



# MICHIGAN STRATEGIC FUND

## BOARD MEETING AGENDA

May 25, 2021

10:00 a.m.

<b>I.</b>	<b>CALL TO ORDER &amp; ROLL CALL</b>	
<b>II.</b>	<b>PUBLIC COMMENT – PLEASE LIMIT PUBLIC COMMENT TO THREE (3) MINUTES</b>	
<b>III.</b>	<b>COMMUNICATIONS</b>	
<b>IV.</b>	<b>CONSENT AGENDA</b>	
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	b. Dakkota Integrated Systems: RenZone Amendment.....	6
	c. iSource Worldwide, LLC and SkyPoint Ventures, LLC: MBDP Loan Amendment .....	10
	d. Ratification of Federal Funding Applications and Approval of MSF Authorized Representative Designation .....	15
<b>V.</b>	<b>ADMINISTRATIVE</b>	
	a. State Historic Tax Credit Rules: A resolution to approve the State Historic Tax Credit Program Rules and delegate authority to the MSF Fund Manager .....	22
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	a. Bagley Development Group, LLC/United Artist Building: A resolution to approve an amendment to increase the existing MCRP Other Economic Assistance – Loan Participation Award in the amount of \$2,000,000 and to transfer \$2,000,000 in funds from the Investment Fund to the Michigan Community Revitalization Program for the purpose of this project. ....	33
		<i>Capital Investment: \$85,770,009; Location: City of Detroit</i>
	b. 7303 West McNichols LLC/McNichols Redevelopment: A resolution to approve an MCRP performance-based Direct Loan in the amount of \$1,250,000 and a Brownfield Act 381 Work Plan including state tax capture in the amount of \$228,537. ....	40
		<i>Capital Investment: \$10,441,789; Location: City of Detroit</i>
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		<i>Location: City of Kalamazoo</i>
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**MICHIGAN STRATEGIC FUND  
APPROVED MEETING MINUTES  
April 27, 2021**

**Members joined remotely**

Britany L. Affolter-Caine, participating from Ypsilanti Township, MI  
Ronald W. Beebe, participating from Bay City, MI  
Susan Corbin, participating from Petoskey, MI  
Rachael Eubanks, participating from East Lansing, MI  
Paul Gentilozzi, participating from Lansing, MI  
September Hargrove, participating from Detroit, MI  
Michael B. Kapp (on behalf of Director Ajegba), participating from Wheatfield Township, MI  
D. Jeffrey Noel, participating from Benton Charter Township, MI  
Charles P. Rothstein, participating from Farmington Hills, MI  
Susan Tellier, participating from Grand Rapids, MI  
Cindy Warner, participating from Rancho Mirage, CA

**I. CALL TO ORDER & ROLL CALL**

Mr. Noel called the meeting to order at 10:00 a.m. The meeting was held virtually via Microsoft Teams. He thanked MSF Board members for their continued service and outlined the items on the agenda with particular emphasis on the Flint Advocacy Fund item.

Mr. Noel introduced Katelyn Wilcox Surmann, MSF Board Liaison, who reminded members to identify their physical location by stating the county, city, township, or village and state from which he or she is attending the meeting remotely, as required under the Open Meetings Act. Ms. Wilcox Surmann then conducted the attendance roll call.

**II. PUBLIC COMMENTS**

Ms. Wilcox Surmann explained the process for members of the public to participate. Sean Carlson, Deputy County Executive, Oakland County, expressed thanks to MEDC staff and MSF Board members for their leadership over the past year and, in particular, the support provided to businesses and communities through COVID-19 relief funds. Oakland County received approximately \$18 million in relief funds authorized by the MSF. As the state moves forward with recovery efforts, with the potential of establishing new programs, he suggested the MEDC look at what went well with past relief programs and what improvements can be made. He suggested the application process for any proposed new programs be handled locally, noting that recovery and strategic investments will be different for every county and region.

**III. COMMUNICATIONS**

Ms. Wilcox Surmann advised Board members that the Quarterly Report of the Chief Compliance Officer was provided to them in the briefing packet.

**IV. CONSENT AGENDA**

**Resolution 2021-058 Approval of Consent Agenda Items**

Mr. Noel asked if there were any questions from the Board regarding items under the Consent Agenda. There being none, Ronald W. Beebe motioned for the approval of the following:

- a. Proposed Meeting Minutes: March 23, 2021
- b. ANC Holdings, LLC and Allen Neighborhood Center Support Corp.: MCRP Grant Amendment – **2021-059**
- c. Plastic Trim International, Inc.: MBDP Grant Amendment – **2021-060**
- d. Industry 4.0 Request for Proposals: Regional Grant Awards – **2021-061**

Michael B. Kapp seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused.**

**ROLL CALL VOTE:** Ayes: Britany L. Affolter-Caine, Ronald W. Beebe, Susan Corbin, Rachael Eubanks, September Hargrove, Michael B. Kapp (on behalf of Director Ajegba, designation attached), D. Jeffrey Noel, Charles P. Rothstein, Susan Tellier, Cindy Warner; Nays: None; Recused: None

*Paul Gentilozzi joined the meeting at 10:10 a.m.*

## V. CAPITAL ACCESS

### a. **Resolution 2021-062 Flint Water Advocacy Fund: Bond Authorization**

*Amanda Bright McClanahan, Chief Operating Officer, and Chris Cook, Director of Capital Access, provided the Board with information regarding this action item. The action involves adoption of a resolution to authorize issuance of private activity taxable bond financing not to exceed \$700,000,000 to facilitate and fulfill the obligations of the “Special Purpose Entity” pursuant to the terms of the Amended Master Settlement Agreement. The purpose includes monetizing a 30-year stream of settlement payments from the State of Michigan to allow Flint water plaintiffs to receive a lump-sum settlement payment. Following discussion, Rachael Eubanks motioned for the approval of Resolution 2021-062. Charles P. Rothstein seconded the motion. **The motion carried: 10 ayes; 1 nay; 0 recused.***

**ROLL CALL VOTE:** Ayes: Britany L. Affolter-Caine, Susan Corbin, Rachael Eubanks, Paul Gentilozzi, September Hargrove, Michael B. Kapp (on behalf of Director Ajegba, designation attached), D. Jeffrey Noel, Charles P. Rothstein, Susan Tellier, Cindy Warner; Nays: Ronald W. Beebe; Recused: None

### b. **Resolution 2021-063 Lifecare, Inc. d/b/a Friendship Village: Bond Authorization**

*Chris Cook, Director of Capital Access, provided the Board with information regarding this action item. The action involves adoption of a resolution to authorize issuance of limited obligation revenue refunding bonds not to exceed \$11,500,000 for Friendship Village of Kalamazoo. Following discussion, Rachael Eubanks motioned for the approval of Resolution 2021-063. Susan Tellier seconded the motion. **The motion carried: 11 ayes; 0 nays; 0 recused.***

**ROLL CALL VOTE:** Ayes: Britany L. Affolter-Caine, Ronald W. Beebe, Susan Corbin, Rachael Eubanks, Paul Gentilozzi, September Hargrove, Michael B. Kapp (on behalf of Director Ajegba, designation attached), D. Jeffrey Noel, Charles P. Rothstein, Susan Tellier, Cindy Warner; Nays: None; Recused: None

## VI. ADMINISTRATIVE

### a. **Resolutions 2021-064 & 2021-065 Michigan Build Ready Sites Program: Guidelines Approval, Funding Authorization and Delegation of Authority**

*Nicole Whitehead, Director of Sales & Service Operations, provided the Board with information regarding this action item. The action involves approval of program guidelines,*

*allocation of \$800,000 to establish the Michigan Build Ready Sites Program to assist communities in their efforts to attract and retain businesses by increasing the inventory of project ready industrial sites, and approval of delegation of authority for the MSF President or the MSF Fund Manager to make all decisions that are necessary and appropriate to administer the program.* Following discussion, Paul Gentilozzi motioned for the approval of Resolution 2021-064. Ronald W. Beebe seconded the motion. **The motion carried: 11 ayes; 0 nays; 0 recused.**

