Contractor will furnish all materials, equipment and supplies used to provide the services required by this Agreement. Provided however, to the extent the MSF prints business cards for Contractor to perform its services under this Agreement.

E) **State and Federal Taxes**

The MSF will not:

- 1) Withhold (Social Security and Medicare taxes) from Contractor's payments or make FICA payments on Contractor's behalf; or
- 2) Make state or federal unemployment compensation contributions on Contractor's behalf, or withhold state, federal or local income tax from Contractor's payments.

Contractor shall pay all taxes incurred while performing services under this Agreement, including, but not limited to all applicable income taxes. If requested by the MSF, Contractor shall provide the MSF with proof that such payments have been made.

F) **Fringe Benefits**

Contractor understands that neither Contractor nor Contractor's employees or contract personnel are eligible to participate in any employee pension, health, vacation pay, sick pay, or other fringe benefit plan of the MSF.

G) **Workers' Compensation**

The MSF shall not obtain workers' compensation insurance on behalf of Contractor or Contractor's employees. If Contractor hires employees to perform any work under this Agreement, Contractor shall cover them with workers' compensation insurance and shall maintain such insurance during the Term. The MSF may, in its discretion, require Contractor to provide evidence of such coverage.

H) **Unemployment Compensation**

The MSF shall make no state or federal unemployment compensation payments on behalf of Contractor or Contractor's employees or personnel. Contractor will not be entitled to these benefits in connection with work performed under this Agreement. If Contractor files a petition for and receives unemployment compensation, the total amount of unemployment compensation awarded to and received by Contractor shall be deducted from and be an offset against the amount of compensation due and payable to Contractor by the MSF under this Agreement.

I) **Access to Records**

During the Term, and for seven (7) years after the Ending Date, Contractor shall maintain reasonable records, including evidence that the requested services actually were performed and the identity of the individuals paid for such services, and shall allow access to those records by the MSF or its authorized representative at any time during this period.

J) \_\_\_\_\_

Either Party may terminate its obligations under this Agreement by giving the other Party thirty (30) calendar days prior written notice of such termination.

The MSF may immediately terminate this Agreement upon written notice to Contractor if Contractor materially breaches its obligations under this Agreement or engages in any conduct which the MSF, in its sole discretion, determines has or could have an adverse impact on the State of Michigan's (the "State") or the MSF's reputation or interests. In addition, the MSF may immediately terminate this Agreement upon written notice to Contractor, without further liability to the MSF or the State, its departments, agencies, and employees, if Contractor, an officer of Contractor, or an owner of a 25% or greater share of Contractor is convicted of a criminal offense relating to a State, public, or private contract or subcontract; or convicted of a criminal offense including, but not limited to, any of the following: embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, attempting to influence a public employee to breach the ethical conduct standards for State employees; convicted under state or federal antitrust statutes; or convicted of any other criminal offense which, in the sole discretion of the MSF, reflects on Contractor's business integrity.

Contractor acknowledges that MSF's performance of its payment obligation is dependent upon the MSF Board's continued approval of funding and/or the MSF's continued receipt of State funding. In the event that the State Legislature, the State Government or any State official, public body corporate, commission, authority, body or employees, including the MSF Executive Committee: (a) takes any action which fails to provide, terminates or reduces the funding that is related to the source of funding for this Agreement; or (b) takes any action that is unrelated to the source of funding for this Agreement, but affects the MSF's ability to perform obligations under this Agreement, the MSF may terminate this Agreement by providing thirty (30) calendar days notice prior to the effective date of cancellation. In the event, however, that the action of the State Legislature, the State Government of Michigan or MSF's Executive Committee results in an immediate absence or termination of funding, this Agreement may be terminated effective immediately upon delivery of notice to the Contractor. In the event of immediate termination of funding, the MSF will make payment through the effective date of termination for any undisputed services rendered and expenses incurred.

The MSF shall have no obligation to Contractor for any fees or other payments incurred in connection with this Agreement after the effective date of termination. Upon termination, all work product prepared or produced by Contractor pursuant to this Agreement shall be immediately delivered to the MSF. Payment for any undisputed services rendered and expenses incurred through the effective date of termination will then promptly be made by the MSF.

**K) MSF Employees**

Contractor will not hire any employee of the MSF or the MEDC to perform any services covered by this Agreement without prior written approval from the Chairperson of the MSF or the Chief Executive Officer of the MEDC, as applicable.

