

**MICHIGAN STRATEGIC FUND BOARD**  
**MEETING AGENDA**  
**February 23, 2016**  
**10:00 am**

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

*Communications – Andrea Robach*

Chief Compliance Officer Quarterly Report

**A. Consent Agenda**

Proposed Meeting Minutes – December 15, 2015

Alpena Prototype Bio-Refinery, LLC – Renewable Energy RZ Revocation – Dan Parisian

MSF/MSDHA MOU Rescission – Collaborative Community Development – Katharine Czarnecki

Tesla Motors, Inc. – Tool and Die Renaissance Recovery Zone Transfer – Mike Gietzen

**B. Business Investment**

**1. Entrepreneurship –**

Next Energy – Energy Services Grant Amendment – Fred Molnar

TechTown Detroit – Business Incubator Grant Amendment – Fred Molnar

Southwest Michigan Innovation Center – Grant Assignment – Maggie McCammon

**2. Business Growth -**

Dieomatic, Inc. – MBDP Amendment – Mike Gietzen

Key Plastics – MEGA Amendment – Christin Armstrong

Credit Acceptance Corporation – MBDP Amendment – Marcia Gebarowski

Moran Ironworks, Inc. – MBDP Amendment – Josh Hundt

Watson Engineering, Inc./City of Taylor – Brownfield TIF/MBT Amendments – Rob Garza

**C. Community Vitality**

Capitol Theatre Redevelopment – MCRP – Nate Scramlin & Julius Edwards

Stonehouse Village VI, LLC/City of East Lansing – Act 381 Work Plan – Marilyn Crowley

**D. Image/State Branding**

Michigan.org Redesign RFP – Award Recommendation – Kelly Wolgamott

**E. Informational**

Quarterly Reports



STATE OF MICHIGAN  
OFFICE OF THE CHIEF COMPLIANCE OFFICER  
LANSING

RICK SNYDER  
GOVERNOR

KEVIN FRANCCART, ESQ.  
CHIEF COMPLIANCE OFFICER

MEMORANDUM

January 14, 2016

TO: Honorable Richard D. Snyder  
Governor and Chairperson of the State Administrative Board.

Steve Arwood  
Chairperson  
Michigan Strategic Fund Board

FROM: Kevin L. Francart  
Chief Compliance Officer

RE: FY2016 Q1 Report of the Chief Compliance Officer.

The Chief Compliance Officer is required to report quarterly to the State Administrative Board and the Michigan Strategic Fund Board regarding compliance with internal policies and procedures and with applicable laws related to 21st century jobs fund programs. I am pleased to report that all compliance matters addressed during the first quarter of the 2016 fiscal year were either successfully resolved or are being appropriately addressed.

With respect to the Michigan Strategic Fund Board, the Michigan Strategic Fund Act requires the Chief Compliance Officer to review and evaluate compliance with internal policies and procedures along with applicable state and federal law. The review and evaluation of the tourism promotion programs and activities for FY 2013 and FY 2014 continues, interviews are being scheduled with staff identified as likely having relevant information or knowledge about the matters involved in the review and evaluation. The Chief Compliance Officer assisted the MSF with addressing issues regarding the International Trade Program, the STEP program, and the export program MOU resulting from changes in how the programs are structured and funded. The Chief Compliance Officer reviewed and approved the restatement and amendment of the contract between the MSF and McCann-Erickson USA, Inc. Site visits are being performed pursuant to the site visit guidelines, however because of staffing changes the site visit guidelines are going to be revisited.

The Chief Compliance Officer provided informal advice regarding various issues arising this quarter concerning such topics as background checks, conflict of interest issues, the breadth of delegated Board authority, authorized use of 21st century job fund funds, and compliance with established Board policy and limitations.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION 2016-**

**APPROVAL OF FEBRUARY 2016 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 – December 15, 2015

Alpena Prototype Bio-Refinery, LLC – Renewable Energy Renaissance Zone Revocation

Collaborative Community Development – MSF/MSHDA MOU Rescission

Tesla Motors, Inc. – Tool and Die Renaissance Recovery Zone Transfer

Ayes:

Nays:

Recused:

Lansing, Michigan  
February 23, 2016

**MICHIGAN STRATEGIC FUND  
PROPOSED MEETING MINUTES  
December 15, 2015**

**Members Present**

Paul Anderson  
Steve Arwood  
Dan Boge  
Larry Koops  
Andrew Lockwood (on behalf of Treasurer Khouri)  
Jody DePree Vanderwel  
Wayne Wood  
Mike Zimmer

**Members Absent**

Terri Jo Umlor  
Shaun Wilson

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

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

Mr. Arwood acknowledged Marty Fittante, Chief of Staff to Senator Tom Casperson, who addressed the Board in support of the Invenergy Solution project, under section C2 of the meeting agenda.

**Communications:** Andrea Robach, MSF Administrator advised the Board that there were no communications.

**A. CONSENT AGENDA**

**Resolution 2015-182 Approval of Consent Agenda Items**

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

Proposed Meeting Minutes – **November 24, 2015**  
Parkland Muskegon Brownfield Project – MCRP Amendment – **2015-183**  
City of Alpena – CDBG Amendment – **2015-184**

Mike Zimmer seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

**B. ADMINISTRATIVE**

**Resolution 2015-185 MSF/MEDC Administrative Services – MOU Amendment**

*Mark Morante, SVP & MSF Fund Manager, provided the Board with information regarding this action item.* Following brief discussion, Larry Koops motioned for the approval of Resolution 2015-185. Mike Zimmer seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

**Resolution 2015-186 MSF/MEDC/MSDHA MOU – Community Development Activities**

*Mark Morante, SVP & MSF Fund Manager, provided the Board with information regarding this action item.* Following brief discussion, Dan Boge motioned for the approval of Resolution 2015-186. Paul Anderson seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

**Resolution 2015-187 General Motors – MEGA Amendment**

*Christin Armstrong, Compliance Director, provided the Board with information regarding this action item.* Following brief discussion, Mike Zimmer motioned for the approval of Resolution 2015-187. Wayne Wood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

**C. BUSINESS INVESTMENT**

**1. Entrepreneurship**

**Resolutions 2015-188 & - 188a FY16 Business Incubator Programs – Request to Issue RFP**

*Fred Molnar, VP Entrepreneurship Services & Nadia Abunasser, Federal & Development Projects Manager, provided the Board with information regarding these action items.* Following brief discussion, Jody DePree Vanderwel motioned for the approval of resolutions 2015-188 & 2015-188a. Larry Koops seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

**Resolution 2015-189 MI-SBDC Strategic Service Provider – Grant Request**

*Fred Molnar, VP Entrepreneurship Services & Maggie McCammon, Portfolio Manager, provided the Board with information regarding this action item.* Following brief discussion, Dan Boge motioned for the approval of Resolution 2015-189. Jody DePree Vanderwel seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

**Resolutions 2015-190 & -190a University Technology Acceleration & Commercialization – Grant Extensions**

*Fred Molnar, VP Entrepreneurship Services & Denise Graves, University & Service Manager, provided the Board with information regarding these action items.* Following brief discussion, Wayne Wood motioned for the approval of Resolution 2015-190 & 2015-190a. Larry Koops seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

**2. Business Growth**

**Resolution 2015-191 International Trade Program – STEP Reauthorization**

*Dominic Romano, Grant Specialist, provided the Board with information regarding this action item.* Following brief discussion, Larry Koops motioned for the approval of Resolution 2015-191. Mike Zimmer seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

**Resolution 2015-192 International Trade Program Services – Request to Issue RFP**

*Dominic Romano, Grant Specialist, provided the Board with information regarding this action item.* Following brief discussion, Mike Zimmer motioned for the approval of Resolution 2015-192. Paul Anderson seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

**Resolution 2015-193 Challenge Manufacturing – MBDP Amendment**

*Marcia Gebarowski, Development Finance Manager, provided the Board with information regarding this action item.* Following brief discussion, Larry Koops motioned for the approval of Resolution 2015-193. Wayne Wood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

**Resolution 2015-194 Invenergy Solution – 21<sup>st</sup> Century Investment**

*Marcia Gebarowski, Development Finance Manager, introduced Valerie Brader, Senior Strategy Advisor from Governor Rick Snyder's office, who collaboratively provided the Board with information regarding*

*this action item.* Following brief discussion, Mike Zimmer motioned for the approval of Resolution 2015-194. Andrew Lockwood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

**Resolution 2015-195 Sakthi Automotive Group – Renaissance Zone Designation**

*Marcia Gebarowski, Development Finance Manager, provided the Board with information regarding this action item.* Following brief discussion, Larry Koops motioned for the approval of Resolution 2015-195. Mike Zimmer seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

**D. COMMUNITY VITALITY**

**Resolutions 2015-196 & -197 Dilworth Hotel Preservation – CDBG/Act 381 Work Plan**

*Dan Leonard, Community Assistance Team, provided the Board with information regarding this action item.* Following brief discussion, Wayne Wood motioned for the approval of Resolutions 2015-196 & 2015-197. Jody DePree Vanderwel seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

*Mr. Arwood stepped out of the meeting from 11:13 am – 11:15 am; Mike Zimmer acted as Chairman during this time.*

*Paul Anderson stepped out of the meeting at 11:17am, returning at 11:19 am.*

**Resolutions 2015-198 & -199 Offsite Lake Drive, LLC – MCRP/Act 381 Work Plan**

*Ryan Kilpatrick, Community Assistance Team, provided the Board with information regarding these action items.* Following brief discussion, Dan Boge motioned for the approval of Resolutions 2015-198 & 2015-199. Jody DePree Vanderwel seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

**D. STATE BRANDING**

**Resolution 2015-200 Detroit Tigers Sponsorship – Travel Michigan**

*Dave Lorenz, VP Travel Michigan, provided the Board with information regarding this action item.* Following brief discussion, Larry Koops motioned for the approval of Resolution 2015-200. Andrew Lockwood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

**Resolution 2015-201 Michigan International Speedway Sponsorship – Travel Michigan**

*Dave Lorenz, VP Travel Michigan, provided the Board with information regarding this action item.* Following brief discussion, Larry Koops motioned for the approval of Resolution 2015-201. Paul Anderson seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Mr. Arwood adjourned the meeting at 11:40 am.



## MEMORANDUM

**Date:** February 23, 2016  
**To:** Michigan Strategic Fund Board  
**From:** Dan Parisian, Program Specialist  
**Subject:** *Alpena Prototype Bio-Refinery, LLC  
Renewable Energy Renaissance Zone – Revocation*

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### **Action**

Michigan Economic Development Corporation (“MEDC”) Staff requests the Michigan Strategic Fund (“MSF”) Board approve the recommendation to revoke Alpena Prototype Bio-Refinery, LLC’s (the “Company”) Renewable Energy Renaissance Zone to the State Administrative Board (“SAB”). There are 9 years remaining on the Company’s 15-year Renaissance Zone term, designated on June 24, 2009 and currently set to expire on December 31, 2024.

### **Background**

The Company is in the business of developing and operating a cellulosic ethanol biorefinery at a site in the City of Alpena, Alpena County. As a condition to receiving the Renaissance Zone, the Company entered into a development agreement (the “Agreement”) with the MSF, within which the Company committed to investing \$23.5 million and to creating 10 new jobs by December 31, 2010, as well as, primarily operating the facility as a renewable energy facility. This is a statutory requirement contained in the Renaissance Zone Act, 1996 PA 376, as amended.

Based on information received by MEDC staff and confirmed in subsequent discussions with the Company, operations have ceased at the location sometime in August of 2015 and the Company moved the operation to a location in Georgia along with the jobs it was required to create per the Agreement. The MEDC notified the Company of their non-compliance and initiated the 90-day cure period as required in the Agreement. The Company failed to provide a formal response to the notice of non-compliance within the 90-day cure period.

Due to the Company’s failure to operate the facility primarily as a renewable energy facility, the MSF Board has both contractual and statutory authority to recommend revocation of the Company’s Renewable Energy Renaissance Zone designation to the SAB.

### **Recommendation**

MEDC Staff recommends that the MSF Board approve the associated resolution to recommend to the SAB the revocation of Alpena Prototype Bio-Refinery, LLC’s Renewable Energy Renaissance Zone. All properties will go back on the tax rolls effective December 31, 2015 for property tax purposes and January 1, 2016 for all other tax purposes.

## MICHIGAN STRATEGIC FUND

### RESOLUTION 2016-

#### REVOCATION OF AN EXISTING RENEWABLE ENERGY RENAISSANCE ZONE DESIGNATION: Alpena Prototype Bio-Refinery, LLC

**WHEREAS**, Section 8e of the Michigan Renaissance Zone Act, 1996 PA 376, as amended, (the “Act”) authorizes the State Administrative Board (“SAB”) to designate up to 15 renaissance zones for renewable energy facilities upon the recommendations of the Michigan Strategic Fund (“MSF”) along with the consent of the local unit of government in which the proposed renaissance zone will be located;

**WHEREAS**, on July 21, 2009, the SAB approved a Renewable Energy Renaissance Zone for Alpena Prototype Bio-Refinery, LLC (the “Company”) after receiving recommendation of approval from the MSF Board for the Company’s facility beginning January 1, 2010;

**WHEREAS**, Section 8e(5) of the Act requires a development agreement be entered into between the MSF and the Company, which committed the Company to numerous milestones with regards to job creation and new investment and filing reports;

**WHEREAS**, Section 8e(3) of the Act allows the SAB to revoke the designation of all or a portion of a Renewable Energy Renaissance Zone if the SAB determines the renewable energy facility: (1) failed to commence operation; (2) ceases operation; or (3) fails to commence construction or renovation within one (1) year from the date the renaissance zone for the renewable energy facility is designated;

**WHEREAS**, the Company has ceased operations at the facility as required by the terms of its development agreement and the Act;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the renaissance zone program and has been working with the Company to monitor the compliance issue;

**WHEREAS**, pursuant to the development agreement, MEDC staff, on behalf of the MSF, has sent notice to the Company to cure its non-compliance and the 90-day cure period has expired with no formal response having been received by the MEDC;

**WHEREAS**, the MEDC has also notified City of Alpena of its recommendation that the Company’s renewable energy renaissance zone designation be revoked;

**WHEREAS**, the MEDC recommends that the MSF Board approves for recommendation to the State Administrative Board the revocation of the Company’s renewable energy renaissance zone designation effective December 31, 2015 for property tax purposes and January 1, 2016 for all other tax purposes.

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF Board approves for recommendation to the State Administrative Board the revocation of the Company’s renewable energy renaissance zone designation; and

**BE IT FURTHER RESOLVED**, that the MSF Board authorizes the MSF President or Fund Manager to take any action necessary to effectuate the terms of this Resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan  
February 23, 2016

## MEMORANDUM

**Date:** February 23, 2016

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

**From:** Katharine Czarnecki, Vice President, Collaborative Community Development

**Subject:** Collaborative Community Development Follow-up Activities – Rescission of Community Development Block Grant (CDBG) MOU with the Michigan State Housing Development Authority (MSHDA)

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### **Request**

MEDC staff requests rescission of the existing Memorandum of Understanding (MOU) for the 2014 and 2015 CDBG Program Year between the Michigan Strategic Fund (MSF) and the Michigan State Housing Development Authority (MSHDA).

### **Background**

On August 25, 2015, per Resolution 2015-105, the MSF board authorized a Second Amendment and Restatement of MOU between MSHDA and MSF to continue in effect through and until June 30, 2016, unless the parties mutually agree to terminate it sooner. (Exhibit A)

At the December 15, 2015 MSF board meeting, action was taken on the realignment of the community development activities of both the Michigan Economic Development Corporation (MEDC), acting on behalf of the MSF, and the MSHDA. As part of the realignment, all open MSHDA CDBG program files and awards were transferred to the MSF effectively immediately.