**ROLL CALL VOTE:** Ayes: Britany L. Affolter-Caine, Ronald W. Beebe, Susan Corbin, Rachael Eubanks, Paul Gentilozzi, September Hargrove, Michael B. Kapp (on behalf of Director Ajegba, designation attached), D. Jeffrey Noel, Charles P. Rothstein, Susan Tellier, Cindy Warner; Nays: None; Recused: None

Paul Gentilozzi then motioned for the approval of Resolution 2021-065. Michael B. Kapp seconded the motion. **The motion carried: 11 ayes; 0 nays; 0 recused.**

**ROLL CALL VOTE:** Ayes: Britany L. Affolter-Caine, Ronald W. Beebe, Susan Corbin, Rachael Eubanks, Paul Gentilozzi, September Hargrove, Michael B. Kapp (on behalf of Director Ajegba, designation attached), D. Jeffrey Noel, Charles P. Rothstein, Susan Tellier, Cindy Warner; Nays: None; Recused: None

## **VII. BUSINESS INVESTMENT**

### **a. Resolution 2021-066 Mayville Engineering Company, Inc.: Michigan Business Development Program Grant**

*Matt Chasnis, Business Development Project Manager, provided the Board with information regarding this action item. The action involves approval of a \$2,500,000 Michigan Business Development Program performance-based grant to support a business expansion project. The project is expected to result in the creation of 365 jobs and \$51,500,000 in total capital investment in the City of Romulus, Wayne County, and 22 jobs in Byron Township, Kent County.* Following discussion, Britany L. Affolter-Caine motioned for the approval of Resolution 2021-066. Cindy Warner seconded the motion. **The motion carried: 11 ayes; 0 nays; 0 recused.**

**ROLL CALL VOTE:** Ayes: Britany L. Affolter-Caine, Ronald W. Beebe, Susan Corbin, Rachael Eubanks, Paul Gentilozzi, September Hargrove, Michael B. Kapp (on behalf of Director Ajegba, designation attached), D. Jeffrey Noel, Charles P. Rothstein, Susan Tellier, Cindy Warner; Nays: None; Recused: None

## **VIII. INFORMATIONAL**

Mr. Noel noted the FY 2021 second quarter report for MSF delegated authority activity was included in the meeting packet. He asked if there were any questions from Board members regarding the information; there were none.

Mr. Noel adjourned the meeting at 11:19 a.m.



STATE OF MICHIGAN  
DEPARTMENT OF TRANSPORTATION  
LANSING

GRETCHEN WHITMER  
GOVERNOR

PAUL AJEGBA  
DIRECTOR

February 3, 2020

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

Dear Ms. Bishop:

I hereby confirm and ratify my designation of Michael B. Kapp, Administrator, Michigan Department of Transportation, as the person authorized and empowered to act in my stead for Michigan Strategic Fund meetings that I am unable to attend.

Sincerely,

A handwritten signature in blue ink that reads "Paul C. Ajegba".

Paul C. Ajegba, P.E.  
Director

cc: M. Kapp  
Executive File



**MEMORANDUM**

**Date:** May 12, 2021  
**To:** Michigan Strategic Fund (“MSF”) Board Members  
**From:** Jibran Ahmed, Business Development Project Manager  
**Subject:** Next Michigan Renaissance Zone Transfer  
Michigan Business Development Program (“MBDP”)  
Dakkota Integrated Systems, LLC (“Company” or “Applicant”)

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**Request**

This is a request from the Applicant to transfer the Next Michigan Renaissance Zone and amend the Renaissance Zone agreement to:

- Transfer the ownership of the land comprising the Next Michigan Development Corporation Renaissance Zone to Dakkota Detroit Kettering QALICB, LLC
- Extend the Job Creation Due Date from December 31, 2021 to January 31, 2023

**Background**

On January 22, 2020, the MSF Board approved a MBDP performance-based grant in the amount of \$1,500,000 for the Company and certified the Company as a qualified eligible Next Michigan Business for the purpose of allowing the Company to receive the benefits of a Next Michigan Renaissance Zone in the City of Detroit for a period of fifteen years with an estimated value of \$3,470,202.

The Company is in the process of obtaining New Market Tax Credits (NMTC) for its Kettering site project investment. The New Markets Tax Credit Program is a federal financial program that aims to stimulate business and real estate investment in low-income communities via a federal tax credit. The NMTC transaction requires the transfer of the real estate and building from the Company to a newly formed affiliate in which the Company will hold a 95% ownership interest. In connection with the New Market Tax Credit transaction, the Company proposes to transfer ownership of all the real property in the Renaissance Zone to a newly formed related entity, Dakkota Detroit Kettering QALICB, LLC. The new real property owner will lease all of the property back to the Company for the Company's continued operations and will pass along the responsibility for the taxes to the Company so that the Company will remain the ultimate recipient of the benefits of the Renaissance Zone. The Company will remain as the operating company and employer on site. The New Markets Tax Credit program provides an equity infusion into the Company and improves the ability of the Company to operate and employ low-income individuals in the geographically disadvantaged area it is based. With an extension of time, the Company will be able to create the jobs in accordance with the modified timeline.

**Company Background**

The Company has reported \$46,000,000 in investment at the site to date, exceeding the originally planned investment amount of \$45,000,000. The Company has also reported that as of April 20, 2021, there were 271 full-time employees at the property with plans to continue to increase employment during the ramp-up of operations over the next year and on track to meet its requirement to hire 400 new full-time jobs. Operations will not be affected by the proposed transfer.

**Recommendation**

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

- a) Approval of the Renaissance Zone land ownership transfer request
- b) Approval of the Renaissance Zone agreement amendment request

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2021-068**

**NEXT MICHIGAN RENAISSANCE ZONE AMENDMENT  
Dakkota Integrated Systems, LLC**

**WHEREAS**, Section 8h of the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, authorizes the Michigan Strategic Fund (“MSF”) to certify up to 25 eligible next Michigan businesses (“NMBs”) as qualified eligible NMBs, and therefore, capable of receiving the benefits of a previously-designated next Michigan renaissance zone, at the application of a Next Michigan Development Corporation (“NMDC”);

**WHEREAS**, on January 22, 2020, via MSF Resolution 2020-010, the MSF approved the certification of Dakkota Integrated Systems, LLC (the “Company”) as a qualified NMB to receive the benefits of a renaissance zone within the boundaries of a next Michigan renaissance zone within the City of Detroit (the “Zone”);

**WHEREAS**, pursuant to Section 8h(8) of the Act, the MSF, the City of Detroit NMDC, and the Company entered into a written agreement (the “Development Agreement”), which required, among other things, the Company to get MSF approval to transfer ownership of the property comprising the Zone;

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

**WHEREAS**, an application was submitted to the MEDC to request approval to: (i) transfer the ownership of the real property comprising the Zone from the Company to Dakkota Detroit Kettering QALICB, LLC, and (ii) extend the job creation milestone due date in the Development Agreement from December 31, 2021 to January 31, 2023 (the “Application”);

**WHEREAS**, the MEDC recommends that the MSF Board approve the Application to: (i) consent to the transfer of ownership of the real property comprising the Zone from the Company to Dakkota Detroit Kettering QALICB, LLC, provided that Dakkota Detroit Kettering QALICB, LLC become a party to the Development Agreement, and (ii) extend the job creation milestone due date in the Development Agreement from December 31, 2021 to January 31, 2023;

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board approves the Application to: (i) consent to the transfer of ownership of the real property comprising the Zone from the Company to Dakkota Detroit Kettering QALICB, LLC, provided that Dakkota Detroit Kettering QALICB, LLC become a party to the Development Agreement, and (ii) extend the job creation milestone due date in the Development Agreement from December 31, 2021 to January 31, 2023; and

**BE IT FURTHER RESOLVED**, the MSF Board authorizes the Fund Manager to negotiate and execute the final terms and conditions of any documents necessary to effectuate the terms of this Resolution on behalf of the MSF.