**L) Confidential Information**

Except as required by law, Contractor shall not use or disclose, either before, during or after the Term, any proprietary confidential information, including, but not limited to, applications, business bids, business plans, economic development analyses, computer programs, databases and all materials furnished to Contractor by the MSF (collectively, "Confidential Information") without the prior written consent of the MSF. Confidential Information does not include information obtained by Contractor from third party sources; that is already in the possession of or is independently developed by Contractor; that becomes publicly available other than through breach of this Paragraph; or, is released with the prior written consent of the governmental entity or entities that provided the Confidential Information to Contractor. Contractor acknowledges that all information provided by the MSF in connection with Contractor's duties under this Agreement shall be treated as Confidential Information unless otherwise stated in this subsection.

M) **Conflict of Interest**

Except as has been disclosed to the MSF, Contractor affirms that neither the Contractor, nor its Affiliates or their employees has, shall have, or shall acquire any contractual, financial business or other interest, direct or indirect, that would conflict in any manner with Contractor's performance of its obligations under this Agreement or otherwise create the appearance of impropriety with respect to this Agreement.

Contractor further affirms that neither Contractor nor any affiliates or their employees has accepted or shall accept anything of value based on an understanding that the actions of the Contractor or its affiliates or either's employees on behalf of MSF would be influenced. Contractor shall not attempt to influence any MSF employee by the direct or indirect offer of anything of value. Contractor also affirms that neither Contractor nor its Affiliates or their employees has paid or agreed to pay any person, other than bona fide employees and consultants working solely for Contractor or its Affiliate, any fee, commission, percentage, brokerage fee, gift or any other consideration contingent upon or resulting from the execution of this Agreement.

In the event of change in either the interests or services under this Agreement, Contractor will inform the MSF regarding possible conflicts of interest which may arise as a result of such change. Contractor agrees that conflicts of interest shall be resolved to the MSF's satisfaction or the MSF may terminate the Agreement. As used in this Paragraph, "conflict of interest" shall include, but not be limited to, conflicts of interest that are defined under the laws of the State of Michigan.

N) **Representations of Contractor**

Contractor affirms to the best of its knowledge that it or its owners:

- 1) Do not have any criminal convictions.
- 2) Are not subjects of any pending criminal investigation.
- 3) Are not subjects of any past, present or pending investigations by the Internal Revenue Service or any other federal or state taxing body or court.
- 4) Are not subjects of any past, pending or present litigation regarding its conduct.
- 5) Are not in material default or breach of any contract or agreement that it may have with the State of Michigan, the MSF or any other public body. Contractor further represents and warrants that it has not been a party to any contract with the State, the MSF or other public body that was terminated within the previous five (5) years due to the Contractor's failure to perform or otherwise breached an obligation of such contract.

O) **State of Michigan Competitors**

Any information or knowledge Contractor gains during the course of this Agreement concerning the economic development efforts of the State of Michigan, the MSF or the business conditions or business community in Michigan shall not be disclosed to any public or private party, sovereign authority or foreign government, during the Term and for a period of two (2) years after the later of the Ending Date, the effective date of termination of this

Agreement or so long as any information remains confidential pursuant to any contract, law, treaty, resolution or other enforceable promise.

P) **Irreparable Injury**

Contractor acknowledges that if it breaches any of its obligations under Paragraphs L and O above, it will cause damages of an irreparable and continuing nature to the MSF, for which money damages alone will not provide adequate relief. Therefore, in addition to all appropriate monetary damages, the MSF is entitled to obtain injunctive relief, including, but not limited to, a temporary restraining order to prohibit the Contractor's continuing breach. The MSF shall have the right to obtain such relief without having to post any bond or other surety.

Q) **Indemnification and Contractor Liability Insurance**

Contractor shall indemnify, defend, and hold harmless the MSF, the MSF Board, and its employees and the MEDC, its Executive Committee, its Corporate Board of Directors, and its employees (the "Indemnified Parties") from any and all liability arising out of or in any way related to Contractor's performance under this Agreement, including any liability resulting from any acts of Contractor's employees or agents.