An outstanding item is the MOU between the MSF and the MSHDA for management of the CDBG funds that is effective until June 30, 2016. MSHDA awards to sub-grantees and MSHDA administrative reimbursements that were funded under the 2015 program year will be honored until June 30, 2016. Beginning July 1, 2016, the 2016 CDBG program year and allocation will be fully managed by the MSF. Activities pertaining to any housing allocation are still being developed.

### **Recommendation**

MEDC Staff recommends that the MSF authorize the rescission of the MOU between the MSHDA and the MSF related to CDBG Funds.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2016-**

**APPROVAL RELATED TO COMMUNITY DEVELOPMENT ACTIVITIES**

**WHEREAS**, the Department of Talent and Economic Development (“TED”) was created by Executive Order 2014-12 (“EO 2014-12”), effective March 16, 2015 (the “Effective Date”);

**WHEREAS**, under EO 2014-12, the Michigan Strategic Fund (“MSF”) was transferred from the Department of Treasury to TED and the Michigan State Housing Development Authority (“MSHDA”) was transferred from the MSF to TED;

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

**WHEREAS**, at its December 15, 2015 meeting, the MSF Board authorized the MSF Fund Manager to enter into a Memorandum of Understanding to achieve the objective of aligning community development programs, the MSF, the MEDC, and MSHDA and to define the roles and responsibilities of each with respect to community development activities and operations (the “Community Development Activities”);

**WHEREAS**, in furtherance of the Community Development Activities, the MSF Board wishes to rescind the Second Amendment and Restatement of the Memorandum of Understanding for Community Development Block Grants dated July 1, 2015 (the “CDBG Memo”).

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board rescinds the CDBG Memo; and

**BE IT FURTHER RESOLVED**, the MSF Board authorizes the MSF Fund Manager to finalize all documents necessary to effectuate the terms and conditions of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan  
February 23, 2016



## MEMORANDUM

**Date:** February 23, 2016

**To:** Michigan Strategic Fund Board

**From:** Mike Gietzen, Development Finance Manager

**Subject:** Tesla Motors Inc.  
Tool and Die Renaissance Recovery Zone – Transfer

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### Action

The Michigan Economic Development Corporation (“MEDC”) is recommending the transfer of the Tool and Die Recovery Zone for Riviera Tool LLC to be transferred to Tesla Motors Inc. (the “Company”) by the Michigan Strategic Fund (“MSF”) Board. The ten-year Recovery Zone term is currently set to expire at the conclusion of 2019.

### Background

On October 28, 2009 the MSF Board designated a Tool & Die Recovery Zone for Riviera Tool, LLC located in Cascade Charter Township at 5460 executive Parkway SE, Grand Rapids, Michigan 49512. In May of 2015 Tesla Motors Inc., acquired all of the assets and business of Riviera Tool, LLC.

Tesla Motors Inc. has continued operation at the property, all business and operation have carried on at the location including a transfer of existing employees. Since the acquisition Tesla Motors Inc. has ungraded machinery and equipment and made enhancements to the facility. Tesla Motors Inc. has also increase employment at the facility since the acquisition of Riviera Tool, LLC.

Cascade Charter Township and the Collaborative President, are in support of this transfer and have been notified that the MEDC would recommend the Recovery Zone for transfer.

### Recommendation

MEDC Staff recommends the MSF Board transfer the Tool and Die Recovery Zone designation for Riviera Tool LLC to be transferred to Tesla Motors Inc.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION**

**2016-\_\_**

**TRANSFER OF THE RECOVERY ZONE BENEFIT FOR AN EXISTING  
TOOL & DIE RENAISSANCE RECOVERY ZONE: TESLA MOTORS INC.**

**WHEREAS**, the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, authorizes the Michigan Strategic Fund (“MSF”) Board to designate up to thirty-five (35) tool and die renaissance recovery zones (“Recovery Zone”) anywhere in the State of Michigan;

**WHEREAS**, on October 28, 2009, the MSF Board designated a Recovery Zone for United Tooling Coalition (the “Collaborative”), effective January 1, 2010;

**WHEREAS**, the Collaborative now includes Riviera Tool, LLC (the “Company”), a qualified tool and die business under the Act, located at 5460 Executive Parkway SE Grand Rapids, Michigan 49512 (the “Property”);

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

**WHEREAS**, the MEDC received a request from the Company to transfer the benefit of the Recovery Zone designation from Riviera Tool, LLC to Tesla Motors Inc. for the remaining duration of 4 years with an expiration date of December 31, 2019;

**WHEREAS**, by resolution, the Cascade Charter Township consented to transfer the benefit of the Recovery Zone designation from Riviera Tool, LLC to Tesla Motors Inc. for the remaining duration of 4 years with an expiration date of December 31, 2019 and

**WHEREAS**, Tesla Motors Inc. must maintain a minimum Base Employment Level no lower than the employment level at the time of the acquisition from Riviera Tool, LLC.

**WHEREAS**, the MEDC fully considered the Company’s request and recommends the MSF transfer the benefit of the Recovery Zone from Riviera Tool, LLC to Tesla Motors Inc. for the Property.

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF Board approves the transfer of the Recovery Zone designation from Riviera Tool, LLC to Tesla Motors Inc. for the remaining duration of 4 years, effective January 1, 2016, with an expiration date of December 31, 2019 at 5460 Executive Parkway SE Grand Rapids, Michigan 49512; and

**BE IT FURTHER RESOLVED**, that the Company shall provide a written report to the MSF by January 31, 2017, and annually each January 31 thereafter through 2019 that includes the following information:

1. the amount of capital investment, including, but not limited to, real and personal property investment, in the Property;
2. the number of individuals employed at the Property at the beginning and the end of the reporting period, as well as the number of individuals transferred to the Property from another entity owned by the Company, if any;

3. new jobs, including full-time jobs, created at the Property and the average wage for these new jobs;
4. the status of the Company's business operations;
5. the most recent State Equalized Value (SEV) and taxable value of the Property and personal property located at the Property, including personal property located at the Property that existed prior to the Effective Date;
6. any other information reasonably requested by the MSF regarding the Property or the extension of the designation described in this Agreement; and

**BE IT FURTHER RESOLVED**, that the MSF Board authorizes the MSF President or Fund Manager to take all action necessary to effectuate the terms of this Resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan  
February 23, 2016

## MEMORANDUM

**Date:** February 23<sup>rd</sup>, 2016

**To:** MSF Board

**From:** Fred Molnar, VP Entrepreneurship and Innovation

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

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### ACTION

MEDC Staff recommends the MSF Board approve a grant amendment in the amount of \$300,000 to NextEnergy to fund the continuation of their Advanced Energy Acceleration Services grant through March 31<sup>st</sup>, 2017.

### 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) with a term of April 1, 2014 through March 31, 2015. This grant was amended per MSF Resolution No 2015-017 to add an additional \$1.5 million to the grant and extend the end date to March 31<sup>st</sup>, 2016.

### 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 2015. These exceeded the projected metrics in the proposal that was submitted.

- A full assessment of DOE and ARPA-E funding priorities has been performed on FY2015 and FY2016 priorities for the MATch energy grant.

- As part of the work supported under this grant they assisted 4 teams in winning ~\$12.5 million in ARPA-e funding through the 2015 OPEN program which comes to 10% of the \$125 million that was budgeted for this program. These teams were also supported with matching grants through the MATch Energy grant program that is funded through an MSF grant and administered by NextEnergy.
- The I-Corps Energy and Transportation training proved to be a success again in FY15 with 16 teams participating. Four teams were ARPA-E awardees (from Michigan) and there were three teams sent from the national labs.
- They have held several technology challenges in collaboration with other supporters like the Advanced Lighting Challenge that was co-sponsored by Ford.

	<b>2015 Early Stage Companies (Actual)</b>	<b>2015 projected in amendment</b>
<b>Patents, copyrights, or trademarks</b>	41	100
<b>Licensing agreements</b>	49	6
<b>New products commercialized</b>	123	6
<b>Funding Secured, \$M (Excluding New Revenue)</b>	\$66.6M (\$16.3M Federal, \$16.4M VC, \$25.8M Angel)	\$25M
<b>Jobs Created or Retained</b>	122	100

### **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 80 companies served, an additional 60 jobs created and \$15 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 \$300,000, using funds allocated for the Fiscal Year 2016 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**

**2016-**

**NEXTENERGY GRANT AMENDMENT #2**

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

**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 Grant”) for a term of April 1, 2014 through March 31, 2015, with an option to extend the term of the NextEnergy Grant for up to an additional three years and to increase the amount of the NextEnergy Grant, subject to available funds;

**WHEREAS**, on February 24, 2015, the MSF Board exercised its first option to extend the NextEnergy Grant for one year to March 31, 2016 and allocated \$1,500,000 in additional funding (“Grant Amendment #1”);

**WHEREAS**, the MEDC recommends that the MSF Board exercise its second option to extend the NextEnergy Grant to March 31, 2017 and allocate \$300,000 in additional funding (“Grant Amendment #2”); and

**WHEREAS**, the MSF Board wishes to approve the Grant Amendment #2.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board approves the Grant Amendment #2;

**BE IT FURTHER RESOLVED**, the MSF Fund Manager is authorized to negotiate the final terms and conditions of the Grant Amendment #2 and to execute all documents necessary to effectuate the Grant Amendment #2 provided that the final terms and conditions are not materially adverse to the MSF.

Ayes:

Nays:

Recused:

Lansing, Michigan  
February 23<sup>rd</sup>, 2016

## MEMORANDUM

**Date:** February 23<sup>rd</sup>, 2016

**To:** MSF Board

**From:** Fred Molnar, VP Entrepreneurship and Innovation

**Subject:** Tech Town Detroit Business Incubator Grant Amendment One to Case-135182

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### ACTION

MEDC Staff recommends the MSF Board approve a grant amendment in the amount of \$500,000 to Techtown Detroit to fund the continuation of their Detroit Technology Exchange (DTX) Business Incubator grant through March 31<sup>st</sup>, 2017.

### 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 business incubator funding program grants funding to 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.

On February 24<sup>th</sup>, 2015, the MSF selected TechTown Detroit to receive a grant in the amount of \$500,000 over 12 months to continue the DTX services in collaboration with Bizdom, Invest Detroit, DC3 and TechStars. This grant amount was matched by TechTown Detroit and their partners with an additional \$500,000.

### PROGRAM RESULTS

The purpose of this program is to 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. Techstars will run Techstars *Mobility, Driven by Detroit* Program (Techstars Mobility), and funding will go towards the *Mobility Business Associates* and *Hackstars* programs.

In the first 6 months of this grant the DTX programming has created 9 new companies, assisted 18 companies in expanding, created 28 new jobs, helped companies raise over \$6.6 million in follow-on-funding and served 137 technology based companies.

### **BACKGROUND TO REFUNDING REQUEST**

The DTX program

- 1) Works to retain an energized student base in Detroit and create a pool of talent for the local entrepreneurial ecosystem.
- 2) Mines the vast amount of intellectual property (IP) generated by Detroit's universities, corporations and institutions and evaluates the commercialization potential of this underutilized and/or under developed IP.
- 3) Has developed a mid-level talent placement programs as well as other programs for talent attraction and development
- 4) Provides services to enhance the overall entrepreneurial ecosystem in Detroit including mentorship, acceleration and incubation services through all of its partners including DC3, Techstars, Henry Ford Hospital, Bizdom, NextEnergy and others.

The continuation of this programming in Detroit is instrumental in the success of early stage companies in the area and will help keep more of these companies in Detroit contributing to the resurgence of the city.

### **RECOMMENDATION**

TechTown Detroit, through this grant, continues to provide significant economic impact for the state and for the city of Detroit. 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 \$500,000, using funds allocated for the Fiscal Year 2016 21st Century Jobs Fund to support Entrepreneurship and Innovation. The grant would be administered under an amended grant agreement with TechTown Detroit 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 TechTown.

# MICHIGAN STRATEGIC FUND

## RESOLUTION

2016-

### TECHTOWN GRANT AMENDMENT #1

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

**WHEREAS**, on November 25, 2014, the MSF Board authorized the issuance of a request for proposals (“RFP”) for awarding grants to business incubators to stimulate the creation and continued growth of technology-based businesses and jobs (the “Business Incubators RFP”);

**WHEREAS**, on February 24, 2015, TechTown was awarded a grant of \$500,000 under the Business Incubators RFP (the “TechTown Grant”) for a term of April 1, 2015 through March 31, 2016, with an option to extend the term of the grant for up to an additional three years and to increase the amount of the grant, subject to available funds;

**WHEREAS**, the MEDC recommends that the MSF Board exercise its first option to extend the TechTown Grant to March 31, 2017 and allocate \$500,000 in additional funding (“Grant Amendment #1”); and

**WHEREAS**, the MSF Board wishes to approve the Grant Amendment #1.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board approves the Grant Amendment #1;

**BE IT FURTHER RESOLVED**, the MSF Fund Manager is authorized to negotiate the final terms and conditions of the Grant Amendment #1 and to execute all documents necessary to effectuate the Grant Amendment #1 provided that the final terms and conditions are not materially adverse to the MSF.

Ayes:

Nays:

Recused:

Lansing, Michigan  
February 23<sup>rd</sup>, 2016



## MEMORANDUM

**Date:** February 6<sup>th</sup>, 2016  
**To:** MSF Board  
**From:** Fred Molnar, VP, Entrepreneurship and Innovation  
**Subject:** Southwest Michigan Innovation Center request to transfer affiliation

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### ACTION

As of January 1<sup>st</sup>, 2016, the Southwest Michigan Innovation Center (SMIC) has been owned and operated by the new Western Michigan University Homer Stryker MD School of Medicine (Medical School) established in 2011. SMIC requests that their two year MEDC Gatekeeper grant for \$200,000 is also transferred.

### 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 SMIC was awarded a one year Business Incubator grant from the 21<sup>st</sup> CJF 2011 Business Incubators program of \$100,000 for the period of 03/01/2011 to 02/28/2012, followed by a second Business Incubator Grant for the period of 13/01/2012 to 06/30/2014 for a total of \$600,000 as part of the 21<sup>st</sup> CJF 2012 Business Incubator program. As a result of the continued success of this grantee, the SMIC was awarded a Gatekeeper grant for \$200,000 from the 21<sup>st</sup> CJF 2015 Business Incubator program in April 2015 for the period of 04/01/2015 to 03/31/2017, of which \$90,000 has been disbursed.

SMIC has recently signed a partnership agreement to become part of the newly established Western Michigan University Homer Stryker MD School of Medicine and request that the remainder of this grant be transferred with the organization, to the basis that the Medical School fulfils all the requirements of the original RFP (Case 119303) and therefore qualifies for this program. The Western Michigan University Homer Stryker MD School is a non-profit entity and is located within the SmartZone and as such fulfils the RFP requirements. The SMIC property has been purchased by the Medical School and all operations and milestones will remain unchanged. Dr Robert DeWitt is the key personnel identified in the Gatekeeper grant and he will be transferring to the Medical School and his role will remain unchanged.

### BENEFITS OF THIS CHANGE

SMIC is a 69,000-square-foot, purpose-built accelerator founded in 2003 to support life science ventures by offering subsidized laboratory/office space and high quality scientific resources. Affiliation with the Western Michigan University Homer Stryker MD School of Medicine offers collaborative opportunities for the SMIC client companies, currently 16, as well as resources to support new ventures from the University. As an example of the potential synergy, a recent collaboration between these two bodies has

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already resulted in the award of a small business innovation grant from the National Institutes of Health. These types of collaborations build the research portfolio of the medical school, facilitate career progression and professional fulfillment of the faculty, and bring funding to support biomedical device and drug development to Kalamazoo. Integration of SMIC into the Medical School will facilitate further synergies and collaborations.

### **PROGRAM RESULTS**

In the first six months of the current Gatekeeper grant the SMIC created one new company, served 17 new companies and served a total of 35 companies. They created 10 new jobs and generated \$525,833 in follow on/new capital. The SMIC is a very active part of the entrepreneurship community in Kalamazoo and in the first six months of the grant hosted nine events and attended a further five events across the state.