Ayes: Britany L. Affolter-Caine, Paul Ajegba, Susan Corbin, Rachael Eubanks, September Hargrove, Amanda Bright McClanahan (on behalf of Chairman Noel, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner

Nays: None

Recused: None

Lansing, Michigan  
May 25, 2021



**MICHIGAN ECONOMIC**  
DEVELOPMENT CORPORATION

March 18, 2021

Michigan Strategic Fund  
300 N. Washington Square  
Lansing, MI 48913

RE: Designation of Amanda Bright McClanahan

To Whom It May Concern:

Pursuant to MCLA 16.51, I hereby confirm my designation of Amanda Bright McClanahan as the person authorized and empowered to act in my stead as a member of the Michigan Strategic Fund board for scheduled meetings I am unable to attend.

Sincerely,

D. Jeffrey Noel  
President & Chairman, MSF  
Chief Executive Officer, MEDC

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## MEMORANDUM

**Date:** May 25, 2021

**To:** Michigan Strategic Fund Board

**From:** Josh Hundt, Executive Vice President and Chief Business Development Officer

**Subject:** Partial Loan Forgiveness Request  
Michigan Business Development Program (“MBDP”)  
iSourceWorldwide, LLC and SkyPoint Ventures, LLC (the “Companies”)

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### Request

The Companies request that the MSF Board accept the Loan Forgiveness Claim Form submitted after August 1, 2020 and authorize the Fund Manager to approve forgiveness of the amount determined upon completion of the audit, with the balance of the loan being repaid in accordance with the terms of the Amended and Restated Loan Agreement (the “Partial Loan Forgiveness Request”).

### Background

On April 26, 2016, iSourceWorldwide, LLC (“iSource”) and SkyPoint Ventures, LLC (“SkyPoint”), as co-applicants, were awarded a \$500,000 Performance-based Grant and a \$2,500,000 Performance-based Loan assistance incentive under the MBDP. This project involved creation of 25 Qualified New Jobs (“QNJ”) and a capital investment of up to \$2,650,000 in the City of Flint in Genesee County. The Companies were also required to maintain 32 Base Jobs. The loan was used for building redevelopment costs in anticipation of additional jobs being created at the project site. SkyPoint issued a loan guaranty in favor of the MSF.

The loan features a forgiveness component which would allow all or a portion of the loan to be forgiven based on New Jobs<sup>1</sup> being created by an Eligible Company<sup>2</sup> at the Project<sup>3</sup>. Under the terms of the original loan agreement, iSource was required to submit its Loan Forgiveness Claim Form on or before May 15, 2020. The forgiveness amount is calculated using the following formula: **(Number of New Jobs Performed at the Project by City of Flint Residents x \$20,000) + (Number of New Jobs Performed at the Project by Non-Flint Residents x \$10,000) = Amount of Loan Forgiveness.**

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<sup>1</sup> “New Jobs” means “a job performed for an Eligible Company at the Project for consideration for at least the six (6) continuous months immediately preceding the date the Borrower submits the Loan Forgiveness Claim by an individual who is a resident of the State and whose income taxes are withheld by an Eligible Company (or, to the satisfaction of the Loan Manager, an employee leasing company or professional employer organization on behalf of an Eligible Company); provided, however, that only jobs that meet the definition of a QNJ and maintained for at least the six (6) continuous months immediately preceding the date the Borrower submits the Loan Forgiveness Claim Form shall be considered New Jobs for the Borrower.”

<sup>2</sup> “Eligible Company” means a company operating a business that is not a restaurant at the Project and whose highest ranking officer with authorization to sign on behalf of the company has certified to the satisfaction of the Loan Manager at least one of the following is true when it began operations at the Project: (a) its operations at the Project are its first and only in the State; (b) it is opening a new operation at the Project and will not be transferring any of its current jobs in the State to the Project; or (c) its decision to relocate from another location in the State was required to enable the company to expand its operations or workforce; provided, however, that both the Borrower, SkyPoint Ventures, LLC, and SkyPoint Management, LLC shall be considered an Eligible Company without a certification required.”

<sup>3</sup> “Project” means the facility located at 601 South Saginaw Street, Flint, Michigan.

The Companies achieved their milestones under the Grant Agreement and the Loan Agreement (collectively, the “Agreements”) and received disbursements totaling \$3,000,000. Subsequent to disbursement, iSource notified Michigan Economic Development Corporation (“MEDC”) staff that, due to the loss of iSource’s primary client UPS, it was forced to eliminate 25 QNJs. iSource was placed in default on September 11, 2017 and provided 60 days in which to cure the event of default.

iSource was not able to cure the default and requested that the MEDC make a recommendation to the MSF Board to forbear on exercising its rights to repayment under the Agreements until the earlier of (1) June 30, 2018 or (2) iSource’s cure of the underlying event of default (the “Forbearance Request”). In consideration for the Forbearance Request, iSource agreed to pay a fee of \$30,000. On March 27, 2018, the MSF Board approved a request to forbear on exercising its rights to repayment under the Agreements until the earlier of (1) iSource’s cure of the default or (2) June 30, 2018. A forbearance agreement was never executed and the MBDP grant expired on June 30, 2018. Through a final headcount verification, it was determined that iSource had re-established 19 of the 25 QNJs and 32 Base Jobs, resulting in a required repayment of \$120,000 (the “Grant Repayment”).

On June 23, 2020, the MSF Board approved an amendment to the loan that (1) added the Grant Repayment to the existing loan balance, which resulted in a new loan balance of \$2,620,000 and (2) extended the due date for the loan forgiveness claim form submission to August 1, 2020. The MSF and SkyPoint, as guarantor, executed an amended and restated loan agreement (the “Amended Loan Agreement”) memorializing these terms on August 11, 2020 and August 4, 2020, respectively, with an effective date of July 20, 2020. As the result of administrative delays at both SkyPoint and the MEDC, the Loan Forgiveness Claim Form was submitted after August 1, 2020.

The Company provided information and documentation necessary for the MEDC to perform its audit and verification of the New Jobs as required under the Amended Loan Agreement. The audit is underway and, as of the date of this memo, the MEDC has determined that the Company has 37 Flint residents and 53 non-Flint residents that satisfy the requirements of the loan forgiveness, for an anticipated forgiveness amount of \$1,270,000.

Because the Loan Forgiveness Claim Form was not submitted on or before August 1, 2020, the MEDC is unable to proceed with finalizing the loan forgiveness under the Amended Loan Agreement. The Company has requested that the MSF Board accept the Loan Forgiveness Claim Form submitted after August 1, 2020 and authorize the Fund Manager to approve forgiveness of the amount determined upon completion of the audit, with the balance of the loan being repaid in accordance with the terms of the Amended and Restated Loan Agreement.

If the MSF Board denies the Partial Loan Forgiveness Request, the loan would be due and payable under the terms of the Amended Loan Agreement. Interest on the outstanding loan balance began accruing on August 1, 2020 at a rate of one and one-half percent (1.5%). The loan balance as of January 31, 2021 is \$2,639,703.84. The Amended Loan Agreement calls for the loan to be amortized over ten years, with five annual installments beginning on August 1, 2020 and a final balloon payment of any outstanding principal and interest is due on or before August 1, 2025.