Contractor shall purchase and maintain such insurance to protect the Indemnified Parties from claims that might arise out of or as a result of Contractor's operations. Contractor will provide and maintain its own errors and omissions liability insurance for Contractor's indemnification obligation under this Agreement. The insurance shall be written for not less than One Million Dollars (\$1,000,000) of coverage, and Contractor's indemnification obligation is not limited to this amount.

R) **Total Agreement**

This Agreement, together with Exhibit A, contains the entire agreement between the Parties superseding any prior or concurrent agreements as to the services being provided, and no oral or written terms or conditions which are not contained in this Agreement shall be binding. This Agreement may not be changed except by written agreement signed by the Parties.

S) **Assignment/Transfer/Subcontracting**

Contractor shall not assign, transfer, convey, subcontract, or otherwise dispose of any duties or rights under this Agreement without the prior specific written consent of the MSF. Contractor agrees that any of Contractor's future successors or subcontractors will be bound by the provisions of this Agreement, unless the MSF otherwise agrees in a specific written consent. The MSF reserves the right to approve subcontractors for this Agreement and to require Contractor to replace subcontractors who are found to be unacceptable.

T) **Non-Discrimination and Unfair Labor Practices**

In connection with this Agreement, Contractor shall comply with the Elliott-Larsen Civil Rights Act, 1976 PA 453, MCL 37.2101 *et seq.*, the Persons with Disabilities Civil Rights Act, 1976 PA 220, MCL 37.1101 *et seq.*, and all other federal, state and local fair employment practices and equal opportunity laws and covenants that it shall not

discriminate against any employee or applicant for employment with respect to his or her hire, tenure, terms, conditions, privileges of employment, or any matter directly or indirectly related to employment because of his or her race, religion, color, national origin, age, gender, height, weight, marital status, or physical or mental disability unrelated to the individual's ability to perform the duties of a particular job or position. Contractor further agrees that every subcontract entered into in connection with this Agreement will contain a provision requiring nondiscrimination in employment, as required in this Agreement, binding upon each subcontractor.

Pursuant to 1980 PA 278 (the "Act"), MCL 423.321 *et seq.*, the State shall not award a contract or subcontract to an employer whose name appears in the current register of employers failing to correct an unfair labor practice compiled by the United States National Labor Relations Board. Contractor, in relation to this Agreement, shall not enter into a contract with a subcontractor, manufacturer, or supplier whose name appears on this register. Pursuant to section 4 of the Act, the MSF may void this Agreement if, after the Starting Date, the name of the Contractor as an employer or the name of the subcontractor, manufacturer or supplier of Contractor appears on the register.

A breach of this Paragraph constitutes a material breach of the Agreement.

U) **Jurisdiction**

The laws of the State of Michigan shall govern this Agreement. The Parties shall make a good faith effort to resolve any controversy that arise regarding this Agreement. If a controversy cannot be resolved, the Parties agree that any legal actions concerning this Agreement shall be brought the Michigan Court of Appeals if against the MSF and in the Ingham County Circuit Court in Ingham County, Michigan, USA if against the Contractor. By signing this Agreement, Contractor acknowledges that it is subject to the jurisdiction of this court and agrees to service by first class or express delivery wherever Contractor resides, in or outside of the United States.

V) **Compliance with Law**

Contractor shall comply with all applicable state, federal and local laws and ordinances in providing the services under this Agreement.

W) **No Partnership or Agency Relationship**

This Agreement does not create a partnership relationship. Further, neither Contractor nor Contractor's employees or other representatives shall hold themselves out to third parties as an agent or representative of MSF, nor shall they have any authority to take any action or enter into any agreement on behalf of MSF.

X) **No Third Party Beneficiaries**

There are no expressed or implied third party beneficiaries to this Agreement.

Y) **Counterparts**

This Agreement may be executed in one or more counterparts and by facsimile, electronic mail or .pdf, each of which shall constitute an original, and all of which together shall constitute one and the same instrument.

Z) **Reimbursement**

If this Agreement is terminated as a result of the misuse of funds as reasonably determined by the MSF, MSF shall have no further obligation to make any payments to Contractor. Furthermore, Contractor shall reimburse MSF for payments which were expended for purposes other than those described in this Agreement, as well as any funds which were previously disbursed under this Agreement but not yet expended by Contractor.

AA) **Extension**

At the discretion of the MSF Board, there is an option to renew for up to two additional years at the same annual fixed fee as Fiscal Year 2013.