### **RECOMMENDATION**

MEDC Staff recommends the MSF Board approve this request. The grant would be administered under an amended grant agreement with SMIC.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2016-**

**SOUTHWEST MICHIGAN INNOVATION CENTER  
BUSINESS INCUBATOR GRANT ASSIGNMENT**

**WHEREAS**, Public Acts 215 and 225 of 2005, as amended, established the 21<sup>st</sup> Century Jobs Fund initiative;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the Michigan Strategic Fund (“MSF”) for the 21<sup>st</sup> Century Jobs Fund initiative;

**WHEREAS**, MCL 125.2088k authorizes the MSF Board to award grants and loans from the 21<sup>st</sup> Century Jobs Fund 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 in the State of Michigan;

**WHEREAS**, on November 24, 2014, the MSF Board approved issuance of a request for proposals to award grants to Michigan non-profit organizations and universities that operate business incubator or accelerator programs (the “ Business Incubator RFP”);

**WHEREAS**, on February 24, 2015, the MSF selected Southwest Michigan Innovation Center (“SMIC”) to receive a grant of up to \$200,000 under the Business Incubator RFP;

**WHEREAS**, the MSF and SMIC entered into a grant agreement with a term of April 1, 2015 to March 31, 2017 to sustain and enhance the existing economic environment and implement components of SMIC regional incubator program (the “SMIC Grant”);

**WHEREAS**, on January 1, 2016, the Western Michigan University Homer Stryker M.D. School of Medicine (the “WMU School of Medicine”) acquired the property owned and operated by SMIC;

**WHEREAS**, SMIC wishes to assign all of its right, title, interest and obligations under the SMIC Grant to the WMU School of Medicine and the WMU School of Medicine agrees to assume, perform and discharge all right, title, interest and obligations of SMIC under the SMIC Grant (the “Grant Assignment”);

**WHEREAS**, Section 5.14 of the SMIC Grant provides that SMIC may not assign its rights or obligations under the SMIC Grant without the prior written consent of the MSF;

**WHEREAS**, the MEDC has determined that the WMU Medical School meets the requirements of the Business Incubator RFP and that the Grant Assignment would be beneficial to regional incubator program; and

**WHEREAS**, the MEDC recommends that the MSF Board approve the Grant Assignment.

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan  
February 23, 2016

**Exhibit A**

<b>Incubator/Accelerator</b>	<b>Governmental Unit</b>	<b>Score</b>	<b>Recommendation Amount</b>
Michigan Tech Enterprise Corporation (MTEC)	Houghton	80	\$750,000
Grand Rapids SmartZone Local Development Financing Authority	Kent	69	\$500,000
Macomb OU Incubator	Macomb	66	\$500,000
Automation Alley	Oakland	73	\$625,000
Ann Arbor Spark	Washtenaw	73	\$500,000
Wayne State University Research & Technology Park, TechTown	Detroit - a city with a population greater than 650,000	78	\$875,000
Mid Michigan Innovation Center (MMIC)	Midland County satellite site of an incubator located in Isabella County	69	\$500,000
Lansing Regional SmartZone Local Development Financing Authority	Lansing, Ingham County	63	\$150,000
Kettering University	Flint, Genesee County	66	\$150,000
Central Michigan University Research Center (CMURC)	Mt. Pleasant, Isabella County	71	\$350,000
West Central Michigan Collaborative (The Starting Block & The Stream)	Hart, Oceana County Newaygo, Newaygo County	74	\$500,000
Southwest Michigan Innovation Center (SMIC)	Kalamazoo, Kalamazoo County	83	\$600,000
<b>TOTAL</b>			<b>\$6,000,000</b>



## MEMORANDUM

**Date:** February 23, 2016

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

**From:** Mike Gietzen, Development Finance Manager

**Subject:** Dieomatic Incorporated d/b/a Cosma Casting Michigan (“*Company*” or “*Applicant*”)  
*Amendment to the Michigan Business Development Program (“MBDP”)*

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### **Request**

The Company is requesting an amendment to its existing Michigan Business Development Program (MBDP) performance based grant Agreement to amend the structure of the grant. (See attached term sheet)

### **Background**

On January 23, 2013, the Michigan Strategic Fund approved a \$1,600,000 award for Dieomatic Incorporated under the MBDP. The Company proposed to purchase and renovate an existing building where a state-of-the-art manufacturing and light assembly facility would be established. The result would be the creation of 500 Qualified New Jobs and approximately \$162 million in capital investment. The City of Battle Creek also committed to provide a property tax abatement in support of the project. The Company completed Milestone One for the creation of 55 Qualified New Jobs and received a disbursement of \$200,000.

To date the Company has invested over \$120 million into the project and has maintained the 55 Qualified New Jobs that were created. The Company has suffered the loss of two major General Motors contracts which has adversely affected their hiring plan. The Company has now regained contracts and is anticipating hiring the expected 500 employees for this project.

### **Recommendation**

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

- a) Amend the MBDP Agreement by amending the Milestone requirement outlined in the attached term sheet.
- b) Amend the term of the grant from execution to April 1, 2021.
- c) All other aspects of the approval remain unchanged.



**MICHIGAN BUSINESS DEVELOPMENT PROGRAM  
Performance Based Grant Amendment - Term Sheet**

The following is a summary of the highlights of the amendment and basic terms for which the Company desires grant support from the Michigan Strategic Fund ("MSF") under the Michigan Business Development Program ("MBDP"). While the MBDP is operated and funded through the MSF, recommendation for approval of a MBDP Incentive Amendment is presented by the Michigan Economic Development Corporation ("MEDC") to the MSF.

**Date:** 1/21/2016

**Company Name:** Dieomatic Incorporated DBA Cosma Casting Michigan  
("Company" or "Applicant")

**Company Address("Project"):** 10 Clark Road North  
Battle Creek, Michigan 49037

**MBDP Incentive Type:** Performance Based Grant

**Current Status of the MBDP Incentive, as set forth in the final MBDP Incentive Award Agreement ("Agreement"):**

- **Maximum Amount of MBDP Incentive:** Up to \$1,600,000("MBDP Incentive Award")
- **Base Employment Level** 0
- **Total Qualified New Job Creation:** 500  
*(above Base Employment Level)*
- **Company Investment:** Up to \$162,072,542 in purchase of an existing building, building renovations, machinery & equipment, furniture & fixtures, computer, or any combination thereof, for the Project.
- **Municipality supporting the Project:** City of Battle Creek committed to provide a property tax abatement in support of the Project.
- **Disbursement Milestones:** The terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award are outlined in Exhibit B of the Agreement, and include:
  - **Disbursement Milestone 1:** Up to \$200,000 Upon demonstrated creation of 55 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than December 31, 2013.
  - **Disbursement Milestone 2:** Up to \$600,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 195 additional Qualified New Jobs (for a total of 250 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2014.

- **Disbursement Milestone 3:** Up to \$800,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 250 additional Qualified New Jobs (for a total of 500 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2015.

- **Term of Agreement:** Execution of Agreement to December 31, 2017

**Proposed MBDP Incentive Amendment:**

- **Disbursement Milestones:** The terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award will be amended as follows:

- **Disbursement Milestone 1:** Up to \$200,000 Upon demonstrated creation of 55 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than December 31, 2013.
- **Disbursement Milestone 2:** Up to \$464,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 145 additional Qualified New Jobs (for a total of 200 Qualified New Jobs) above the Base Employment Level, by no later than April 1, 2016.
- **Disbursement Milestone 3:** Up to \$312,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 100 additional Qualified New Jobs (for a total of 300 Qualified New Jobs) above the Base Employment Level, by no later than April 1, 2017.
- **Disbursement Milestone 4:** Up to \$312,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and Milestone 3 and upon demonstrated creation of 100 additional Qualified New Jobs (for a total of 400 Qualified New Jobs) above the Base Employment Level, by no later than April 1, 2018.
- **Disbursement Milestone 5:** Up to \$312,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and Milestone 3 and Milestone 4 and upon demonstrated creation of 100 additional Qualified New Jobs (for a total of 500 Qualified New Jobs) above the Base Employment Level, by no later than April 1, 2019.

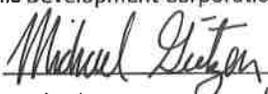
- **Term of Agreement:** Execution of Agreement to April 1, 2021.

Any final MBDP Incentive Amendment is contingent upon several factors, including: (i) submission by the Company of a completed amendment application and all other documentation required under the MBDP (ii) satisfactory municipality support, if applicable (iii) available MSF funding (iv) completion of financial review, business integrity review, required background checks, and other business and legal review and due diligence as required, and the results of which must be satisfactory the MEDC, the MSF, and as applicable, the Chief Compliance Officer, (v) approval of an award by the MSF, and (vi) execution of a final Amendment containing the established milestones, repayment terms, reporting requirements, and all other detailed terms and conditions, required by the MSF.

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award Amendment for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by January 28, 2016, the MEDC may not be able to proceed with any recommendation to the MSF.

**Acknowledged as received by:**

Dieomatic Incorporated DBA Cosma Casting  
By:   
Printed Name: FRANK W. ERVIN  
Its: SENIOR DIRECTOR  
GOVERNMENT AFFAIRS  
Dated: 1-27-2016

Michigan Economic Development Corporation  
By:   
Printed Name: Michael Gietzen  
Its: DFM  
Dated: 1/27/2016

## MICHIGAN STRATEGIC FUND

### RESOLUTION 2016-

#### APPROVAL OF AN AMENDMENT TO MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO DIEOMATIC, INCORPORATED

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

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the Michigan Strategic Fund (“MSF”) for 21<sup>st</sup> Century Jobs Trust Fund programs;

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

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

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

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

**WHEREAS**, by Resolution 2013-010, the MSF approved a \$1,600,000 Michigan Business Development Program performance based grant on January 23, 2013 for the creation of 500 Qualified New Jobs and a capital investment of \$162 million. A MBDP Grant Agreement (“Grant Agreement”) was fully executed April 18, 2013; and the Company proposed to purchase and renovate an existing building where a state-of-the-art manufacturing and light assembly facility will be established (the “Project”);

**WHEREAS**, the Company suffered the unfortunate loss of two major OEM contracts delaying them from meeting their job requirements;

**WHEREAS**, the Company requests that the Michigan Business Development Program performance based Grant Agreement be amended and revised as outlined in the term sheet attached as Exhibit A (“Term Sheet”); and

**WHEREAS**, the MEDC recommends that the MSF approve the Company’s Amendment request subject to: execution of the Grant Agreement Amendment within 120 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 60 days (“MBDP Amendment Award Recommendation”).

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

Ayes:

Nays:

Recused:

Lansing, Michigan  
February 23, 2016



## MEMORANDUM

**Date:** February 23, 2016

**To:** MSF Board

**From:** Christin Armstrong, Senior Corporate Counsel & Director, Compliance

**Subject:** Key Plastics – Amendment to Global MEGA Agreement

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### **Background**

On March 15, 2011, the Michigan Economic Growth Authority (“MEGA”) Board authorized a Standard MEGA Tax Credit for Key Plastics, L.L.C. (the “Company”) of up to 100 percent for four consecutive years for a maximum of 297 Qualified New Jobs at its facilities in the City of Howell, Livingston County; Cascade Township, Kent County; and City of Farmington Hills, Oakland County (the “Standard MEGA Tax Credit”). In exchange for the Standard MEGA Tax Credit, the Company agreed to maintain a minimum of 50 Qualified New Jobs at the project locations, maintain a base employment level of at least 480 full-time employees in Michigan, create and maintain a minimum of 200 Qualified New Jobs; and pay an average weekly wage of at least \$472.

### **Request**

The Company requests an amendment of the Standard MEGA Tax Credit to replace the City of Farmington Hills, Oakland County with the City of Livonia, Wayne County to accommodate the relocation of the Company’s corporate headquarters (the “Amendment Request”). In consideration of the Amendment Request, the Company has agreed to a cap of \$1,775,000 in total tax credits that the Company may claim over the life of the Standard MEGA Tax Credit.

### **Recommendation**

MEDC Staff recommends that the Michigan Strategic Fund (“MSF”) Board approve the Amendment Request and further recommends that the MSF President or MSF Fund Manager, with only one required to act, be authorized to negotiate the final terms and conditions of and execute all documents necessary to effectuate the Amendment Request.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION 2016-**

**KEY PLASTICS, L.L.C.  
STANDARD MEGA TAX CREDIT AMENDMENT**

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

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

**WHEREAS**, by MEGA Resolution 2011-037 dated March 15, 2011, the MEGA Board authorized a Standard MEGA Tax Credit for Key Plastics, L.L.C. (the “Company”) of up to 100 percent for four consecutive years for a maximum of 297 Qualified New Jobs at its facilities in the City of Howell, Livingston County; Cascade Township, Kent County; and City of Farmington Hills, Oakland County (the “Standard MEGA Tax Credit”);

**WHEREAS**, in exchange for the Standard MEGA Tax Credit, the Company agreed to maintain a minimum of 50 Qualified New Jobs at the project locations, maintain a base employment level of at least 480 full-time employees in Michigan, create and maintain a minimum of 200 Qualified New Jobs; and pay an average weekly wage of at least \$472;

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

**WHEREAS**, the Company requests an amendment of the Standard MEGA Tax Credit to replace the City of Farmington Hills, Oakland County with the City of Livonia, Wayne County to accommodate the relocation of the Company’s corporate headquarters (the “Amendment Request”);

**WHEREAS**, in consideration of the Amendment Request the Company has agreed to a cap of \$1.7 million in total tax credits that the Company may claim over the life of the Standard MEGA Tax Credit (the “Tax Credit Limit”); and

**WHEREAS**, the MEDC recommends that the MSF approve the Amendment Request and the Tax Credit Limit.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board approves the Amendment Request and the Tax Credit Limit.

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan  
February 23, 2016



## MEMORANDUM

**Date:** February 23, 2016

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

**From:** Marcia Gebarowski, Senior Development Finance Manager

**Subject:** Credit Acceptance Corporation (“Company” or “Applicant”)  
Michigan Business Development Program (“MBDP”) Amendment

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### **Request**

This is an amendment request to the Company’s existing MBDP Agreement to extend their fourth and final milestone by one year, and to extend the term of the grant by one year.

### **Background**

On May 23, 2012, Credit Acceptance was approved for a \$1,800,000 BDP grant to create 274 jobs to expand their automotive loan servicing operations in the City of Southfield. The project resulted in a \$10.2 million investment at the Company’s two facilities in Southfield as well.

The Company’s grant agreement was amended in August, 2012 to reflect a new local support after the City of Southfield could not proceed with a property tax abatement, and the project utilized the city’s new PACE assessment program. The amendment also reflected a change in the disbursement schedule. As a result, the value of the BDP award was reduced by \$50,000 to \$1,750,000.

Credit Acceptance experienced a downfall from their forecasted loan originations in 2015 which resulted in their inability to hire at the pace they projected at the time of BDP application. Additionally, the Company experienced a delay in finalizing and launching an internal platform for next generation IT systems. As a result of these delays in 2015, the Company is requesting to push back their final milestone by twelve months.

Credit Acceptance has successfully applied for their first three disbursement milestones, and have submitted their annual progress reports on-time. CAC has received \$708,957 in disbursements to-date after creating 111 qualified new jobs.