### **Recommendation**

The MEDC recommends that the MSF Board approve the Partial Loan Forgiveness Request.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2021-069**

**PARTIAL FORGIVENESS OF MICHIGAN BUSINESS DEVELOPMENT PROGRAM  
LOAN TO ISOURCEWORLDWIDE, LLC AND SKYPOINT VENTURES, LLC**

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

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

**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**, on April 26, 2016, the MSF Board authorized a performance-based MBDP grant incentive of up to \$500,000 (the “Grant”) and a performance-based, non-revolving MBDP loan of up to \$2,500,000 (the “Loan”) to iSourceWorldwide, LLC (“iSource”) and SkyPoint Ventures, LLC (“SkyPoint”), as co-applicants;

**WHEREAS**, on August 10, 2016, iSource and the MSF entered into an MBDP Grant Agreement and an MBDP Loan Agreement under which the Company agreed to create and maintain 25 Qualified New Jobs (“QNJ”) at the project location (the “Grant Agreement” and “Loan Agreement”);

**WHEREAS**, on August 10, 2016, the SkyPoint executed a guaranty in favor of the MSF whereby SkyPoint provided a full, unconditional, and irrevocable guaranty of the Loan;

**WHEREAS**, the Loan Agreement includes loan forgiveness provisions that allow all or a portion of the loan to be forgiven based on jobs created at the project location and calculated at \$20,000 per job for Flint residents and \$10,000 per job for non-Flint resident;

**WHEREAS**, on June 23, 2020, the MSF Board approved an amendment to the Loan Agreement to 1) add \$120,000 to the loan balance for a restated loan amount of \$2,620,000; 2) extend the due date for submission of the Loan Forgiveness Claim Form from May 15, 2020 to August 1, 2020; and 3) remove the provision requiring iSource to maintain a minimum of 25 Qualified New Jobs from the date of satisfaction of Key Milestone Two through the date the company submits the Loan Forgiveness Claim Form;

**WHEREAS**, the MSF and SkyPoint, as guarantor, executed an amended and restated loan agreement (the “Amended Loan Agreement”) memorializing these terms on August 11, 2020 and August 4, 2020, respectively, with an effective date of July 20, 2020;

**WHEREAS**, the Loan Forgiveness Claim Form was submitted after August 1, 2020;

**WHEREAS**, SkyPoint has requested that the MSF Board accept the Loan Forgiveness Claim Form submitted after August 1, 2020 and authorize the Fund Manager to approve forgiveness of the amount determined upon completion of the required audit and verification, with the balance of the loan being repaid in accordance with the terms of the Amended and Restated Loan Agreement (the “Partial Loan Forgiveness Request”); and

**WHEREAS**, the MSF Board wishes to approve the Partial Loan Forgiveness Request.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board approves the Partial Loan Forgiveness Request; and

**BE IT FURTHER RESOLVED**, that the MSF Fund Manager is authorized to negotiate all final terms and conditions and to execute all documents necessary to effectuate the Partial Loan Forgiveness Request, consistent with the terms and conditions of this resolution.

Ayes: Britany L. Affolter-Caine, Paul Ajegba, Susan Corbin, Rachael Eubanks, September Hargrove, Amanda Bright McClanahan (on behalf of Chairman Noel, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner

Nays: None

Recused: None

Lansing, Michigan  
May 25, 2021



**MICHIGAN ECONOMIC**  
DEVELOPMENT CORPORATION

March 18, 2021

Michigan Strategic Fund  
300 N. Washington Square  
Lansing, MI 48913

RE: Designation of Amanda Bright McClanahan

To Whom It May Concern:

Pursuant to MCLA 16.51, I hereby confirm my designation of Amanda Bright McClanahan as the person authorized and empowered to act in my stead as a member of the Michigan Strategic Fund board for scheduled meetings I am unable to attend.

Sincerely,

D. Jeffrey Noel  
President & Chairman, MSF  
Chief Executive Officer, MEDC

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## MEMORANDUM

**Date:** May 25, 2021  
**To:** Michigan Strategic Fund Board  
**From:** Valerie Hoag, MSF Fund Manager  
**Subject:** Ratification of Federal Funding Applications

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### Request

The Michigan Economic Development Corporation (“MEDC”) requests that the Michigan Strategic Fund (“MSF”) Board ratify actions taken by Jennifer Tebedo, Director of the Office of Grants and Acquisition within the Department of Labor and Economic Opportunity (“LEO”), to submit application materials for federal funding on behalf of the MSF (the “Request”).

### Background

The Office of Grants and Acquisitions in LEO assists with the development and submission of federal grants. Subject matter experts work with Ms. Tebedo to create and submit grant proposals through the federal grant application portals. There are two federal funding opportunities for which the MSF is eligible to apply:

#### **Economic Development Administration (“EDA”)**

The EDA is offering funding through its Public Works and Economic Adjustment Assistance (“EAA”) program to provide economically distressed communities and regions with resources to address a variety of economic needs. The application submitted on behalf of the MSF seeks to develop and implement a strategic travel recovery plan to accelerate the economic recovery and resilience of the travel and tourism industries in Michigan. The proposed project focuses on the economic drivers of tourism and overcoming weakened traveler confidence caused by the COVID-19 pandemic. The outcome of the project would provide actionable insights for recovery and development of long-term strategies to increase both domestic and international travel to Michigan. The initial application was submitted in July 2020. EDA has requested revisions and additional information in connection with that application, including a clarification on the authority of Ms. Tebedo to submit the application on behalf of the MSF. MEDC staff anticipates that EDA will award \$418,320 in support of this funding request.

#### **State Trade Expansion Program, Small Business Administration (“SBA”)**

The SBA is offering funding through its State Trade Expansion Program (“STEP”) that will support the Michigan State Trade Expansion Program (“MI-STEP”). The MI-STEP offers financial assistance for exporting activities of eligible Michigan small businesses. The primary objectives of the MI-STEP are 1) increase the number of Michigan businesses that export; 2) increase the dollar value of Michigan exports; and 3) increase the number of Michigan small businesses exploring new trade opportunities. The application being submitted on behalf of the MSF seeks an award in the amount of \$2,000,000.

The powers of the MSF are exercised by the MSF Board. Under Section 5(7) of the MSF Act, MCL 125.2005(7), the MSF Board may delegate to its president, vice-president, staff, or others, including the MEDC, those functions and authority that the MSF Board deems necessary or appropriate. MEDC staff recommends that the MSF Board ratify actions taken to date by Ms. Tebedo in connection with the EDA

and SBA funding opportunities described above and to act as the MSF's Authorized Representative through completion of the grant application process.

**Recommendation**

The MEDC recommends that the MSF Board approve the Request.

## MICHIGAN STRATEGIC FUND

### RESOLUTION 2021-070

#### DESIGNATION OF AUTHORIZED REPRESENTATIVE FOR CERTAIN FEDERAL GRANT FUNDING OPPORTUNITIES

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

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

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

**WHEREAS**, under Section 5 of the MSF Act, MCL 125.2005(7), the MSF Board may delegate to its president, vice-president, staff, the MEDC, or others those functions and authority the MSF Board deems necessary or appropriate, unless otherwise prohibited by law;

**WHEREAS**, the federal Economic Development Administration (“EDA”) is accepting applications for funding under its FY 2020 Public Works and Economic Adjustment Assistance funding opportunity for the purpose of providing to provide economically distressed communities and regions with resources to address a variety of economic needs (the “EDA Funding Opportunity”);

**WHEREAS**, the Small Business Administration (“SBA”) is accepting applications for funding under its FY 2021 State Trade Expansion Program (“STEP”) funding opportunity for the purpose of supporting state export programs (the “STEP Funding Opportunity”)

**WHEREAS**, Jennifer Tebedo, Director, Office of Grants and Acquisition within the Department of Labor and Economic Opportunity (“LEO”) signed and submitted Form SF424, the Application for Federal Assistance, in connection with each of the EDA Funding Opportunity and the STEP Funding Opportunity on behalf of the MSF (collectively, the “Applications”);

**WHEREAS**, the MEDC recommends that the MSF Board ratify the execution and submission of the Applications and designate Jennifer Tebedo, Director, Office of Grants and Acquisition within LEO to act as the MSF’s Authorized Representative (“Authorized Representative Designation”) for these Applications only; and

**WHEREAS**, the MSF Board desires to ratify the Applications and approve the Authorized Representative Designation.

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF Board ratifies the execution and submission of the Applications and approves the Authorized Representative Designation.

