

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-76

APPROVAL OF THE DEFINITION OF ELIGIBLE INVESTMENT FOR THE MICHIGAN COMMUNITY REVITALIZATION PROGRAM

WHEREAS, the Michigan Strategic Fund (“MSF”) desires to facilitate economic development incentives for impact projects designed to help revitalize Michigan communities in an effort to fill the gap which will exist in Michigan by the cessation of the Brownfield and Historic tax credits;

WHEREAS, pursuant to MCL 125.2090b, the MSF shall create and operate the Michigan Community Revitalization Program (“MCR Program”);

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

WHEREAS, on December 21, 2011, by Resolution 2011-185, the MSF adopted the MCR Program Guidelines for the MCR Program. Item 2 of the MCR Program Guidelines incorporated the statutory definition of eligible investment found at MCL 125.2090a(d), but that definition also allows the MSF to determine those soft costs which shall not qualify as eligible investment;

WHEREAS, the MEDC recommends that the attached definition of eligible investment (“Definition of Eligible Investment”) be utilized for the MCR Program and replace item 2 of the MCR Program Guidelines; and

WHEREAS, based on the recommendation of the MEDC, the MSF Board desires to approve the Definition of Eligible Investment and replace item 2 of the MCR Program Guidelines with this Definition of Eligible Investment.

NOW, THEREFORE, BE IT RESOLVED, the MSF hereby approves the Definition of Eligible Investment and replaces item 2 of the MCR Program Guidelines with this Definition of Eligible Investment.

ADOPTED

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

Nays: None

Recused: None

Lansing, Michigan
July 25, 2012 Meeting

Attachment 1

Current Item 2 of the MCRP Guidelines

An eligible investment to a project means one or more of the following if subject to a written agreement with the MSF, including investment which occurred prior to the MSF approval of the application for MSF Support to the extent that the investment has not been reimbursed to, or been paid for on behalf of, the applicant:

- a) any alteration, construction, improvement, demolition, or rehabilitation of buildings of an approved project;*
- b) site improvements to an approved project;*
- c) the addition of machinery, equipment, or fixtures to an approved project;*
- d) architectural, engineering, surveying, and similar professional fees for the project but not certain soft costs of the eligible investment as determined by the MSF, including without limitation, developer fees, appraisals, performance bonds, closing costs, bank fees, loan fees, risk contingencies, financing costs, permanent or construction period interest, legal expenses, leasing or sales commission, marketing costs, professional fees, shared savings, taxes, title insurance, bank inspection fees, insurance and project management fees.*

DEFINITION OF ELIGIBLE INVESTMENT

Replacement Item 2 of the MCR Guidelines:

An eligible investment means at least one, or any combination of, the following expenditures for the project, if subject to a written agreement with the MSF, including investment which occurred prior to the MSF approval of the application for MSF Support to the extent that the investment has not been reimbursed to, or paid for on behalf of, the applicant, which are collectively referred to as “Hard Costs”:

- a. any fees or costs for alteration, construction, improvement, demolition, or rehabilitation of buildings of an approved project, including utility tap fees, and fees and costs paid to a governmental entity for permits, zoning, and inspections;
- b. any fees or costs for site improvements to an approved project, including, a surface parking lot, parking garage, parking ramp, utilities and public infrastructure such as roads, curbs, gutters, sidewalks, landscaping, lighting, grading and land balancing;
- c. any fees or costs for the addition of machinery, equipment or fixtures to an approved project; or
- d. professional fees or costs for an approved project for architectural services, engineering services, Phase I environmental site assessment, Phase II environmental site assessment, or Baseline Environmental Assessment, or surveying services.

Provided however, the MSF Fund Manager may impose additional terms and conditions involving any Hard Costs that meet eligibility for reimbursement under any tax increment financing, including requiring those costs to be repaid to the MSF, or excluding any such costs from Hard Costs, under the written agreement with the MSF.

Provided further, in no event shall any of the following, whether incurred or expended by the applicant or otherwise, or for the project or otherwise, which are collectively referred to as “Soft Costs”, be deemed any part of the Hard Costs:

- a. acquisition fees or costs for real property,
- b. developer fees or costs,
- c. closing fees or costs,
- d. legal fees or costs,
- e. professional fees or costs (other than those included above as part of the Hard Costs),
- f. title commitment fees or costs,
- g. title insurance fees, premiums or costs,
- h. management fees or costs (including Project management and construction management),
- i. appraisal fees or costs,
- j. bank or other lender financing, interest, or inspection fees or costs,
- k. leasing or sales commission fees or costs,
- l. shared savings, or fees or costs arising from penalties or other reductions in payment from any contract for improvements to the Project,
- m. performance bond and other risk contingency fees and costs,
- n. marketing fees or costs,
- o. LEED certification costs,
- p. zoning fees or costs (other than those zoning fees or costs paid to a governmental entity included above as part of the Hard Costs),
- q. taxes, and
- r. hazard, liability or any other insurance fees and costs.