### **Recommendation**

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

- a) Extend Milestone 4 from December 31, 2015 to June 18, 2016;
- b) Extend the Term of the Grant from December 31, 2017 to December 31, 2018;
- c) All other aspects of the approval remain unchanged.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION 2016-**

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO  
CREDIT ACCEPTANCE CORPORATION**

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

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the Michigan Strategic Fund (“MSF”) for 21<sup>st</sup> Century Jobs Trust Fund programs;

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

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

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

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

**WHEREAS**, the MSF approved an \$1,750,000 Michigan Business Development Program Performance based grant on August 22, 2013 to Credit Acceptance Corporation (the “Company”) for an expansion of their loan servicing operations in the City of Southfield (the “Project”);

**WHEREAS**, the Company was unable to meet their 2015 hiring projections and could not meet the requirements of their fourth disbursement milestone due on December 31, 2015;

**WHEREAS**, the Company requests that the Michigan Business Development Program performance based grant be amended and revised as follows: revise the due date of milestone 4 from December 31, 2015 to December 31, 2016, and to extend the Term of the Grant from December 31, 2017 to December 31, 2018 (“Grant Amendment Request”); and

**WHEREAS**, the MEDC recommends that the MSF approve the Company’s Grant Amendment Request, subject to: execution of the Transaction Documents within 120 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 60 days (“MBDP Amendment Award Recommendation”).

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

Ayes:

Nays:

Recused:

Lansing, Michigan  
February 23, 2016



## MEMORANDUM

**Date:** January 26, 2016

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

**From:** Josh Hundt, Director Business Incentives

**Subject:** Moran Iron Works, Inc. (“Company” or “Applicant”)  
*Amendment to the Michigan Business Development Program (“MBDP”)*

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### Request

The Company is requesting an amendment to its existing Michigan Business Development Program (MBDP) performance based grant Agreement to amend the structure of the incentive in the following manner, reducing the incentive amount from \$2,000,000 to \$1,000,000, switching the award from a grant to a forgivable loan or similar incentive with structured repayment provisions, require a non-forgivable payment of \$100,000 concurrent with the execution of the amendment agreement, require annual payments on the remaining balance beginning June 30, 2017 to be paid in five installments with a 2% annual interest rate.

If the Company creates 34 Qualified New Jobs at the original project site and/or at the Company’s Industrial Arts Institute by December 31, 2016, and maintains them until at least June 30, 2017, \$900,000 of the repayment will be forgiven.

### Background

On January 23, 2013, the Michigan Strategic Fund approved a \$2 million award for Moran Iron Works under the MBDP. The Company proposed to produce larger modules and components, expand their facility in the City of Onaway, Michigan and make dock improvements at the Port of Calcite in Rogers City, Michigan. The result would be the creation of 75 Qualified New Jobs and approximately \$16 million in capital investment. On April 26, 2013 the project was amended by the MSF Board to change local support from the purchase of a boom crawler crane to a 12 year P.A. 198 tax abatement. Moran Iron Works, Inc. agreed to purchase the \$4 million crane. On February 6, 2015 the Michigan Business Development Agreement was amended to change the due date of Milestone Two from December 31, 2014 to December 31, 2015. The Company completed Milestone One for the creation of 34 Qualified New Jobs and received a disbursement of \$1 million. However, the Company did not maintain those 34 Qualified New Jobs.

To date the Company has invested over \$5.8 million into the project, but has fallen to only have 85 employees in the state of Michigan from a total of 89 employees in the state of Michigan at the time of MSF approval of the incentive. The Company has suffered the loss of over \$15 million in revenue related to the national closing of Coal Fired power plants.

To replace this loss of business the company has taken the following corrective actions:

- The Company has recently entered into an agreement with a Dutch ship building company (Central Industrial Group) to product new barges.
- The Company has recently entered into an agreement with Short-Sea Great Lakes Company.
- The Company recently opened a welding school in Onaway Michigan and has graduated 45 students.

- Added 3 product lines, commercial snow plows, ironclad shooting targets, cremation urn box for ash burial.
- The Company has also recently certifications in Complex Bridge Structures and Canadian Welding Bureau.

After further discussion with the Company, staff determined the need to restructure the agreement as outlined above. The Company will continue to be required to maintain the 34 Qualified New Jobs that were incented for the full term of the incentive agreement.

**Recommendation**

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

- a) Reduce the award from \$2,000,000 to \$1,000,000;
- b) Switch award from grant to a forgivable loan or similar incentive with structured repayment provisions;
- c) Require non-forgivable payment of \$100,000 concurrent with execution of the amendment agreement;
- d) Require annual payments on the remaining balance of \$900,000 beginning June 30, 2017 to be paid in 5 installments with a 2% annual interest rate;
- e) Forgive the balance of \$900,000 if the company creates 34 new jobs by December 31, 2016 and maintains them until at least June 30, 2017
- f) Add a project location to count the fulltime trainers the company hired at the industrial arts institute as Qualified New Jobs.

## MICHIGAN STRATEGIC FUND

### RESOLUTION 2016-

#### APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO Moran Iron Works, Inc.

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

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the Michigan Strategic Fund (“MSF”) for 21<sup>st</sup> Century Jobs Trust Fund programs;

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

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

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

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

**WHEREAS**, the MSF approved an \$2,000,000 Michigan Business Development Program Performance based grant on January 23, 2013 to Moran Iron Works, Inc. (the “Company”) for an expansion of their loan servicing operations in the City of Southfield (the “Project”);

**WHEREAS**, the Company was unable to meet their 2015 hiring projections and could not meet the requirements of their second disbursement milestone due on December 31, 2015;

**WHEREAS**, the Company requests that the Michigan Business Development Program performance based grant be amended and revised as follows:

- a) Reduce the award from \$2,000,000 to \$1,000,000;
- b) Switch award from grant to a forgivable loan or similar incentive with structured repayment provisions;
- c) Require non-forgivable payment of \$100,000 concurrent with execution of the amendment agreement;
- d) Require annual payments on the remaining balance of \$900,000 beginning June 30, 2017 to be paid in 5 installments with a 2% annual interest rate;
- e) Forgive the balance of \$900,000 if the company creates 34 new jobs by December 31, 2016 and maintains them until at least June 30, 2017
- f) Add a project location to count the fulltime trainers the company hired at the industrial arts institute as Qualified New Jobs. (“Grant Amendment Request”); and

**WHEREAS**, the MEDC recommends that the MSF approve the Company’s Grant Amendment Request, subject to: execution of the Transaction Documents within 120 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 60 days (“MBDP Amendment Award Recommendation”).

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

Ayes:

Nays:

Recused:

Lansing, Michigan  
February 23, 2016



## MEMORANDUM

**Date:** February 23, 2016

**To:** Michigan Strategic Fund Board

**From:** Rob Garza, Brownfield, MCRP and SmartZone Program Specialist

**Subject:** City of Taylor Brownfield Redevelopment Authority  
Request for Approval of an Act 381 Work Plan Amendment  
Watson Engineering, Inc. - Request for Approval of MBT Brownfield Credit  
Amendment #1

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### Request

The proposed project will be undertaken by Watson Engineering, Inc. The project will redevelop 5.19 acres of property located at 16716 Dudley Avenue, a parcel on Katherine Street, and 21600 Pennsylvania Road in the City of Taylor. The project qualifies for an Act 381 work plan and MBT Amendment because it is a facility.

In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the City of Taylor Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of \$1,091,033. This is an increase from the original request of \$221,220, which was approved by the MEGA Board on September 14, 2010.

Watson Engineering, Inc. requests the following amendments be made to the Brownfield MBT credit for the Watson Engineering project, originally approved by the MEGA Board on September 14, 2010: project scope change; conversion to a multiphase project; and an additional 5 years to complete the project. Please note that the project was originally approved for 5 years even though the MBT statute allows for a maximum of 10 years. The request is for an additional 5 years which maximizes the time allowed by the statute.

The project was unable to get underway due to the economic conditions following approval in September of 2010. The company has secured additional contacts over the last year, which now necessitates additional services and employees. Watson Engineering, Inc. is contributing 26.34% equity into the project and the debt service coverage ratio (DSCR) is 1.21. The developer return is reasonable and less than 15% for this project. The eligible activities will alleviate Brownfield conditions across the site and make it suitable for redevelopment, and protect human health and the environment. Without Brownfield tax increment reimbursement, the cost burden related to Brownfield conditions would make the project financially unfeasible.

The Applicant anticipates the project will result in total capital investment in the amount of approximately \$8.3 million, along with the creation of approximately 75 permanent full-time equivalent jobs by 2020 with an average hourly wage of \$16.50. Watson Engineering, Inc. anticipates the completion of all MBT eligible investment by the end of 2018 and is committed to the creation of a minimum of 40 full-time equivalent jobs in order to claim the final portion of the MBT credit.

## **Background**

Watson Engineering, Inc. is a full-service sheet and tubular metal fabrication company providing both prototype and production parts specializing in CNC machined components, robotix welding, bent tubular products as well as sheet and plate metal bracketry. Watson Engineering, Inc. began in 1981 as a one-man shop in Taylor and currently has an operations site in Taylor as well as a manufacturing facility in South Carolina. The Brownfield MBT Credit and Brownfield TIF were originally awarded in order to make expansion in Taylor financially competitive with expansion in South Carolina.

Phase I of the project consists of the construction of a new 60,000 square foot building, construction of parking lots, improvements to the Pennsylvania Road service drive, infrastructure improvements and site preparation activities. The improvements to the Pennsylvania Road service drive were not included in the original plan and account for the increased Act 381 TIF request. The Michigan Department of Transportation (MDOT) may fund, in part, the public infrastructure improvements related to the service drive via a grant. In the event that any of the estimated eligible activity costs related to the Pennsylvania Road service drive are funded through an MDOT grant, said costs will not be reimbursed though TIF. Phase II of the project consists of investment in Machinery and Equipment in the new facility. The request to multiphase the MBT credit has been made because the monetization of the Phase I credit will be an integral part of the Phase II investment. Phase I construction is anticipated to begin in the spring of 2016 with a target completion date of December 2016. Phase II investment is expected to begin in the fall of 2016 and end approximately 2 years later.

Lead and asbestos abatement will be necessary prior to demolition activities in order to protect human health. Demolition activities will be necessary to remove all but one of the existing structures to accommodate new construction. Site preparation activities include clearing and grubbing, creation and use of a temporary access road, temporary soil erosion control and land grading. Infrastructure improvements including the construction of curbs and gutters, sidewalk construction, erection of street lighting, landscaping, and the replacement/repair of the Pennsylvania Road service drive are necessary to support the new development.

Watson Engineering, Inc. has not been awarded additional incentives by the MSF.

**Appendix A** addresses the programmatic requirements and **Appendix B** includes a project map and renderings. The September 14, 2010 approval by the MEGA Board confirmed the project met all statutory requirements.

## **Recommendation**

MEDC staff recommends approval of the following amendments:

- a) Local and school tax capture for the Act 381 eligible activities totaling \$1,091,033. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$369,860.
- b) The Brownfield MBT credit amendment request(s) to change the scope of the project; convert to a multiphase project; and add 5 years to complete the project. However, at the time the final Certificate of Completion for the project is requested to receive the Credit, the applicant shall demonstrate a minimum of 40 new full-time equivalent jobs have been created (above the base of 125).

## APPENDIX A – Programmatic Requirements & Screening Guidelines

### Property Eligibility

The project is located within the boundaries of the City of Taylor, which is a Qualified Local Governmental Unit, and has been determined to be a facility and adjacent and contiguous as verified by Michigan Department of Environmental Quality (DEQ) on August 24, 2010.

The property is the subject of a Brownfield Plan, duly approved by the City of Taylor on January 19, 2010, and amended on January 5, 2016.

All reimbursable environmental activities for this project were included in the original Work Plan.

### Tax Capture Breakdown

There are 70.7923 non-homestead mills available for capture, with school millage equaling 24 mills (33.90%) and local millage equaling 46.7923 mills (66.10%). Tax increment capture will begin in 2017 and is estimated to continue for 21 years. The requested tax capture for MSF eligible activities breaks down as follows:

School tax capture	(33.90%)	\$	369,860
Local tax capture	(66.10%)	\$	+ 721,173
<b>TOTAL</b>		<b>\$</b>	<b>1,091,033</b>

### Cost of MSF Eligible Activities

Demolition		\$	87,400
Lead or Asbestos Abatement			6,000
Infrastructure Improvements			790,711
Site Preparation		+	40,700
Sub-Total		\$	924,811
Contingency (15%)		+	138,722
Sub-Total		\$	1,063,533
Brownfield/Work Plan Preparation		+	27,500
<b>TOTAL</b>		<b>\$</b>	<b>1,091,033</b>

**MBT Credit Breakdown**

Brownfield MBT Credit Amendment Request By:

Watson Engineering, Inc.  
16455 Racho Road  
Taylor, Michigan 48180

Contact: Chris Douglas, Chief Financial Officer

	Previous Approval	Amendment
Project Eligible Investment:	\$5,273,280	\$5,273,280
Requested Credit Amount:	\$659,160	\$659,160
Requested Credit Percentage:	12.5%	12.5%

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

**Phase I** – Construction of a new 60,000 square foot building, construction of parking lots, improvements to Pennsylvania Road service drive, infrastructure improvements and site preparation activities, and;

**Phase II** – The investment of new machinery and equipment;

**COST OF ELIGIBLE INVESTMENTS BY PHASE**

<b>Phase I</b>	
Site Improvements	\$ 491,400
New Construction	+ 2,281,880
<b>Phase I Total</b>	<b>\$ 2,773,280</b>
<b>Phase II</b>	
Addition of Machinery & Equipment	\$ 2,500,000
<b>Phase II Total</b>	<b>\$ 2,500,000</b>

**TOTAL COST OF ELIGIBLE INVESTMENTS**

Site Improvements	\$ 491,400
New Construction	+ 2,281,880
Addition of Machinery and Equipment	+ 2,500,000
<b>Total</b>	<b>\$ 5,273,280</b>

**APPENDIX C – Project Map and Renderings**



**MICHIGAN STRATEGIC FUND**

**RESOLUTION 2016-**

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN  
CITY OF TAYLOR BROWNFIELD REDEVELOPMENT AUTHORITY  
WATSON ENGINEERING PROJECT  
(AMENDMENT #1)**

**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**, the MEGA Board approved a Work Plan request for Watson Engineering, Inc. Project (the “Project”), by Resolution 2010-138 on September 14, 2010, authorizing the Authority to capture taxes levied for school operating purposes based on a maximum of \$221,220 in eligible activities;

**WHEREAS**, the qualified taxpayer wishes to amend the scope of the Project by incorporating costs for infrastructure improvements related to a service road and increasing the maximum amount for eligible costs;

**WHEREAS**, the City of Taylor Brownfield Redevelopment Authority (the “Authority”) is requesting MSF approval to capture additional taxes levied for school operating purposes to provide for the reimbursement of the cost of eligible activities on an eligible property; and

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

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as the 33.90% to 66.10% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, and infrastructure improvements as presented in the revised Work Plan dated January 8, 2016. 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 \$1,063,566 for the principal activity costs of non-environmental activities and a contingency and a maximum of \$27,500 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$369,860.

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

**BE IT FURTHER RESOLVED**, that no taxes levied for school operating purposes shall be used to reimburse interest costs related to the eligible activities for the Project.

**BE IT FURTHER RESOLVED**, that all other provisions of Resolution 2010-138 are reaffirmed and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan  
February 23, 2016

**MICHIGAN STRATEGIC FUND**

**Resolution 2016 –**

**Watson Engineering, Inc.  
Brownfield Redevelopment MBT Credit – Amendment #1  
City of Taylor**

At the meeting of the Michigan Strategic Fund (“MSF”) held on February 23, 2016 in Lansing, Michigan.

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

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

**WHEREAS**, on September 27, 2010, the MEGA Chairman issued a pre-approval letter for a Small Brownfield MBT Tax Credit to Watson Engineering, Inc. (the “Applicant”) to make eligible investment up to \$5,273,280 at an eligible property in the City of Taylor (the “Project”);

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

**WHEREAS**, a request has been submitted to amend the Project to add 5 years to complete the project, amend the project to a 60,000 square foot industrial facility, and convert to a multi-phase project; and

**WHEREAS**, the Michigan Economic Development Corporation provides administrative services to the MSF, and recommends approval of the amendment by the MSF President, provided that the maximum credit amount does not exceed \$659,160.