Ayes: Britany L. Affolter-Caine, Paul Ajegba, Susan Corbin, Rachael Eubanks, September Hargrove, Amanda Bright McClanahan (on behalf of Chairman Noel, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner

Nays: None

Recused: None

Lansing, Michigan  
May 25, 2021



**MICHIGAN ECONOMIC**  
DEVELOPMENT CORPORATION

March 18, 2021

Michigan Strategic Fund  
300 N. Washington Square  
Lansing, MI 48913

RE: Designation of Amanda Bright McClanahan

To Whom It May Concern:

Pursuant to MCLA 16.51, I hereby confirm my designation of Amanda Bright McClanahan as the person authorized and empowered to act in my stead as a member of the Michigan Strategic Fund board for scheduled meetings I am unable to attend.

Sincerely,

D. Jeffrey Noel  
President & Chairman, MSF  
Chief Executive Officer, MEDC

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**MICHIGAN STRATEGIC FUND**

**RESOLUTION**

**2021-067**

**APPROVAL OF THE MAY 25, 2021 CONSENT AGENDA  
FOR THE MICHIGAN STRATEGIC FUND BOARD**

**WHEREAS**, on February 25, 2014, Michigan Strategic Fund (“MSF”) approved use of consent agendas at MSF Board meetings, pursuant to defined consent agenda guidelines;

**WHEREAS**, on February 25, 2014, the MSF Board approved Guidelines for Preparation and Approval of Consent Agendas for the MSF, which were subsequently revised by the MSF Board on December 19, 2017 (the “Consent Agenda Guidelines”)

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

**WHEREAS**, pursuant to the recommendation of the MEDC, the MSF Board wishes to approve the Consent Agenda items listed below.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF approves the Consent Agenda items listed below and identified in the final Consent Agenda for this Board meeting.

Consent Agenda Items:

Proposed Meeting Minutes: April 27, 2021  
Dakota Integrated Systems: RenZone Amendment  
iSource Worldwide, LLC and SkyPoint Ventures, LLC: MBDP Loan Amendment  
Ratification of Federal Funding Applications and Approval of MSF Authorized Representative Designation

Ayes: Britany L. Affolter-Caine, Paul Ajegba, Susan Corbin, Rachael Eubanks, September Hargrove, Amanda Bright McClanahan (on behalf of Chairman Noel, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner

Nays: None

Recused: None

Lansing, Michigan  
May 25, 2021



**MICHIGAN ECONOMIC**  
DEVELOPMENT CORPORATION

March 18, 2021

Michigan Strategic Fund  
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Sincerely,

D. Jeffrey Noel  
President & Chairman, MSF  
Chief Executive Officer, MEDC

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## MEMORANDUM

**Date:** May 25, 2021

**To:** Michigan Strategic Fund Board

**From:** Michele Wildman, Senior Vice President of Community Development  
Martha MacFarlane-Faes, Deputy State Historic Preservation Officer  
Robbert McKay, Historic Architect, State Historic Preservation Office

**Subject:** Request for Approval of Draft State Historic Tax Credit Program Rules

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### **Request**

The State Historic Preservation Office (the “SHPO”) is requesting approval by the Michigan Strategic Fund (“MSF”) Board of the draft State Historic Tax Credit Program Rules.

### **Background**

Senate Bill No. 54 (the “Senate Bill”) was signed into law on December 30, 2020 which amended the Income Tax Act to restore the State Historic Preservation Tax Credit Program (the “Program”). The Senate Bill charged the SHPO with administering the Program and allows the SHPO to promulgate rules in order to do so.

The Senate Bill provided \$5 million to the Program which is held in an account with the Department of Treasury (the “Account”). As part of its administration of the Program, the SHPO accepts and processes applications, issues credit reservations, provides verification that work meets federal standards and guidelines, and ultimately issues a credit certificate. The credit certificate is then used by a qualified taxpayer to reduce their tax liability. As each credit certificate is claimed, the Department of Treasury debits the Account in the amount of the claimed credit and deposits that amount back into the general fund of the state. For clarification, there are no MSF funds involved in the process.

The SHPO has begun the rule promulgation process and has drafted rules to administer the Program which are attached as Exhibit A. The SHPO will engage outside parties and stakeholders for feedback on the proposed rules. MSF Board approval is required in order to complete the rule promulgation process.

### **Recommendation**

SHPO staff recommends that the MSF Board approve the draft State Historic Tax Credit Program rules and delegate authority to the MSF Fund manager to execute all documents related to completion of the rule promulgation process.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2021-071**

**ACKNOWLEDGMENT OF DRAFT RULES  
STATE HISTORIC TAX CREDITS**

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

**WHEREAS**, Executive Order 2019-13 transferred from the Michigan State Housing Development Authority to the MSF the State Historic Preservation Office (“SHPO”), and all its authorities, powers, duties, functions, and responsibilities;

**WHEREAS**, Senate Bill No. 54 (the “Senate Bill”) was signed into law on December 30, 2020 which amended the Income Tax Act to create the State Historic Preservation Tax Credit Program (the “Program”) and authorized the SHPO to administer the Program.

**WHEREAS**, the Senate Bill allows the SHPO to promulgate rules governing the administration of the Program;

**WHEREAS**, the SHPO has begun the rule promulgation process and has drafted rules to administer the Program (the “Rules”) which are attached as Exhibit A;

**WHEREAS**, the SHPO recommends the MSF Board approve the draft Rules so that it may complete the rule promulgation process. (the “SHPO Recommendation”).

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

**BE IT FURTHER RESOLVED**, the MSF Fund Manager is authorized to negotiate the final terms and conditions and to execute all documents necessary to effectuate the promulgation of the State Historic Tax Credit Program Rules.

Ayes: Britany L. Affolter-Caine, Paul Ajegba, Susan Corbin, Rachael Eubanks, Paul Gentilozzi, September Hargrove, Amanda Bright McClanahan (on behalf of Chairman Noel, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner

Nays: None

Recused: None

Lansing, Michigan  
May 25, 2021

# Exhibit A

## MICHIGAN STRATEGIC FUND

### STATE HISTORIC PRESERVATION OFFICE

### HISTORIC PRESERVATION CERTIFICATION

Filed with the Secretary of State on

These rules take effect immediately upon filing with the secretary of state unless adopted under section 33, 44, or 45a(6) of the administrative procedures act of 1969, 1969 PA 306, MCL 24.233, 24.244, or 24.245a. Rules adopted under these sections become effective 7 days after filing with the secretary of state.

(By authority conferred on the State Historic Preservation Office by sections 266a(13) and 676(13) of the Income Tax Act of 1967, Act 281 of 1967, MCL 206.266a and 206.676)

R 206.201, R 206.202, R 206.203, R 206.204, R 206.205, R 206.206, R 206.207, R 206.208, R 206.209, R 206.210 and R 206.211 are added as follows:

R 206.201 Purpose.

Rule 201. The purpose of these rules is to prescribe the procedures whereby a qualified taxpayer may request (1) a certification of historic significance, (2) a rehabilitation plan, and (3) a completed rehabilitation of a historic resource in order to qualify for a tax credit under the Income Tax Act of 1967.

R 206.202 Definitions.

Rule 202. (1) As used in these rules:

(a) "Add Back" means the percentage of claimed credit that is added back to a qualified taxpayer's tax liability during the Compliance Period in the event the qualified taxpayer either (x) sells or transfers their interest in the historic resource or (y) has their certificate of completed rehabilitation revoked.

(b) "Act" means the Income Tax Act of 1967, Act 281 of 1967, MCL 206.1 *et seq.* Terms defined in the Act have the same meanings when used in these rules.

(c) "Applicant" a qualified taxpayer(s) making application for the tax credits.

(d) "Compliance Period" means the five (5) year period beginning on the date a certificate of completed rehabilitation is issued.

(e) "Federal Secretary" means the United States secretary of the interior, or a designee authorized by the secretary, in the course of carrying out the secretary's responsibilities to certify historic significance, rehabilitation plans, and rehabilitation work under federal law.

(f) "Inspection" means a visit by an authorized representative of the office to a certified or potentially certified historic resource for the purposes of reviewing and evaluating the significance of the historic resource or the ongoing or completed rehabilitation or for the purpose of determining whether an unapproved alteration to the completed rehabilitation was made during the five (5) years after the tax year in which a

April 29, 2021

tax credit was claimed.