BB) **Survival**

The terms and conditions of sections V(B), V(E), V(F), V(G), V(H), V(I), V(L), V(O), V(P), V(Q), V(S), V(U), V(W), V(X) and V(Z) shall survive termination of this Agreement.

*(remainder of page intentionally blank)*

**DRAFT**

The signatories below warrant that they are empowered to enter into this Agreement.

**CONTRACTOR ACCEPTANCE:**

CONTRACTOR

Dated: \_\_\_\_\_

\_\_\_\_\_  
Authorized Signer  
Title

**MSF ACCEPTANCE:**

Michigan Strategic Fund,  
a Public Body Corporate

Dated: \_\_\_\_\_

\_\_\_\_\_  
Authorized Signer  
Title

DRAFT

**ATTACHMENT D**

**INDEPENDENT PRICE DETERMINATION AND  
PRICES HELD FIRM CERTIFICATION**

**INDEPENDENT PRICE DETERMINATION**

By submission of a proposal, the Bidder certifies, and in the case of a joint proposal, each party thereto certifies as to its own organization, that in connection with this proposal:

1. The prices in the proposal have been arrived at independently, without consultation, communication, or agreement, for the purpose of restricting competition as to any matter relating to such prices with any other Bidder or with any competitor; and
2. Unless otherwise required by law, the prices which have been quoted in the proposal have not been knowingly disclosed by the Bidder and will not knowingly be disclosed by the Bidder prior to award directly or indirectly to any other Bidder or to any competitor; and
3. No attempt has been made or will be made by the Bidder to induce any other person or firm to submit or not submit a proposal for the purpose of restricting competition.

Each person signing the proposal certifies that she/he:

- A) Is the person in the Bidder's organization responsible within that organization for the decision as to the prices being offered in the proposal and has not participated (and will not participate) in any action contrary to 1, 2, and 3 above; or
- B) Is not the person in the Bidder's organization responsible within that organization for the decision as to the prices being offered in the proposal but has been authorized, in writing, to act as agent for the persons responsible for such decision in certifying that such persons have not participated (and will not participate) in any action contrary to 1, 2, and 3 above.

A proposal will not be considered for award if this Attachment B has been altered so as to delete or modify 1 or 3, above. If 2, above, has been modified or deleted, the proposal will not be considered for award unless the Bidder provides, with this Attachment B, a signed statement which sets forth, in detail, the circumstances of the disclosure and the MSF determines that such disclosure was not made for the purpose of restricting competition.

**PRICES HELD FIRM**

LENGTH OF TIME PRICES ARE TO BE HELD FIRM: All rates quoted in bidder's response to this RFP will be firm for the duration of the Contract. No price changes will be permitted.

Signed \_\_\_\_\_

Date \_\_\_\_\_

**MICHIGAN STRATEGIC FUND**

**RESOLUTION 2015-  
STATE OF MICHIGAN OFFICIAL TRAVEL GUIDE REQUEST FOR PROPOSALS**

**WHEREAS**, the Michigan Strategic Fund (“MSF”) desires to consider proposals to develop and distribute the official State of Michigan Travel Guide;

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

**WHEREAS**, the MEDC recommends that the MSF issue the attached RFP to invite proposals from vendors to develop and distribute the official State of Michigan Travel Guide (“Travel Guide RFP”);

**WHEREAS**, the MSF Board reviewed the Travel Guide RFP attached to this Resolution, which includes provisions required by the Act and establishes a standard process to evaluate proposals submitted as a result of the RFP; and

**WHEREAS**, the MSF Board desires to initiate the Travel Guide RFP process and to authorize the MSF Fund Manager to appoint a committee to review proposals received in response to the RFP and make recommendations to the MSF Board.

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF Board approves the attached Travel Guide RFP and authorizes its issuance;

**BE IT FURTHER RESOLVED**, that the MSF Board authorizes the MSF Fund Manager to appoint a Joint Evaluation Committee (“JEC”) to review proposals received in response to the Travel Guide RFP and make recommendations to the MSF Board; and

**BE IT FURTHER RESOLVED**, that the Board authorizes the MSF Fund Manager, in consultation with the Department of Attorney General, to modify the Travel Guide RFP as may be necessary or appropriate, if the modifications are not materially adverse to the interest of the MSF Board.

Ayes:

Nays:

Recused:

Lansing, Michigan  
February 24, 2015