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF Board recommends that the MSF President issue an amended pre-approval letter to amend the Project by adding 5 years to complete the project, amend the project to a 60,000 square foot industrial facility, and convert to a multi-phase project, provided that the maximum credit does not exceed \$659,160.

Ayes:

Nays:

Recused:

Lansing, Michigan  
February 23, 2016



## MEMORANDUM

**Date:** February 23, 2016

**To:** Michigan Strategic Fund Board

**From:** Nate Scramlin, Senior Community Assistance Team Specialist  
Julius L. Edwards, Manager, Underwriting and Incentive Structuring  
Mary Kramer, MCRP Program Specialist

**Subject:** Friends of the Capitol Theatre, LLC and Uptown Reinvestment Corporation, Inc. - Request for Approval of Michigan Community Revitalization Program Other Economic Assistance

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### Request

The proposed project will revitalize the Capitol Theatre property in Flint, Michigan to its previous historic glory. The renovation includes the entire mixed-use building which houses a community theatre as well as office space. The proposed project will be undertaken through a partnership between the Flint Cultural Center Corporation and the Uptown Reinvestment Corporation. The project will redevelop one parcel on .67 acres of property located at 140 E. Second Street in the City of Flint. The project is located in a downtown and qualifies for a Michigan Community Revitalization Program (MCRP) award because it is a functionally obsolete building and historic resource listed on the National Register of Historic Places.

Friends of the Capitol Theatre, LLC and Uptown Reinvestment Corporation, Inc. (Applicants) are requesting approval of a MCRP incentive in the amount of \$5,500,000 in the form of Other Economic Assistance performance-based equity investment.

Generally, projects of this nature generate relatively modest and unpredictable income which makes it difficult to support debt and typically are supported primarily through public and private capital campaigns. This project is no different with relatively modest expected net revenues. Additionally, the extent of deterioration and the tremendous construction costs of renovating the historic property further exaggerates the need. Furthermore, most tax credit investors have indicated their preference to participate only on a "hard debt free" project. The development team has been able to raise private contributions to cover nearly 62% of the project costs, with another approximately \$3.7M (11.9% of project cost) to be raised through Historic Tax Equity. The development team is also deferring \$1.2M of developer fees, and obtaining a \$1M short term loan from the Community Foundation of Greater Flint. The remaining gap will be filled through a \$500,000 grant from MSHDA through the Michigan Housing and Community Development Fund (MHCDF) and a \$5,500,000 MCRP incentive in the form of an equity contribution. As a part of the MCRP investment it is anticipated that the MSF will receive 30% of distributable cash flow with the remaining 70% of cash flow to be contributed back to the theatre for future capital and programmatic needs. A detailed structure for the MCRP is provided in **Appendix A**.

The Applicants anticipate that the project will result in total capital investment in the amount of \$31,401,700 along with the creation of approximately 82 permanent full-time equivalent jobs with an average hourly wage of \$25.00.

### **Background**

The redevelopment of the Capitol Theatre will be a cooperative partnership between Uptown Reinvestment Corporation (URC), a non-profit community development corporation acting as developer, and the Flint Cultural Center Corporation (FCCC), as the operator. Friends of Capitol Theatre, LLC or a related entity will act as the single purpose real estate holding company.

The project, located in the heart of downtown Flint, entails the restoration of both the exterior and interior of the Capitol Theatre building. On the exterior, the masonry will be cleaned and tuck-pointed, with large structural deficiencies repaired such as the crumbling chimney, large seismic cracks, and water in the basement. The decorative terra cotta lining the building will be repaired or replaced. A new roof, windows, storefront entrances and a marquee will be installed. Upgrades on the interior include replacement of the building's life-safety systems (including sprinklers) and improvements in ADA accessibility. All major mechanical, plumbing and electrical systems will be replaced. New restrooms, drink and concession bars and merchandise counters will be installed. The interior finishes and furnishings will be repaired and painted, seats will be replaced and all new theatre equipment will be installed.

The theatre will be able to house up to 1,800 audience members, with 1,000 on the main auditorium floor and 800 on the upper balcony. The total building square footage is 91,139, with portions occupied as theatre space encompassing 35,100 square feet (auditorium, lobbies, dressing and green rooms, etc.). The building also features 21,165 square feet of office across three floors. The interior office space will be reconfigured to maximize utilization by potential tenants. The basement of the theatre will feature the dressing rooms, a catering kitchen, a green room and community space. The large plenum space that was formerly a bowling alley is being prepped to handle an entertainment complex accessible from the Second Street storefront entrance adjacent to Brush Alley.

Its renovation is viewed by the Uptown Reinvestment Corporation and the City of Flint as a critical piece to the redevelopment efforts in the area due to the project's potential economic impact. It is anticipated that the project will bring between 60,000 and 80,000 patrons to Downtown Flint as part of the experience, with each out-of-county visitor projected to generate approximately \$23/patron in food and retail economic activity during each visit. Additionally, the project will expand cultural activities in greater Flint.

Uptown Reinvestment Corporation was the developer of the Flint Health and Wellness District project that involved the relocation of the Flint Farmers Market, the opening of the Michigan State University - College of Medicine Flint campus, the Genesys PACE facility and the demolition of the Genesee tower to make room for an urban park. In total, the project spanned four city blocks and totaled over the \$30 million dollars in investment. The MSF participated as an equity partner with URC for over \$5.5 million. Additionally, URC led the redevelopment of the Riverfront Student Housing tower, converting a 450 bed hotel and conference center into student housing, University of Michigan - Flint classroom space, and

upgraded banquet facilities. URC has also participated as the non-profit co-developer with Uptown developments on nearly a dozen other redevelopment projects within downtown Flint and have in the past received prior MSF Renaissance Zone support for some of those projects.

FCCC was established in 1992 and is responsible for the management and maintenance of the buildings and grounds of the Flint Cultural Center campus which includes the Sarvis Conference Center, Walker Place and Flint Public Library. Additionally, they own and operate the Whiting, the premier performing arts venue in the City of Flint.

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

**Recommendation**

MEDC staff recommends approval of the following:

- a) A MCRP performance-based other economic assistance in the amount of \$5,500,000 for the Applicants and/or a Related Parties.

## APPENDIX A – MCRP Structure

### FINANCING OPPORTUNITY – MCRP EQUITY INVESTMENT

#### Deal Structure

Due to the modest and unpredictable revenue anticipated to be generated by the project MEDC staff is recommending the MCRP incentive for the project be structured as an equity investment in the project to allow financial flexibility for the project and to maximize the potential financial returns on the MSF's investment.

It is anticipated the development team will be able to raise private contributions to cover nearly 62% of the project cost, with another approximately \$3.7M (11.9% of project cost) to be raise through Historic Tax Equity. The development team is also deferring \$1.2M of developer fees, and obtaining a \$1M short term loan from the Community Foundation of Greater Flint. The remaining gap will be filled through a \$500,000 grant from MSHDA through the Michigan Housing and Community Development Fund (MHCDF) and a \$5,500,000 MCRP incentive in the form of an equity contribution. It is anticipated that the historic tax credit equity will be bridged by Old National Bank and the Community Foundation of Greater Flint will be bridging a portion of the private donors' contributions.

#### **Summary of Development Sources:**

Community Foundation of Greater Flint	\$	1,000,000	3.2%
Capital Campaign	\$	4,442,829	14.1%
Private Contribution	\$	15,000,000	47.8%
MSHDA Grant	\$	500,000	1.6%
Historic Tax Credit Equity	\$	3,744,837	11.9%
Deferred Developer Fees	\$	1,214,034	3.9%
MCRP Equity Investment	\$	5,500,000	17.5%
<b>TOTAL</b>	<b>\$</b>	<b>31,401,700</b>	<b>100.0%</b>

#### **MCRP EQUITY INVESTMENT**

**Applicant(s):** Friends of Capitol Theatre, LLC and/or a Related Entity (“Company” or “Applicant”)

**Owner Investment Amount:** Cash contributions of not less than \$15,000,000 (“Investor Equity”).

**MSF Investment Amount:** Up to the lesser of 25% of eligible investment or \$5,500,000. The structure of the MSF Investment will be subject to the historic tax credit structure. (“MSF Equity”)

**Interest Purchased:** MSF will acquire an equity interest in Friends of Capitol Theatre, LLC or an entity to be determined. The MSF will provide no guarantees on debt or accept any recourse obligation.

<b>MSF Fee:</b>	1% of MCRP Award Amount
<b>Legal Fees:</b>	Applicant responsible for 100% of third-party legal costs incurred by the MSF in closing this transaction.
<b>“Put” Right:</b>	The MSF will receive a “Put” right for among other things failure to adhere to MSF statutory requirements. If exercised, Friends of Capitol Theatre, LLC or another entity to be determined shall repay in full the entire contribution provided to the partnership and any earned but unpaid profits available at the time of the notice to exercise the Put on terms and conditions acceptable to the MSF. The owners of the project will be required to guarantee the “Put” right obligation.
<b>“Exit” Right:</b>	The MSF will have the option to exit the project after 360 months following disbursement of its proceeds. At time of exit the MSF will be due an amount not less than \$4,000,000. All prior distributions received by the MSF will be applied to this amount, reducing the amount due at exercise of the “Exit” provision.
<b>Net Cash Flows:</b>	To be determined at a later date, that will include the following considerations: <ol style="list-style-type: none"> <li>1. Senior debt service requirements;</li> <li>2. Annual escrowed replacement reserves;</li> <li>3. Capital expenditures above and beyond what has been escrowed for replacement reserves;</li> <li>4. Preferred Returns and/or other fees required by the Historic Tax Credit Investor; and,</li> <li>5. Other restrictions placed on the property by the Senior Lender.</li> </ol>
<b>Split of Net Cash Flows:</b>	<ol style="list-style-type: none"> <li>1. MSF to receive 30% of available distributable net cash flow.</li> <li>2. Owners to receive 70% of available distributable net cash flow.</li> </ol>
<b>Split of Proceeds from Sale or Refinance:</b>	<ol style="list-style-type: none"> <li>1. MSF to receive 30% of available proceeds.</li> <li>2. Owners to receive 70% of available proceeds.</li> </ol>
<b>Membership Change:</b>	The MSF will have certain rights to block or consent to any material change in the membership of the project owner entity. The final agreement will include a provision allowing for transfer of the “Owner’s” interest to Flint Cultural Center Corporation (FCCC). The

transfer will be subject to the MSF's background check review process for the FCCC.

**Sale/Liquidation:**

The MSF will have certain rights to block or consent to any material liquidation or sale event (e.g., sale to a non-qualified third party).

**Timing of Funding:**

The MSF investment would be made after (a) all of the Investors' equity has been made available for Project expenses and (b) all Lenders have waived all conditions precedent to funding (but for any conditions or obligations required of the Fund to make the Investment). It is anticipated that up \$1M will not be available until 12 mos. following closing. For the avoidance of doubt, the MSF investment will be funded prior to the Senior Lender advancing any amounts under its loan.

**Other Conditions:**

The MSF's investment will be contingent upon the owner securing a minimum of \$25,900,000 in capital and/or grants or an amount estimated to complete the project.

## **APPENDIX B – Programmatic Requirements & Screening Guidelines**

On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program (MCRP) and on September 22, 2015, the MSF Board approved its restated program guidelines. The primary intended objective of the MCRP is to provide incentives to persons that make eligible investments on eligible property in Michigan. The total eligible investment for this project is estimated to be \$25,149,377.

### **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 MCRP, the following statutory criteria is being considered by the MSF:

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

The development team, the City of Flint, the Downtown Development Authority, and many downtown businesses are excited about the re-opening of the Capitol Theatre. It is anticipated that this will provide a significant economic boost to the area, specifically in the downtown, as attention generated from the acts performing at the theater and the patrons frequenting the establishment will have a significant and much-needed spill-over effect to the surrounding businesses. The increase in foot traffic and downtown patrons will help bolster a number of the new downtown establishments that have recently seen dwindling clientele due to the water crisis in the City.

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

The theater is anticipated to welcome between 60,000 and 80,000 visitors per year, which will add significant foot traffic to the downtown. This development will capitalize on other recent investments in the downtown showing investors that this is a place that you can successfully do business. There is already an energy of redevelopment in the immediate vicinity of the theatre and this renovation will only speed up these efforts.

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

This project has come together with significant support through private donations of approximately \$19.4 million. The City of Flint will transfer an existing Obsolete Property Rehabilitation Act (OPRA) tax abatement to Friends of the Capitol Theatre, LLC which is valued at approximately \$1,000,000 in tax relief over an eight year period.

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

Generally, projects of this nature generate relatively modest and unpredictable income which makes it difficult to support debt and typically are supported primarily through public and private capital campaigns. This project is no different with relatively modest expected net revenues. Additionally, the extent of deterioration and the tremendous construction costs of renovating the historic property further exaggerates the need. Furthermore, most tax credit investors have indicated their preference to participate only on a "hard debt free" project. The development team has been able to raise private contributions to cover nearly 62% of the project costs, with another approximately \$3.7M (11.9% of project cost) to be raised through Historic Tax Equity. The development team is also deferring \$1.2M of developer fees, and obtaining a \$1M short term loan from the Community Foundation of Greater Flint. The remaining gap will be filled through a \$500,000 grant from MSHDA through the Michigan Housing and Community Development Fund (MHCDF) and a \$5,500,000 MCRP incentive in the form of an equity contribution. As a part of the MCRP investment it is anticipated that the MSF will receive 30% of distributable cash flow from the project.

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

The project will completely renovate and restore the historic Capitol Theatre Building in downtown Flint. The theatre has not operated in over 15 years and the commercial space is largely underutilized.

**F. Creation of jobs:**

The project is expected to create up to 82 full-time equivalent positions with the operation of the theatre and new commercial spaces. The average hourly wage is estimated to be \$25.

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

The project is largely funded by private donations. Besides these private contributions, sources include federal historic tax credits and a \$500,000 grant from the Michigan State Housing Development Authority.

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

As mentioned above, projects of this nature typically generate modest income. To ensure the project is financially viable for the longer term, the development team has limited the level of term debt to \$1M. It is anticipated that the project will be debt free within three years of completion. The MCRP support has been structured as an equity investment to provide further financial flexibility for the project, allowing the MCRP investment to adjust to the ups and downs of the project. It is anticipated 100% of distributable cash flow generated by the project and not paid to the MSF will be retained by the project for future use. Additionally, the project has the support of prominent private donors that are committed to the success of the project and the City of Flint.

The project will be developed by URC and operated by the FCCC. URC has a vast amount of development experience in Downtown Flint and maintains the support of the larger business community. The FCCC currently operates The Whiting, Flint's premier performing arts venue. The Whiting offers Broadway, musical, dance, and comedy performances. FCCC staff believe the Capitol Theatre will be a perfect complement to The Whiting venue and its offerings, as well as utilizing its staffing resources.

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

This project will increase the density of renovated and available commercial space in the downtown area while offering right-sized commercial spaces for many start-up businesses where this type of space does not currently exist.

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

Upon completion, the Capitol Theatre building will provide a fully-renovated hub of mixed-use activity including multiple commercial uses, an entertainment venue, and food and beverage service. This increased activity will amplify foot-traffic and generate new walking trips to other destinations throughout the downtown area.

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

This project does not involve an abandoned public building.

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

The project will incorporate as many energy efficient items as possible, especially as it relates to replacing the existing HVAC and electrical equipment, which is almost 90 years old. Many of the green items are common industry practices, including LED lighting, low-flow fixtures, and sealing or enclosing the building to reduce energy leakage.

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

The Capitol Theatre building will be fully rehabilitated and is on the National Register of Historic Places.

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

The redevelopment of this property fits within the Flint Master Plan's priority of revitalizing the downtown area. The Capitol Theatre is specifically listed in the master plan as a key asset and a missing link in the revitalization of downtown.

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

The project will address a growing need within Flint for smaller, but high quality office bays with high market potential. Many existing bays within downtown exceed space needs by three to five times for the smaller start-ups.