(g) "In writing" means written comments provided via first class, certified mail or e-mail.

(h) "MOAHR" means the Michigan Office of Administrative Hearings and Rules

(i) "Project Types" means owner-occupied residential resources, small nonresidential historic resources, and large nonresidential historic resources as defined in the Act.

(j) "Rehabilitation" means the process of returning a building, structure, or other historic resource to a useful state, through repair or alteration, which makes possible an efficient or a functional use while preserving the portions and features of the historic resource that are significant to its historical, architectural, and cultural values.

(k) "Standards and Guidelines" mean the Federal Secretary's standards for rehabilitation and guidelines for rehabilitating historic buildings set forth in, and authorized by, 36 CFR 67.

(l) "Tax credit" means a credit against a federal tax as allowed by section 47(a)(2) of the internal revenue code of 1990, 26 USC section 47, or against a state tax as allowed by section 266(a), or section 676 of the Act.

(m) "Year" means a calendar year beginning January 1 and ending December 31.

#### R 206.203 Preliminary information.

Rule 203. A qualified taxpayer who owns or holds a long-term lease for a resource which they believe to be a historic resource and which, if rehabilitated, could qualify them for a tax credit may communicate with the office and request information on a preliminary basis with respect to whether the resource appears to be historic, whether a rehabilitation plan appears to conform with Standards and Guidelines, or whether completed rehabilitation appears to conform with Standards and Guidelines. Preliminary comments are not binding on the office, nor do they replace any formal reviews prescribed by these rules.

#### R 206.204 Certification; historic significance.

Rule 204. (1) An Applicant shall first submit an application to the office for certification of historic significance of the possible historic resource. If the applicant is eligible to claim a federal tax credit, or both federal and state tax credits, then they shall apply on a historic preservation certification application prescribed by the national park service and also file a state part 1 application, remit the state fee as prescribed in R 206.208 and any other project information prescribed by the office. If the applicant is eligible to claim a state tax credit exclusively, then they shall apply only on a historic preservation certification application prescribed by the office and also file one (1) copy of the part 1 application and declaration form, if appropriate.

(2) A part 1 application shall not be complete unless it contains all of the following information:

(a) Applicant name, business entity name, mailing address, phone number and email of each owner or long-term lessee, if any, seeking the credit.

(b) Common modern name and historic name, if any, of the resource.

(c) Address of the resource.

(d) Name of any historic district in which the resource is located, if applicable.

- (e) Current Photographs of the resource detailing the following:
    - (i) Photographs of the building or structure, site, and landscaping before alteration.
    - (ii) Photographs showing the resource in conjunction with adjacent properties and structures along the streetscape.
    - (iii) A photograph of all interior spaces, such as a room, and each significant interior feature.
  - (f) A brief description of the resource, including major alterations, distinctive features and spaces, and dates of construction activity.
  - (g) A brief statement of significance, summarizing how the resource reflects historical values, including the values that may give a designated historic district its distinctive character.
  - (h) A map clearly locating the resource in a local unit or in an established historic district.
  - (i) The social security number or federal taxpayer identification number of each applicant.
  - (j) The signature of each applicant.
  - (k) A completed declaration form if the resource is located within a local historic district.
  - (l) Any other Information requested by the office.
- (3) In addition to the application, an applicant shall also only submit those attachments that the office deems necessary to perform its evaluation and a determination. The office shall notify an applicant, in writing, if additional information or materials are required and the office shall refrain from processing the application until the requested information or materials have been furnished by the applicant to the satisfaction of the office.
- (4) Upon receipt of a complete and adequately documented application, the office shall review the submission to determine the eligibility of a possible historic resource for participation in the federal or state tax credit program, or both.
- (5) Within 120 days of its receipt of a complete application, the office shall provide written notification to the applicant of its determination on the application for historic significance certification.

#### R 206.205 Certification; rehabilitation plan.

Rule 205. (1) To initiate a review of a rehabilitation plan for certification purposes, an applicant with an approved state part 1 application shall submit a state part 2 application to the office for the historic resource. If the applicant is eligible to claim a federal tax credit or both federal and state tax credits, then they shall apply on a historic preservation certification application prescribed by the national park service and also file a state part 2 application, remit the state fee as prescribed in R 206.208 and any other project information prescribed by the office. If the applicant is eligible to claim a state tax credit exclusively, then they shall apply only on a historic preservation certification application prescribed by the office and also file one (1) copy of the state application and verification of state equalized value form, if appropriate.

(2) a part 2 application shall include:

(a) Photographs deemed sufficient by the office to document the interior and exterior appearance of a structure, its site, and environment before the commencement of

rehabilitation.

- (b) Verification of the resource's state equalized value.
- (c) Any plans for adjacent, attached, or related new construction.
- (d) The social security number or federal taxpayer identification number of each applicant.
- (e) Any additional documentation, such as window surveys or masonry cleaning specifications, requested by the office.
- (f) The signature of each applicant.
- (g) Any other documents the office or its governing agency require or deem necessary.

(3) Upon receipt of a complete and adequately documented part 2 of an application as described in this rule, the office shall review the submission to determine whether the applicant's rehabilitation plan meets the Standards and Guidelines. If the office deems that additional information or documentation is needed to evaluate the submission, then the office shall notify the applicant in writing and shall refrain from processing the application until the information or documents, or both, have been furnished. To qualify for certification, a proposed rehabilitation plan shall comport with each element of the Standards and Guidelines, to the extent applicable.

(4) Within 120 days of its receipt of a complete part 2 application, the office shall notify the applicant in writing whether the rehabilitation plan meets the Standards and Guidelines. If the office determines that the rehabilitation plan meets the Standards and Guidelines, the office will issue a credit reservation letter and a project priority project number to the applicant; If the office determines that the rehabilitation plan does not meet the Standards and Guidelines, it shall advise the applicant of any revisions necessary for the rehabilitation plan to meet the Standards and Guidelines. An applicant may submit a revised rehabilitation plan to the office. The office shall refrain from processing the application further until the necessary revisions have been made and furnished.

#### R 206.206 Certification; Credit Reservation Priority.

Rule 206. (1) Applications will be reviewed, and credit reservations made based on the date that a complete and adequately documented application was received by the office. The office may use factors such as geographic distribution of the resources, the remaining credits available to particular project types, the number of other existing credit reservations an applicant has, or other factors the office deems appropriate when issuing credit reservations.

(2) In any year, if (x) the maximum amount of credit allocated to a specific project type or (y) the annual maximum credit limit for the Program is reached, the office will:

- (a) Notify the public via its website that it will no longer accept any additional applications for that project type or the Program for the remainder of the fiscal year.
- (b) Assign a priority project number to all remaining complete applications that did not receive a credit reservation. Priority project numbers will be assigned to each application date the completed application was received by the office.
- (c) Allow applicants who submitted incomplete applications to submit a revised application. In the event a revised application is deemed complete, it will be assigned a priority project number based on the date the revised application was received by the office.

(d) In the last month of each year, the office will review all applications that have been assigned priority project numbers and:

(i) Issue credit reservations for any recaptured, unclaimed or returned credits from previous years to other applications within that Project Type based on priority project numbers. If there are no applications within that specific Project Type that will accept the recaptured, unclaimed or returned credit, then it shall be made available to any approved application, regardless of Project Type, based on priority project number.

(ii) Notify any applicants who have not received a credit reservation and that have a priority project number that was issued at least two years prior to the review date that (x) their application has expired, (y) they will no longer be eligible for any available credit, and (z) they will need to submit a new application if they want to continue to seek a credit.

(iii) Determine which projects will receive funding in the next year based on priority project number and Project Types.

(iv) Post on its website the total amount of credit per Project Type that will be available to new applications in the subsequent year.

(3) On the first business day of the new year the office shall begin accepting new applications for that year for all Project Types until any or all of conditions in sub-rule 2 are met.