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

A Phase I environmental review was completed and did not find any recognized environmental concerns.

**Q. If the rehabilitation of the historic resource will meet the federal Secretary of the Interior's standards for rehabilitation and guidelines for rehabilitating historic buildings**

**(36 CFR 67):**

The building will be rehabilitated to the federal Secretary of the Interior's standards and the project will be utilizing the federal historic tax credit.

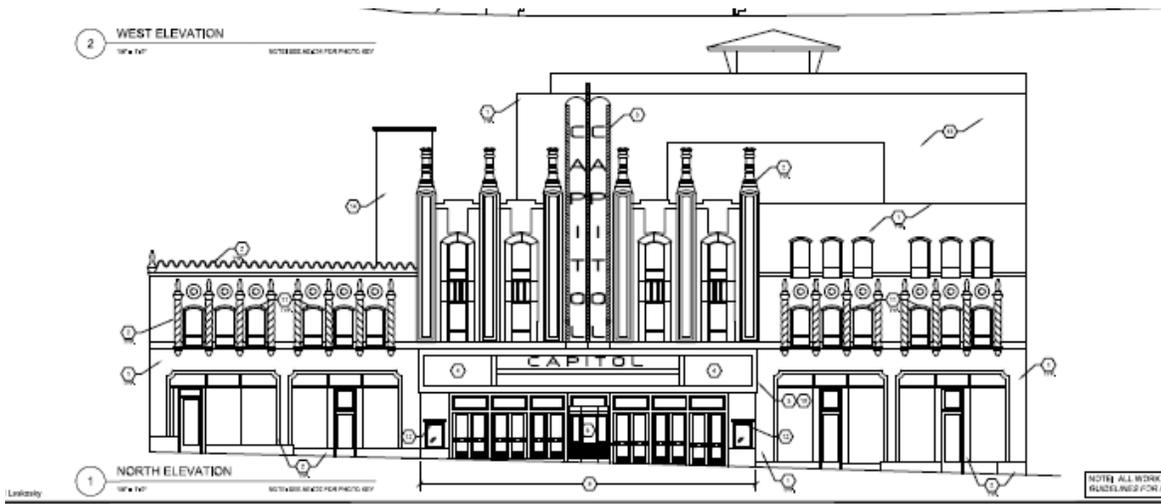
**R. Whether the project will compete with or affect existing Michigan businesses within the same industry:**

No adverse impact to existing Michigan businesses is expected as a result of this project.

**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 C – Project Map and Renderings



**MICHIGAN STRATEGIC FUND**

**RESOLUTION 2016-**

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM  
OTHER ECONOMIC ASSISTANCE PERFORMANCE-BASED EQUITY  
INVESTMENT AWARD TO  
FRIENDS OF CAPITAL THEATRE, LLC AND/OR A RELATED ENTITIES  
(FLINT CAPITOL THEATRE 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 MSF to create and operate the Michigan Community Revitalization Program (“MCRP”) to provide incentives in the form of grants, loans and other economic assistance for redevelopment of communities in Michigan;

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

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

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

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

**WHEREAS**, Friends of Capitol Theatre, LLC or such entities formed or to be formed in the furtherance of the Flint Capitol Theatre Project (“Applicant” or “Co-Applicants”) have requested an Other Economic Assistance Performance-Based Equity Investment Award from the MSF under the MCRP for the project in an amount not to exceed up to \$5,500,000 (“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 recommends that the MSF approve the MCRP Award Request in accordance with the Term Sheet, subject to: (i) available Funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of transaction documents for the Award Request within 240 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 120 days (the foregoing, collectively, the “MCRP Award Recommendation”);

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

Ayes:

Nays:

Recused:

Lansing, Michigan  
February 23, 2016

## EXHIBIT A

### MCRP EQUITY INVESTMENT

- Applicant(s):** Friends of Capitol Theatre, LLC and/or a Related Entity (“Company” or “Applicant”)
- Owner Investment Amount:** Cash contributions of not less than \$15,000,000 (“Investor Equity”).
- MSF Investment Amount:** Up to the lesser of 25% of eligible investment or \$5,500,000. The structure of the MSF Investment will be subject to the historic tax credit structure. (“MSF Equity”)
- Interest Purchased:** MSF will acquire an equity interest in Friends of Capitol Theatre, LLC or an entity to be determined. The MSF will provide no guarantees on debt or accept any recourse obligation.
- MSF Fee:** 1% of MCRP Award Amount
- Legal Fees:** Applicant responsible for 100% of third-party legal costs incurred by the MSF in closing this transaction.
- “Put” Right:** The MSF will receive a “Put” right for among other things failure to adhere to MSF statutory requirements. If exercised, Friends of Capitol Theatre, LLC or another entity to be determined shall repay in full the entire contribution provided to the partnership and any earned but unpaid profits available at the time of the notice to exercise the Put on terms and conditions acceptable to the MSF. The owners of the project will be required to guarantee the “Put” right obligation.
- “Exit” Right:** The MSF will have the option to exit the project after 360 months following disbursement of its proceeds. At time of exit the MSF will be due an amount not less than \$4,000,000. All prior distributions received by the MSF will be applied to this amount, reducing the amount due at exercise of the “Exit” provision.
- Net Cash Flows:** To be determined at a later date, that will include the following considerations:
1. Senior debt service requirements;
  2. Annual escrowed replacement reserves;
  3. Capital expenditures above and beyond what has been escrowed for replacement reserves;

4. Preferred Returns and/or other fees required by the Historic Tax Credit Investor; and,
5. Other restrictions placed on the property by the Senior Lender.

**Split of Net Cash Flows:**

1. MSF to receive 30% of available distributable net cash flow.
2. Owners to receive 70% of available distributable net cash flow.

**Split of Proceeds from Sale or Refinance:**

1. MSF to receive 30% of available proceeds.
2. Owners to receive 70% of available proceeds.

**Membership Change:**

The MSF will have certain rights to block or consent to any material change in the membership of the project owner entity. The final agreement will include a provision allowing for transfer of the “Owner’s” interest to Flint Cultural Center Corporation (FCCC). The transfer will be subject to the MSF’s background check review process for the FCCC.

**Sale/Liquidation:**

The MSF will have certain rights to block or consent to any material liquidation or sale event (e.g., sale to a non-qualified third party).

**Timing of Funding:**

The MSF investment would be made after (a) all of the Investors’ equity has been made available for Project expenses and (b) all Lenders have waived all conditions precedent to funding (but for any conditions or obligations required of the Fund to make the Investment). It is anticipated that up \$1M will not be available until 12 mos. following closing. For the avoidance of doubt, the MSF investment will be funded prior to the Senior Lender advancing any amounts under its loan.

**Other Conditions:**

The MSF’s investment will be contingent upon the owner securing a minimum of \$25,900,000 in capital and/or grants or an amount estimated to complete the project.



## MEMORANDUM

**Date:** February 23, 2016

**To:** Michigan Strategic Fund Board

**From:** Marilyn Crowley, Community Assistance Team  
Mary Kramer, MCRP and Brownfield Program Specialist

**Subject:** City of East Lansing Brownfield Redevelopment Authority  
Request for Approval of an Act 381 Work Plan

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### Request

The project proposes to redevelop an underutilized, single-use, vacant property into a new five-story mixed-use development offering both commercial retail space and rental residential housing. The proposed project will be undertaken by Stonehouse Village VI, LLC. The project will redevelop 0.25 acres of property located at 565 East Grand River Avenue in the city of East Lansing. The project is located in a downtown and qualifies for an Act 381 work plan because it is functionally obsolete.

In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the City of East Lansing Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of \$1,443,165.

The redevelopment integrates design elements, and economic development to further the goals of the City of East Lansing. It will result in increased property taxes on the subject property, a substantial improvement to the appearance and aesthetics of the subject property and significant public space improvements. The project pro forma demonstrates the brownfield tax increment financing (TIF) contribution allows the project to carry private financing for 76% of project costs. Without the TIF, the project does not have enough debt coverage ratio to make the project viable. The developer is making a reasonable return and has demonstrated substantial commitment to the project by contributing over 23% cash equity into the project. Significant costs are present on the site related to Brownfield conditions. The eligible activities will alleviate Brownfield conditions across the site and make it suitable for redevelopment, and protect human health and the environment. Without Brownfield tax increment reimbursement, the cost burden related to Brownfield conditions would make the project financially unfeasible.

The project is anticipated to result in total capital investment of approximately \$8.7 million, along with the creation of an estimated 20-25 new, permanent full-time equivalent (FTE) jobs through the commercial and retail portions of the project. Average wages are estimated to be between \$10 and \$15 per hour.

### **Background**

The proposed project will be new construction and contain approximately 36 new residential rental units and 6,500 square feet of retail and commercial space on the first floor. When complete, 47,779 new, private square feet will be added to the downtown and 4,790 public square feet will be revitalized.

Lead and asbestos abatement will be necessary prior to demolition activities in order to protect human health. Demolition activities will be necessary to remove utilities, existing parking lot, and the entire existing building including the foundations. Building demolition costs includes a pre-demolition survey, fill, compaction, and excavation of unstable material as necessary and rough grading to balance the site where the building was located. Other costs associated with demolition are soft costs, oversight and project management. Site preparation activities include geotechnical engineering, geotechnical survey, backfill and compaction, grading, relocation of existing utilities, special foundations to address subsurface debris and environmentally impacted unstable fill material, removal of pilings spoils, soil management and dewatering. Infrastructure improvements necessary to support the new development include a public plaza which requires road work on Bailey Street and the widening of the sidewalk, and a dumpster enclosure with a green roof to be located on an adjoining city property. Interest costs up to five percent will be reimbursed to the developer to offset the interest costs on the loans needed in order to complete the eligible activities.

Doug Cron and David Krause are the individuals behind Stonehouse Village VI, LLC. They have been developing and managing property in the region since 1974. In 2014, they successfully completed “The Residences” located at 211 Albert Street in East Lansing under the entity, A&G Partnership, LLC. This project received \$1,619,041 in Brownfield MBT Small Credit, \$1,952,331 in local brownfield TIF and \$1,144,804. This project is in compliance.

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

### **Recommendation**

MEDC staff recommends approval of the following:

- A) Local and school tax capture for the Act 381 eligible activities totaling \$1,443,165. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$493,418.

## APPENDIX A – Programmatic Requirements & Screening Guidelines

### **Property Eligibility**

The project is located within the boundaries of the City of East Lansing, which is a Qualified Local Governmental Unit, and has been deemed functionally obsolete as verified by a Michigan Master Assessing Officer (MMAO) assessor on April 15, 2015.

The property is the subject of a Brownfield Plan, duly approved by the city of East Lansing on September 15, 2015.

In addition, the project is requesting from the DEQ \$78,715 in TIF to assist with environmental eligible activities.

### **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 project will put a long-vacant, underutilized property back into productive use, provide high-demand retail and residential space downtown, and will create jobs. The community will be further positively impacted through an increase in property taxes, aesthetic improvements, and the economic benefit to surrounding properties and businesses. The subject property has underperformed as a taxable interest in the City for many years, and this will help restore its economic productivity. Completion of this project will bring additional investment and stabilization to the area. It will further promote a walkable community in East Lansing. Although a Leadership in Energy & Environmental Design (LEED) certification is not anticipated, this creative project will be integrating sustainable LEED components within the building's design (e.g., sustainable site, water efficiency, energy and atmosphere, materials and resources, homes and neighborhoods) per the City of East Lansing's policy. The project will integrate various transportation options focusing on walkability, biking, and the use of public transit (east bound and west bound bus stops on East Grand River are a two minute walk from subject property); this will reduce traffic congestion and encourage physical activity. The subject property is designed to provide safe and efficient access for all forms of travel and to minimize impacts on adjacent public facilities.

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

This project is expected to create approximately 20-25 new, permanent full-time equivalent (FTE) jobs through the commercial and retail portion of the project. Average wages are estimated to be between \$10 and \$15 per hour.

**c) Area of High Unemployment:**

The City of East Lansing unadjusted jobless rate was 4.5% in December 2015.

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

The project is requesting \$78,715 in TIF from the DEQ to be used for BEA and due care activities, Brownfield and Work Plan preparation, and interest.

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

The project will not reuse the existing functionally obsolete building.

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

The Brownfield TIF is needed to bring the costs of the project in-line to what a greenfield property would be. The project pro forma demonstrates the brownfield tax increment financing (TIF) contribution allows the project to carry private financing for 76% of project costs. Without the TIF, the project does not have enough debt coverage ratio to make the project viable. The developer is making a reasonable return and has demonstrated substantial commitment to the project by contributing over 23% cash equity into the project. Significant costs are present on the site related to Brownfield conditions. The eligible activities will alleviate Brownfield conditions across the site and make it suitable for redevelopment, and protect human health and the environment. Without Brownfield tax increment reimbursement, the cost burden related to Brownfield conditions would make the project financially unfeasible.

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

No new Brownfields will be created by this project.

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

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

**i) Other Factors Considered:**

No additional factors need to be considered for this project.

**Tax Capture Breakdown**

There are 70.1987 non-homestead mills available for capture, with school millage equaling 24 mills (34.19%) and local millage equaling 46.1987 mills (65.81%). Tax increment capture will begin in 2016 and is estimated to continue for 15 years. There is an Interlocal Agreement between the Downtown Development Authority (DDA) and the Brownfield Redevelopment Authority which allows the DDA to continue to collect 1.7319 operating mills during the capture period. In addition, of the overall tax capture, 90 percent will go to reimburse the developer and 10 percent will be distributed to the taxing jurisdictions. The requested tax capture for MSF eligible activities breaks down as follows:

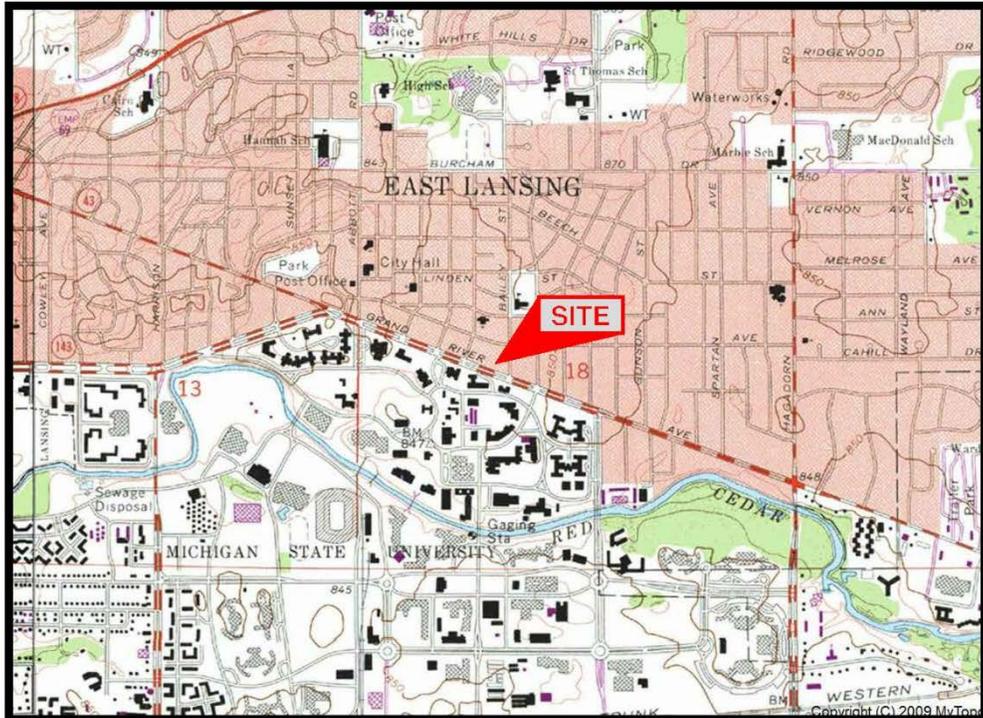
School tax capture	(34.19%)	\$	493,418
Local tax capture	(65.81%)	\$	<u>949,747</u>
<b>TOTAL</b>		<b>\$</b>	<b>1,443,165</b>

**Cost of MSF Eligible Activities**

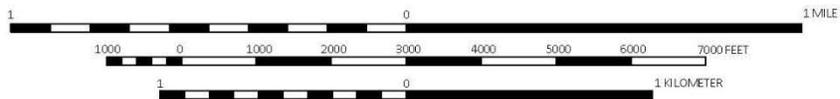
Demolition	\$	54,600
Lead or Asbestos Abatement		22,264
Infrastructure Improvements		275,000
Site Preparation	+	557,639
Sub-Total	\$	909,503
Contingency (15%)	+	136,425
Sub-Total	\$	1,045,928
Interest (5%)	+	377,237
Sub-Total	\$	1,423,165
Brownfield/Work Plan Preparation	+	20,000
<b>TOTAL</b>	<b>\$</b>	<b>1,443,165</b>

## APPENDIX B – Project Map, Photos and Renderings

EAST LANSING QUADRANGLE  
MICHIGAN - INGHAM COUNTY  
7.5 MINUTE SERIES (TOPOGRAPHIC)



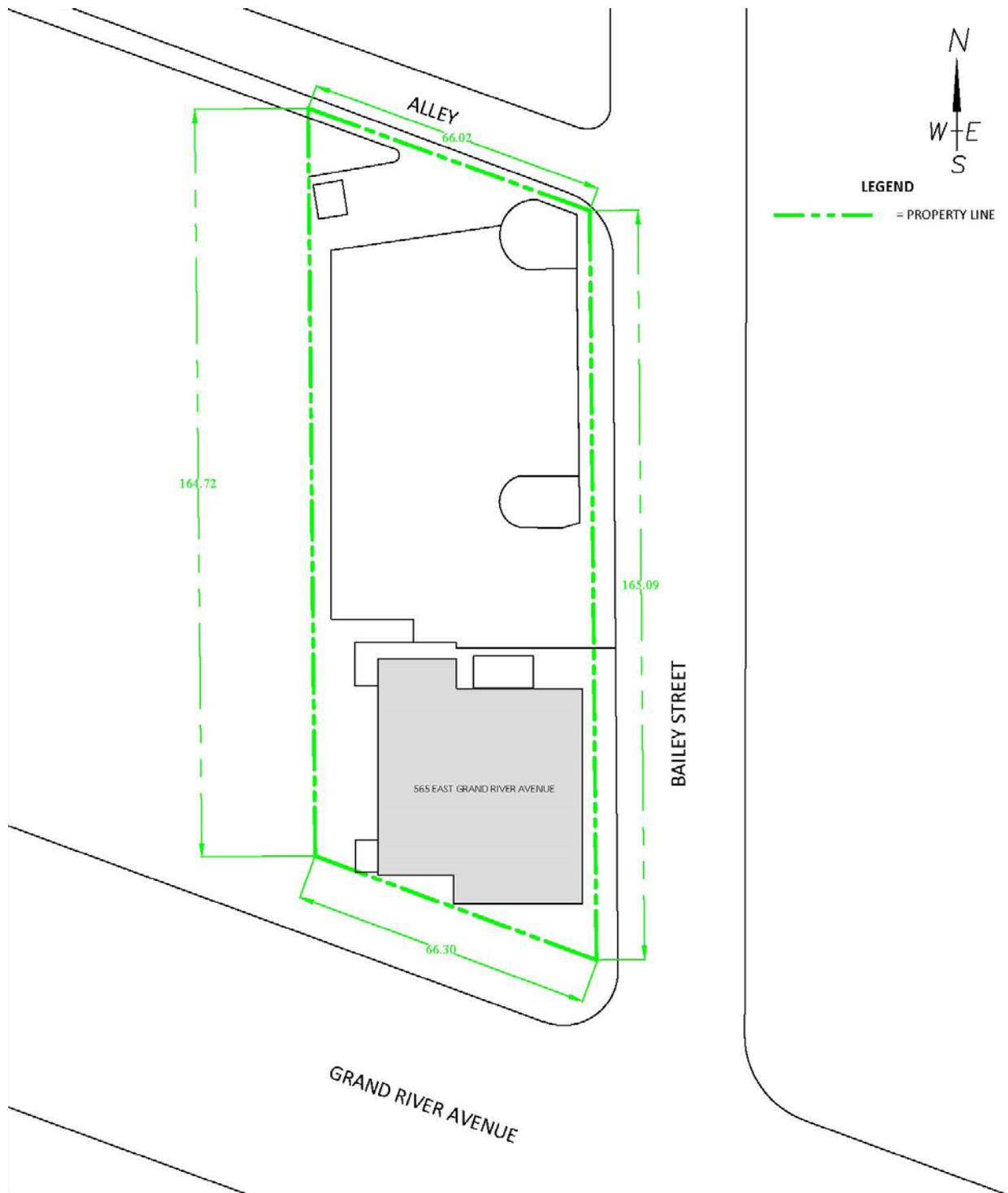
T.4 N.-R.1 W.



MICHIGAN  
QUADRANGLE LOCATION



IMAGE TAKEN FROM 1970 U.S.G.S. TOPOGRAPHIC MAP  
PHOTOREVISED 1976







**MICHIGAN STRATEGIC FUND**

**RESOLUTION 2016-**

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN  
CITY OF EAST LANSING BROWNFIELD REDEVELOPMENT AUTHORITY  
STONEHOUSE VILLAGE VI REDEVELOPMENT**

**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 East Lansing Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 565 East Grand River Avenue within the City of East Lansing, known as Stonehouse Village VI Redevelopment (the “Project”);

**WHEREAS**, the City of East Lansing 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 34.19% to 65.81% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, lead and asbestos abatement and infrastructure improvements as presented in the revised Work Plan dated January 21, 2016. 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 with the exception of 1.7319 operating mills which will be captured by the City of East Lansing Downtown Development Authority per an Interlocal Agreement. The

authorization for the capture of taxes levied for school operating purposes is based on a maximum of \$1,045,928 for the principal activity costs of non-environmental activities and a contingency, a maximum of \$377,237 in interest at a rate up to 5%, and a maximum of \$20,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$493,418.

**BE IT FURTHER RESOLVED**, that the MSF Board authorizes the MSF Fund Manager, to provide written notification to the Authority, in the form of a letter which incorporates the terms set forth in this Resolution and consistent with the limitations of the Act, and that this approval is further conditioned upon the Authority, or the City, as appropriate, maintaining adequate records regarding: a) all taxes captured for the project; and b) receipts or other appropriate documentation of the cost of eligible activities. The records shall be made available for review upon request by MSF or MEDC staff. 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 \$377,237 related to the eligible activities for the Project.

Ayes:

Nays:

Recused:

Lansing, Michigan  
February 23, 2016

**MEMORANDUM**

**Date:** February 23, 2016  
**To:** MSF Board Members  
**From:** Kelly Wolgamott, Director Travel Advertising, Travel Michigan  
**Subject:** Website Redesign Award

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**REQUEST**

This request is for the MSF Board to approve a contract with Miles Media Group for the development and creation of a custom web platform for Michigan.org. The request is to enter into a one-year contract of \$389,690 with four, one-year options.

**BACKGROUND**

While Michigan.org is the most visited State travel website in the U.S., research illustrates there are navigation, content and technology challenges with the current website.

On November 24, 2015, the MSF Board approved a Michigan.org website redesign RFP and authorized the MSF Fund Manager to appoint a Joint Evaluation Committee (JEC) to review the proposals.

The Joint Evaluation Committee was comprised of seven members. Representation included: Travel Michigan; Michigan Economic Development Corporation (MEDC) Marketing/Communications and IT departments; Department of Technology Management and Budget (DTMB); Convention and Visitor Bureau; and Travel Commission.

The JEC members' individually reviewed the proposals, and met as a committee to discuss and review each proposal. The JEC evaluated each proposal on a number of factors including: conceptual design and solutions; qualifications and prior experience; technical work plan; project management approach; and project staffing.

The JEC conducted a thorough selection process to determine which company provides the best value amongst the RFP submittals in these seven categories:

1. Conceptual Design and Solution Narrative
2. Response to Requirements

Down select #1

3. Qualifications and Prior Experience
4. Technical Work Plan and Project Management Approach
5. Project Deliverable Responses
6. Project Staffing

Down select #2

7. Price / Total Cost of Ownership (3 Year outlook)

Final Discussion and Vote for Best Overall Value

The team ranked the bidders as unfavorable, favorable, exceeds, or far exceeds. At each down select, the team selected those companies that move on to the next section. The seven member Committee determined that Miles Media Group is the most qualified company based on the RFP parameters.

### **Scope of Work**

Project objectives included:

1. Develop a dynamic design tying directly with the Pure Michigan brand; visually appealing, simple navigation and developed with an intuitive organizational structure (Information Architecture).
2. Site needs to be functional on all commonly used mobile and desktop platforms
3. The site should assist out-of-state travelers whom have little knowledge of Michigan to locate information and opportunities based on activity and provide results in either list, geo-spatial, or storytelling format.
4. Content for all four seasons must be available at all times through the search function with the user being able to switch the content between all four seasons.
5. Provide related results during a search, including lodging, events, etc.
  - a. Example: Search for ‘Snowmobiling’ displays results for those items directly related to snowmobiling in addition to related content, integrated and highlighted, with the search results.
6. The site should provide custom, interactive mapping (state/regional view) to illustrate key points of interest by activity
7. Provide the ability to add content from third party sites / traveler / Pure Michigan information on a specific activity or attraction, etc.
  - a. Pull in social content / Trip Advisor (or other platforms) regarding an activity like biking, hunting, etc.
8. Provide integration of user-generated content from Travel Michigan’s social media channels and blog to increasing social media engagement and web traffic on [Michigan.org](http://Michigan.org)
9. Provide the ability for content feeds from travel partners, automatically updating their content, properties, events, etc., on [Michigan.org](http://Michigan.org)
10. Include a trip-planning tool that allows for planning/archiving multiple trips, sharing and collaboration between users of the site
11. Provide for ability to create Microsites within the site for beaches, beer trails and other areas of interest (to be determined).

## **Technical Requirements**

The team also requested a complete end-to-end solution to support the site; technical requirements for the solution are below:

1. Complete hosting solution
2. Database management and maintenance
3. Operating system management and maintenance
  - a. The goal of operating system management and maintenance is to keep active servers current with vendor updates and patch releases.
4. Server hardware management and maintenance
5. Firewall, load balancer and intrusion prevention services
  - a. The end-to-end solution including intrusion prevention systems to identify malicious activity, log information about this activity, attempt to block/stop it, and report it.
6. Systems backup and recovery
7. Network connectivity
8. Physical infrastructure
  - a. Minimum - Development, Testing, Beta, Production environments
9. CMS Interface with Role Based Permissions
10. Responsive Website Design
  - a. The website uses the same URL on all mobile phones, tablets and desktop systems. The website serves the same content to any device changing the view and order depending on the size of the device
11. Support WordPress integration for the business blog

## **Budget**

The RFP requested budget proposals based on website redesign in year one, and ongoing maintenance and hosting costs. Ongoing site enhancements based on campaign and research insights are to be determined. All future costs will be at the request of the MSF Board.

Year One – Website Build	\$389,690
• Estimated Year Two – Maintenance/Hosting	\$141,240
• Site enhancements	TBD
• Estimated Year Three - Maintenance/Hosting	\$141,240
• Site enhancements	TBD
• Estimated Year Four - Maintenance/Hosting	\$141,240
• Site enhancements	TBD
• Estimated Year Five - Maintenance/Hosting	\$141,240
• Site enhancements	TBD

**2016 Website Build Timeline**

Following is the basic time frame required for each phrase of the project. An estimated 28 weeks will be needed for a complete site build from contract date, from strategic planning through the site going live. Once the planning and discovery phase is completed, a detailed production schedule outlining key deliverables will be provided.

<b>PHASE</b>	<b>TIMING</b>
<b>Discovery Phase</b> <ul style="list-style-type: none"><li>• Structure look and feel</li><li>• Content audit and plan data documentation</li><li>• Establish goals and metrics</li><li>• Benchmarking and setting on of online objectives and Michigan traveler custom research report</li><li>• Vision meeting</li></ul>	4 weeks
<b>Build Phase</b> <ul style="list-style-type: none"><li>• Content Types (Content/Analytics/Finalize Core Online objectives for site build)</li></ul>	20 weeks
<b>Go Live Phase</b> <ul style="list-style-type: none"><li>• Beta clean up/establish and test</li></ul>	4 weeks

**Miles Media Group**

Miles Media has worked in the travel industry since 1954, employs 201 employees and is 100% travel marketing. They have extensive experience in the travel arena working with more than 90 travel destinations and hospitality businesses. A sample of clients includes Colorado, Visit California, New Zealand and Brand USA. The company has offices in Florida and Colorado. As part of the Michigan.org proposal, Miles’ subcontractor for the project is TwoSix Digital out of Brighton, Michigan who has over 25 years of experience in the travel sector.

**RECOMMENDATION**

The MEDC recommends that the MSF Board award Miles Media Group the project and enter into a one-year contract of \$389,690 with four, one-year options. Year one will include development, build and hosting of Michigan.org. Future years to include ongoing maintenance, hosting and site enhancements. Ongoing site enhancements based on campaign and research insights are to be determined. All future costs will be at the request of the MSF Board.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION**

**2016-**

**SELECTION OF VENDOR FOR MICHIGAN.ORG WEBSITE REDESIGN AND HOSTING**

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

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the Michigan Strategic Fund (“MSF”) for the 21<sup>st</sup> Century Jobs Fund initiative;

**WHEREAS**, under Section 88b(6) of the Act, the MSF may select all vendors for expenditures by issuing a request for proposals;

**WHEREAS**, at its November 24, 2015 meeting, the MSF Board authorized a Request for Proposals to invite proposals from vendors to redesign, develop and host the Michigan.org website (the “Website Redesign RFP”);

**WHEREAS**, Joint Evaluation Committee (“JEC”) appointed by the MSF Fund Manager evaluated all proposals and determined that the proposal from Miles Media Group was the most qualified applicant based on the requirements of the Website Redesign RFP;

**WHEREAS**, the MEDC recommends that the MSF Board adopt the recommendation of the JEC and select Miles Media Group as the vendor for the redesign, development and hosting of the Michigan.org website; and

**WHEREAS**, the MSF Board desires to select Miles Media Group as the vendor for the redesign, development and hosting of the Michigan.org website.

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF Board approves the selection of Miles Media Group as the vendor for the redesign, development and hosting of the Michigan.org website for up to \$389,690 for an initial term of one year, with the option to renew the term of the agreement and allocate more funding for four additional one year terms, at the sole discretion of the MSF Board; and

**BE IT FURTHER RESOLVED**, the MSF Board authorizes the MSF Fund Manager to negotiate the final terms and conditions and to execute an agreement with Miles Media Group so long as the final terms and conditions are not materially adverse to the interests of the MSF.

Ayes:

Nays:

Recused:

Lansing, Michigan  
February 23, 2016





**MSF DELEGATED AUTHORITY QUARTERLY UPDATE  
MSF CONFIDENTIALITY MEMOS  
BOARD MEETING – FEBRUARY 23, 2016**

**FOR QUARTER ENDED DECEMBER 31, 2015**

**BACKGROUND**

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

Via MCL 125.2005(9), as amended by Public Act 251 of 2011, information of a financial or proprietary nature considered by the applicant as confidential and acknowledged as confidential by the Michigan Strategic Fund Board or its designee is exempted from disclosure by the Michigan Freedom of Information Act (FOIA), Public Act 442 of 1976, as amended. Pursuant to Section 125.2005-1(3) of the Michigan Strategic Fund Compiled Resolutions, the MSF Fund Manager or the MSF President is authorized to acknowledge financial or proprietary information as confidential and not subject to disclosure under FOIA.