#### R 206.207 Certification; completed rehabilitation.

Rule 207. (1) To initiate a review of a completed rehabilitation, an applicant with an approved state part 1 and 2 application shall submit a state part 3 application to the office. If the applicant is eligible to claim a federal tax credit or both federal and state tax credits, then they shall apply on a historic preservation certification application prescribed by the national park service and also file a state part 2 application, remit the state fee as prescribed in R 206.208 and any other project information prescribed by the office. If the applicant is eligible to claim a state tax credit exclusively, then they shall file one (1) copy of the historic preservation certification application prescribed by the office.

(2) The part 3 application shall include:

(a) The project completion date.

(b) The social security number or federal taxpayer identification number of each applicant.

(c) A signed statement that the completed rehabilitation (x) is consistent with the approved part 2 application and (y) meets the Standards and Guidelines.

(d) Photographs adequate to document the completed renovation.

(3) Upon receipt of a complete and adequately documented request for certification of completed work and other items as described in this rule, the office shall perform a review to determine whether the completed rehabilitation conforms with the rehabilitation plans and plan amendments, if any, and meets the Standards and Guidelines. The office shall determine conformance to the Standards and Guidelines on the basis of application documentation and other available information showing the historic resource as it existed in its historic setting. To qualify for certification, the completed rehabilitation work shall comport with each element of the Standards and Guidelines, to the extent applicable.

(4) Within 120 days of the receipt of the part 3 application, the office shall notify the

applicant of its determination in writing. The office may require changes in the completed rehabilitation that enable it to meet the Standards and Guidelines. The office shall refrain from processing the application any further until the required changes in the completed rehabilitation have been made by the applicant.

(5) If the office determines that the completed rehabilitation meets the Standards and Guidelines, then the office shall notify both the applicant and the Michigan department of treasury of its determination.

(6) The office will not issue a certificate of completed rehabilitation for an amount in excess of the amount specified in the credit reservation letter.

#### R 206.208 Fees.

Rule 208. (1) An applicant who submits a historic preservation certification application prescribed by the national park service by itself, or in conjunction with a historic preservation certification application prescribed by the office, is responsible for the payment of fees to the national park service in the amount prescribed in 36 C.F.R. section 67.11.

(2) An applicant who submits a historic preservation certification application prescribed by the office by itself, or in conjunction with a historic preservation certification application prescribed by the national park service, is responsible for payment of fees in the amount, and to the office, prescribed in sub-rules (3), (4) and (5) of this rule. The office shall not make a certification decision until the appropriate fee has been received. Upon request of the office, the applicant shall remit the appropriate fee by check or other instrument payable to the "State of Michigan." All fees are nonrefundable.

(3) An applicant shall remit the following part 1 fees to the office based on property type:

- (a) Owner-occupied residential properties \$50.00.
- (b) All other properties \$100.00.

(4) An applicant shall remit the following part 2 fees to the office based on property type and amount of qualified expenditures:

- (a) Owner-occupied residential properties:
  - (i) \$100.00 if anticipated qualified expenses are \$20,000.00 or less.
  - (ii) Two percent (2.0%) of the credit reservation if anticipated qualified expenses greater than \$20,000.
- (b) All other properties:
  - (i) \$200.00 if anticipated qualified expenses are \$40,000.00 or less.
  - (ii) Two percent (2.0%) of the credit reservation if anticipated qualified expenses are greater than \$40,000.

(5) An applicant shall remit part 3 fees to the office on the basis of the following fee schedule:

- (a) Owner-occupied residential properties:
  - (i) \$100.00 if anticipated qualified expenses are \$20,000.00 or less.
  - (ii) Two percent (2.0%) of the credit reservation if anticipated qualified expenses greater than \$20,000.
- (b) All other properties:
  - (i) \$200.00 if anticipated qualified expenses are \$40,000.00 or less.
  - (ii) Two percent (2.0%) of the credit reservation if anticipated qualified

expenses are greater than \$40,000.

(6) Sale or transfer agreement processing:

(a) \$1,000.00.

(7) The office reserves the right to charge a \$35.00 processing fee for all checks returned for insufficient funds.

R 206.209 Inspection; revocation.

Rule 209. (1) The office may conduct an inspection of a historic resource during the rehabilitation process and during the Compliance Period.

(2) The office may, after giving the qualified taxpayer 30 days' written notice, issue a revocation of a certificate of completed rehabilitation if the office determines that a rehabilitation was either (x) not undertaken in conformity with the Standards and Guidelines or (y) if during the Compliance Period either the historic resource was damaged, altered or substantially changed or the applicant undertook further unapproved work inconsistent with the Standards and Guidelines. The office shall notify the department of treasury of a revocation issued under this sub-rule. The department of treasury shall determine the Michigan tax consequences to the qualified taxpayer of a revocation of certification in accordance with MCL 206.266a(9).

R 206.210 Appeals.

Rule 210. (1) An applicant may appeal a denial of an application for certification submitted under these rules. If the appeal involves a historic preservation certification application prescribed by the national park service by itself, or in conjunction with a historic preservation certification application prescribed by the office, then the appellant shall follow the procedures set forth in 36 CFR section 67.10 to appeal the federal portion of the credit. If the appeal involves an application for certification prescribed by the office by itself, or in conjunction with a historic preservation certification application prescribed by the national park service then the applicant shall follow the procedures prescribed in this rule for the state portion of the credit.

(2) To file an appeal under this rule, an applicant shall submit a written appeal to the State Historic Preservation Officer c/o the office within sixty (60) days from the date of the denial. The request shall state "APPEAL" on its header, state the reason(s) the applicant believes the denial should be reversed and include all information, records, and other materials the applicant wants considered.

(3) The State Historic Preservation Officer, or their delegate, shall submit a hearing request to the Michigan Office of Administrative Hearings and Rules (MOAHR). MOAHR shall schedule a hearing and assign an administrative law judge to conduct the hearing. Upon the conclusion of the hearing, the administrative law judge shall submit a proposal for decision to the person designated by the office or its governing agency.

(4) Upon receipt of the proposal for decision, the Fund Manager shall issue a Final Order that (1) upholds, (2) rejects, or (3) modifies the findings of the administrative law judge. Once a Final Order has been issued, an applicant shall be deemed to have exhausted all of their administrative remedies.

R 206.211 Sale or transfer of resource; effect of revocation.

Rule 211. (1) If, during the Compliance Period, a qualified taxpayer either (x) sells or

transfers the qualified taxpayer's interest in the historic resource or (y) is subject to revocation of their certificate of completed rehabilitation, then that taxpayer shall be subject to the Add Back in accordance with sub-rule 2 below. A qualified taxpayer shall notify the office and the department of treasury in writing of its intent to sell or transfer their interest in the historic resource not less than six (6) months prior to the proposed sale or transfer.

(2) A qualified taxpayer's Add Back shall be calculated by the department according to this sub-rule in the event either of the following occurs during the Compliance Period: (x) the qualified taxpayer sells or transfers their interest in the historic resource or (y) the qualified taxpayer's certificate of completed rehabilitation is revoked. The Add Back shall be calculated as follows:

(a) 100% if sale or revocation takes place less than one (1) year from the date of the certificate of completed rehabilitation.

(b) 80% if sale or revocation takes place at least one (1) year but less than two (2) years from the date of the certificate of completed rehabilitation.

(c) 60% if sale or revocation takes place at least two (2) years but less than three (3) years from the date of the certificate of completed rehabilitation.

(d) 40% if sale or revocation takes place at least three (3) years but less than four (4) years from the date of the certificate of completed rehabilitation.

(e) 20% if sale or revocation takes place at least four (4) years but less than five (5) years from the date of the certificate of completed rehabilitation.

(f) 0% if sale or revocation takes place at least five (5) or more years from the date of the certificate of completed rehabilitation.