**APPROVALS BY AUTHORIZED DELEGATE**

During the period between October 1, 2015 and December 31, 2015, the following confidentiality memos were approved by the MSF Fund Manager:

<b>Company Name and Location</b>	<b>Overview of Confidential Information</b>
<b>Envirolite Properties, LLC</b> 1700 W. Big Beaver Rd., Suite 150 Troy, MI 48084	Any portion of any documents or record of any kind containing any of the following business or personal information pertaining to any of the Interested Parties to the Proposed Transaction: Financial statements (including without limitation, income statements, balance sheets, statements of cash flow and profit and loss statements), ratio analysis, appraisals and other appraisal reporting, collateral analysis, accounts receivable aging reports, customer names and lists, tax returns, credit reports, social security or other tax identification numbers, and any analysis, report or record of any kind by or on behalf of any of the Interested Parties to the Proposed Transaction containing any of the foregoing Information.
<b>Technical Training, Inc.</b> 3903 W. Hamlin Rd Rochester Hills, MI 48309	Any portion of any documents or record of any kind containing any of the following business or personal information pertaining to any of the Interested Parties to the Proposed Transaction: Financial statements (including without limitation, income statements, balance sheets, statements of cash flow and profit and

	loss statements), ratio analysis, appraisals and other appraisal reporting, collateral analysis, accounts receivable aging reports, customer names and lists, tax returns, credit reports, social security or other tax identification numbers, and any analysis, report or record of any kind by or on behalf of any of the Interested Parties to the Proposed Transaction containing any of the foregoing Information.
<b>Stonehouse Village VI, LLC</b> 117 Center St. Lansing, MI 48823	565 Grand River Preliminary Estimate (GC Summary of Construction Costs); Letter from Mercantile Bank describing terms; Stonehouse Village VI Development and Operating Proforma including: Revenue(revenue input); stabilized operating statement (proforma); Development Budget (sources and uses); project cash flow; amortization schedules; monthly amortization tables; developer investment returns
<b>Printlink Short Run Business Forms, Inc.</b> 309 Fritz Keiper Blvd Battle Creek, MI 49037	Any portion of any documents or record of any kind containing any of the following business or personal information pertaining to any of the Interested Parties to the Proposed Transaction: Financial statements (including without limitation, income statements, balance sheets, statements of cash flow and profit and loss statements), ratio analysis, appraisals and other appraisal reporting, collateral analysis, accounts receivable aging reports, customer names and lists, tax returns, credit reports, social security or other tax identification numbers, and any analysis, report or record of any kind by or on behalf of any of the Interested Parties to the Proposed Transaction containing any of the foregoing Information.
<b>FCA US LLC</b> 1000 Chrysler Drive Auburn Hills, MI 48326	Amended MEGA Summary of Terms; E-mail Correspondence with FCA US LLC related to the Amended MEGA Summary of Terms and Communications Plan around MEGA Amendment from June 1, 2015-November 24, 2015
<b>General Motors LLC</b> 300 Renaissance Center Detroit, MI 48265	Estimated total value of MEGA tax credit and tax credit cap amount; Amended MEGA Summary of Terms; E-mail Correspondence with General Motors LLC related to the Amended MEGA Summary of Terms and Communications Plan around MEGA Amendment from April 1, 2015-December 2015.

<p><b>Tranor Industries, LLC/Tran-Realty, LLC; TranpEquip, LLC</b> 19365 &amp; 19300 Sherman Ave. Detroit, MI 48234</p>	<p>Any portion of any documents or record of any kind containing any of the following business or personal information pertaining to any of the Interested Parties to the Proposed Transaction: Financial statements (including without limitation, income statements, balance sheets, statements of cash flow and profit and loss statements), ratio analysis, appraisals and other appraisal reporting, collateral analysis, accounts receivable aging reports, customer names and lists, tax returns, credit reports, social security or other tax identification numbers, and any analysis, report or record of any kind by or on behalf of any of the Interested Parties to the Proposed Transaction containing any of the foregoing Information.</p>
<p><b>Alan &amp; Elaine, LLC</b> 420 E. Prosper St. Falmouth, MI 49632</p>	<p>Any portion of any documents or record of any kind containing any of the following business or personal information pertaining to any of the Interested Parties to the Proposed Transaction: Financial statements (including without limitation, income statements, balance sheets, statements of cash flow and profit and loss statements), ratio analysis, appraisals and other appraisal reporting, collateral analysis, accounts receivable aging reports, customer names and lists, tax returns, credit reports, social security or other tax identification numbers, and any analysis, report or record of any kind by or on behalf of any of the Interested Parties to the Proposed Transaction containing any of the foregoing Information.</p>
<p><b>Valiant International Inc.</b> 1511 E. 14 Mile Rd. Troy, MI 48083</p>	<p>Redacted portions of the MBDP application including annual wages, annual private investment, and portions of the application that specify financially sensitive details of property ownership interests and company sales; Valiant corporation Consolidated Financial statements February 28, 2014, February 2012, February 28, 2011, and March 1, 2010; The Valiant Group Global Operations Org Chart, February 28, 2015; Corporate Overview document, which was an attachment in the project intake and the application; bylaws of Valiant International, Inc.</p>



**MSF DELEGATED AUTHORITY QUARTERLY UPDATE  
FOR 21CJF LOAN PORTFOLIO  
Board Meeting January 26, 2016**

**FOR QUARTER ENDED DECEMBER 31, 2015**

**BACKGROUND**

Pursuant to Section 125.2088k-3 of the Michigan Strategic Fund Compiled Resolutions, the Michigan Strategic Fund (MSF) Board approved a delegation of authority for decisions with regard to awards under the (i) Company Formation and Growth Fund (“CFGF”), (ii) 21<sup>st</sup> Century Jobs Fund 2006 and 2008 business plan competition rounds, as well as its predecessor programs, Michigan Technology Tri-Corridor (“MTTC”) Fund program and Michigan Life Sciences Corridor Fund program, and (iii) those loans awarded under the Choose Michigan program, including the authority to approve loan restructure requests (the “Delegation of Authority”). Under the Delegation of Authority, actions related to awards with an original amount of \$1,000,000 or less may be approved by the MSF Chairperson, the MSF Fund Manager and the MSF State Treasurer Director, with only one required to act. Actions related to awards with an original amount of \$1,000,001 to \$3,000,000 are reviewed by the MSF Advisory Subcommittee before presentation to the delegates for final approval. Actions related to awards with an original amount of \$3,000,001 are presented to the full MSF Board.

**APPROVALS BY AUTHORIZED DELEGATE**

Between October 1, 2015 and December 31, 2015 the following actions were approved pursuant to the Delegation of Authority:

<b>Organization</b>	<b>Action(s)</b>	<b>Award Amount (full award amount)</b>	<b>Disbursed Amount (actual amount disbursed)</b>	<b>Date</b>
XB TransMed, LLC	Restructure	\$508,263	\$385,000	November 10, 2015
Evigia Systems, Inc.	Modification to Restructure	\$1,736,300	\$1,736,300	November 17, 2015
NanoBio Corporation	Modification to Restructure	\$2,377,526	\$2,377,526	November 17, 2015

**MSF DELEGATED AUTHORITY QUARTERLY UPDATE  
MSDF AND SSBCI PROGRAMS  
CAPITAL ACCESS TEAM  
October 1 – December 31, 2015**

**APPROVALS BY AUTHORIZED DELEGATES**

Between October 1 and December 31, 2015 the following actions were approved by the MSF Chairperson and MSF Fund Manager, subject to due diligence, and available funding:

SSBCI - MBGF:						
Organization	Request Type	MSF Support	Loan Amount	Action	Date Approved	Closed
Alan & Elaine, LLC	MBGF-CSP	\$ 411,514	\$ 825,000	Approved by Chair and Fund Manager	October 20, 2015	Y
Grand Haven Custom Molding, LLC	MBGF-CSP	\$ 818,750	\$ 5,000,000	Approved by Chair and Fund Manager	December 23, 2015	N
<b>Total</b>		<b>\$ 1,230,264</b>	<b>\$ 5,825,000</b>			
MSDF:						
Organization	Request Type	MSF Support	Loan Amount	Action	Date Approved	Closed
Holloway Heights Investments, LLC	MSDF-CSP	\$ 58,000	\$ 550,000	Approved by Chair and Fund Manager	October 9, 2015	Y
Tranor Industries, LLC	MSDF-CSP	\$ 1,558,550	\$ 4,500,000	Approved by Chair and Fund Manager	October 30, 2015	N
Printlink Short Run Business Forms, Inc.	MSDF-CSP	\$ 160,540	\$ 365,000	Approved by Chair and Fund Manager	December 8, 2015	N
Technical Training, Inc.	MSDF-CSP	\$ 825,000	\$ 5,500,000	Approved by Chair and Fund Manager	December 16, 2015	N
Envirolite Properties, LLC	MSDF-CSP	\$ 149,700	\$ 300,000	Approved by Chair and Fund Manager	December 17, 2015	N
Envirolite, LLC	MSDF-CSP	\$ 124,750	\$ 250,000	Approved by Chair and Fund Manager	December 17, 2015	
Envirolite, LLC	MSDF-CSP	\$ 199,600	\$ 400,000	Approved by Chair and Fund Manager	December 17, 2015	N
<b>Total</b>		<b>\$ 3,076,140</b>	<b>\$ 11,865,000</b>			



## MEMORANDUM

**DATE:** February 23, 2016  
**TO:** Michigan Strategic Fund (“MSF”) Board Members  
**FROM:** Lisa Pung, Manager, Brownfield, MCRP and SmartZone Programs  
**SUBJECT:** Quarterly Report of Delegated Approvals on Act 381 Work Plans

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On December 31, 2012, The Brownfield Redevelopment Financing Act (Act 381) was amended to allow the chairperson of the Michigan Strategic Fund delegated approval of work plans that consist of tax capture of less than \$500,000. Listed below is a synopsis of the delegated work plans that were approved during the first quarter of the 2016 fiscal year.

Detailed information is now sent to all Board Members as they are approved. As such, the detailed informational sheet on each approval is not included in this memo. If you would like additional information on a project, please let us know.

Project Name	Approval Date	Location	Approved TIF Amount	Jobs	Investment
555 E. Eliza Street	10/1/2015	Schoolcraft	\$295,000	5	\$900,000
607 Shelby Street	11/20/2015	Detroit	\$411,165	122	\$3,042,860
<b>Total</b>			<b>\$706,165</b>	<b>127</b>	<b>\$3,942,860</b>

**MEMORANDUM**

**Date:** February 23, 2016  
**To:** Michigan Strategic Fund Board  
**From:** Christine Whitz, Manager, Community Development Block Grant Program  
**Subject:** *Community Development Block Grant Program  
 Quarterly Report of Delegated Approvals (October – December, 2015)*

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

<b>Grantee</b>	<b>Approval Date</b>	<b>CDBG Funds</b>	<b>Brief Summary of Project</b>
Benzie County	10/01/15	\$463,370	Benzie County requested \$463,370 in CDBG funds to assist with job training needs for the Crystal Mountain Resort Expansion project located in Benzie County. The County expects that this project could result in private investment of \$9,761,865 and the creation of 48 jobs.
City of Hillsdale	10/01/15	\$785,500	The City of Hillsdale requested \$785,500 in CDBG funds for blight elimination and rehabilitation needed for the 42 Union Street Redevelopment located in the City of Hillsdale. The City expects that this project could result in total capital investment of \$1,541,266 and the anticipated creation of three (3) jobs
County of Wexford	10/06/15	\$9,203.75	The County of Wexford requested \$9,203.75 in total CDBG funds to amend the existing grant agreement for the Harrietta Hills Trout Farm, LLC (Harrietta) Expansion project located in Wexford County.
City of Morenci	10/06/15	\$250,000	The City of Morenci requested \$250,000 in CDBG funds for job training needed for KAMCO Industries, Inc. located in Lenawee County. The City expects that this project could result in private investment of \$22,700,660 and the creation of 60 jobs.
County of Keweenaw	10/06/15	\$20,000	The County of Keweenaw requested \$20,000 in CDBG funds for a planning study needed for the Keweenaw County Mountain Lodge Study Project located in Keweenaw County. The County will be contributing \$5,000 towards the project, and has received a \$25,000 federal Economic Development Administration (EDA) grant. The total project cost is \$50,000.

City of Davison	10/30/15	\$164,556	The City of Davison requested \$153,556 in CDBG funds for façade improvements through blight elimination needed for the Downtown Façade project located in Genesee County. An additional \$11,000 may be paid for grant administration provided by a CDBG Certified Grant Administrator. The City expects that this project could result in private investment of \$27,623.
City of Leslie	10/30/15	\$216,570	The City of Leslie requested \$216,570 in CDBG funds for façade improvements needed for the Leslie Façade Project located in Ingham County. The City expects that this project could result in private investment of \$46,500.
City of Clare	11/20/15	\$333,852	The City of Clare requested \$317,955 in CDBG funds for façade improvements needed for the Clare Downtown Facades located in Clare County. An additional \$15,897 may be paid for grant administration provided by a CDBG Certified Grant Administrator. The City expects that this project could result in private investment of \$120,124 and the creation of 20 jobs.
City of Ludington	12/22/15	\$96,000	The City of Ludington requested \$96,000 in CDBG funds for façade improvements needed for two buildings located in downtown Ludington, Mason County. This will be a performance-based project. The City expects that this project could result in private investment of \$102,554 and the creation of eight (8) jobs.
County of Houghton	12/22/15	\$30,000	The County of Houghton requested \$30,000 in CDBG funds for a planning study needed for the Houghton County Airpark Sewer Study project. The County will be contributing \$30,000 towards the project, for a total project cost of \$60,000.
<b>Total CDBG Funds for Quarter</b>		<b>\$2,369,051.75</b>	



## MEMORANDUM

**DATE:** February 23, 2016

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

**FROM:** Josh Hundt, Director, Business Incentives  
Lisa Pung, Manager, Brownfield, MCRP and SmartZone Programs

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

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On December 21, 2011, the MSF Board approved the Michigan Business Development Program (“MBDP”) and the Michigan Community Revitalization Program (“MCRP”). Both programs allow for delegated approval of projects that have incentives of \$1 million or less. Listed below is a synopsis of the delegated deals that were approved during the first quarter of the 2016 fiscal year.

Detailed information is now sent to all Board Members as they are approved. As such, the detailed informational sheet on each approval is not included in this memo. If you would like additional information on a project, please let us know.

### MBDP APPROVALS

Project Name	Approval Date	Location	Incentive Approved	Jobs	Investment
Pro Services	10/12/2015	City of Portage	\$875,000	175	\$3,900,000
Byrne Electrical Specialists	10/13/2015	Village of Lakeview	\$160,000	38	\$250,000
Faurecia Automotive Seating	10/15/2015		\$350,000	90	\$8,006,800
Global Tooling Systems	10/21/2015	Macomb Township	\$475,000	70	\$3,610,000
Notions Marketing Corporation	10/23/2015	City of Grand Rapids	\$800,000	250	\$33,000,000
Total Quality Logistics	11/3/2015	Cascade Charter Township	\$300,000	75	\$839,000
MMI Engineered Solutions	11/18/2015	City of Saline	\$150,000	47	\$5,595,000
Hanson Systems dba Eagle Technologies Group	11/20/2015	Saint Joseph Charter Township	\$500,000	100	\$5,970,000
Performance Fabricating	11/30/2015	Fenton Charter Township	\$150,000	52	\$9,052,942

**MCRP APPROVALS**

<b>Project Name</b>	<b>Approval Date</b>	<b>Location</b>	<b>Incentive Approved</b>	<b>Jobs</b>	<b>Investment</b>
GL Rentals, LLC	10/30/2015	City of Zeeland	\$325,000	2	\$1,219,462
1030 Plym Park LLC	12/22/2015	City of Niles	\$210,501	4	\$924,073