(3) Notwithstanding sub-rule 2 above, a qualified taxpayer who sells a historic resource during the Compliance Period may avoid the Add Back if they enter into a written agreement with the office that provides the following to the satisfaction of the office:

(a) Reasonable assurance that, subsequent to transfer, the property will remain a historic resource during the five (5) year period after the certificate of completed rehabilitation is issued.

(b) A method that the department can recover an amount from the qualified taxpayer equal to the percentage and amount described in sub-rule 2 above.

(c) An encumbrance on the title to the historic resource being sold remains a historic resource during the Compliance Period

(d) A provision for the payment by the qualified taxpayer of all legal and professional fees associated with the drafting, review, and recording of the written agreement.



**MICHIGAN ECONOMIC**  
DEVELOPMENT CORPORATION

March 18, 2021

Michigan Strategic Fund  
300 N. Washington Square  
Lansing, MI 48913

RE: Designation of Amanda Bright McClanahan

To Whom It May Concern:

Pursuant to MCLA 16.51, I hereby confirm my designation of Amanda Bright McClanahan as the person authorized and empowered to act in my stead as a member of the Michigan Strategic Fund board for scheduled meetings I am unable to attend.

Sincerely,

D. Jeffrey Noel  
President & Chairman, MSF  
Chief Executive Officer, MEDC

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## MEMORANDUM

**Date:** May 25, 2021

**To:** Michigan Strategic Fund Board

**From:** Julius L. Edwards, Senior Commercial Real Estate Investment Manager

**Subject:** Request for Approval of a Michigan Community Revitalization Program  
Other Economic Assistance – Loan Participation Award Amendment #2  
Bagley Development Group, LLC – United Artist Building

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### Request

Bagley Development Group, LLC (“Company”) is requesting approval of an amendment to the Michigan Community Revitalization Program (MCRP) Other Economic Assistance – Loan Participation Award. The amendment request dated March 30, 2021 included a request to increase the MCRP Award by \$2,000,000 for a total award of \$7,000,000 to the project. This increased award amount is necessary because pandemic-related project delays have resulted in a significant increase in construction costs and additional reserve and contingency requirements. Staff is supportive of the additional award amount because the other funding partners are also increasing their contributions to the project and the new debt will be structured so that the MSF will receive 100% of developer fee disbursements until the MSF loan participation balance is reduced to \$5,000,000. Additionally, staff is requesting transfer of \$2,000,000 in funds from the Investment Fund to the Michigan Community Revitalization Program through MCL 125.2088b(2) for the specific purpose of this project.

### Background

The Michigan Strategic Fund (MSF) Board approved a \$5,000,000 Other Economic Assistance – Loan Participation Award on May 19, 2020 to the Company for the purpose of completing a historic renovation of the eighteen-story United Artist Building in Downtown Detroit. Upon completion it is anticipated that the project will consist of 148 mixed-income residential units and approximately 10,535 square feet of first floor commercial space. The project will also include the restoration of the exterior to historic standards and 20% of the residential units will be leased at rental rates based on 80% of the Area Median Income (AMI).

An amendment to the MCRP Other Economic Assistance Loan Participation Award under the Awardee Relief Initiative was approved on February 22, 2021 to extend the approval expiration date by 12 months to January 13, 2022.

The project has experienced a significant increase in development costs primarily related to increases in hard construction costs and additional reserve and contingency requirements. The increased development costs are principally the result of delays in closing the transaction driven by the ongoing impacts of the COVID-19 pandemic.

In total, development costs have increased approximately \$12.3 million. The development team has worked to identify sources to fill this gap. It is anticipated that the project gap will be filled by approximately \$7.6 million of additional financing from their HUD 221(d)(4) loan, \$1.9 million generated in additional Historic Tax Credit Equity, and the development team is planning to contribute an additional \$825,000 to the project.

The project is able to support additional debt due to a decline in interest rates and a renegotiation of their ground lease with Olympia Development. The remaining gap would be filled with the proposed \$2 million increase in the MCRP Award.

It is anticipated that the project will be in a position to close and commence construction by the summer. The development team and their lender are currently working with HUD to receive signoff to proceed to closing. As part of the materials required to be submitted to HUD to receive that signoff, the Company must provide evidence of all other financing sources being in place.

The repayment terms on the proposed additional \$2 million in MCRP funding will be structured in order to recoup that money as quickly as possible. Currently, the City of Detroit is working on a request for an additional \$1 million in funding for the project. If successful, that additional \$1 million will be used to reduce the MSF's investment in the project. See "Appendix A" for details on changes to the original award structure. All changes are identified in "strikethrough, bold and all CAPs" font.

#### **Applicant History**

With 230 years of combined professional experience, the Bagley Development Group, LLC team boasts leadership in responsibilities spanning many industries. As members of this minority-owned business enterprise, Emmett Moten, Robert Charles, Larry Brinker, Scott Allen, Tom Goss, James Thrower, Roy Roberts and Richard Hosey have led teams and, in some cases, started businesses in sectors including credit, banking, construction, government, retail merchandising, marketing, property management, and real estate. The organizations these gentlemen have served include Bank of America, the City of Detroit, PIA Merchandising, Fourmidable, Brinker Group, the City of New Orleans, Ford Motor Credit, Exxon, JP Morgan Chase, Little Caesars Enterprises and several others.

#### **Recommendation**

The MEDC staff recommends approval of the following:

- A) Transfer of \$2,000,000 for the specific purpose of this project through MCL 125.2088b(2) to the MCRP Program for the purpose of the program authorized under MCL 125.2088b(2) as long as the program provides for repayment for breach of the written agreement or the failure to meet measurable outcomes.
- B) An amendment to the MCRP Other Economic Assistance – Loan Participation Award to increase the award by \$2,000,000 per the Company's request dated March 30, 2021.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2021-072**

**ALLOCATION OF FUNDS AND APPROVAL OF AN AMENDMENT TO A  
MICHIGAN COMMUNITY REVITALIZATION PROGRAM OTHER ECONOMIC  
ASSISTANCE LOAN PARTICIPATION AWARD FOR  
BAGLEY DEVELOPMENT GROUP, LLC  
(UNITED ARTIST BUILDING PROJECT)**

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

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

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

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

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

**WHEREAS**, 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 and activities, and the MCRP;

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

**WHEREAS**, pursuant to MCL 125.2088h(3)(e), the MSF Board shall direct the investment and reinvestment of the Investment Fund as authorized under Chapter 8A for incentives, including, but not limited to, for the purposes of creating incentives in this state for Revitalizing Michigan Communities;

**WHEREAS**, pursuant to MCL 125.2088b(2)(c), the Investment Fund may allocate money for authorized programs to make expenditures or investments from the Investment Fund for programs or activities authorized pursuant to the 21<sup>st</sup> Century Jobs Trust Fund legislation as long as those programs or activities provide for repayment for breach of the written agreement or the failure to meet measurable outcomes;

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

**WHEREAS**, by Resolution 2020-059 on May 19, 2020 the MSF Board awarded a MCRP Other Economic Assistance Loan Participation Award to Bagley Development Group, LLC in furtherance of the Project of up to \$5,000,000 (“Award”);

**WHEREAS**, on February 22, 2021, the MSF Fund Manager approved a 12-month extension of MCRP Award approval under the Awardee Relief Initiative;

**WHEREAS**, the MEDC is recommending that the MSF approve an amendment recommendation to increase the MCRP Other Economic Assistance Loan Participation Award by up to \$2,000,000, along with other changes to the terms identified in the Term Sheet, with all other requirements remaining in place from the original approval (“MCRP Amendment Recommendation”).

**WHEREAS**, the MEDC recommends that the MSF approve funding of up to \$2,000,000 from the Investment Fund to fund the MCRP Award Recommendation (the “Funding”);

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

**BE IT FURTHER RESOLVED**, the MSF approves the Funding.

Ayes: Britany L. Affolter-Caine, Paul Ajegba, Susan Corbin, Rachael Eubanks, Paul Gentilozzi, September Hargrove, Amanda Bright McClanahan (on behalf of Chairman Noel, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner

Nays: None

Recused: None

Lansing, Michigan  
May 25, 2021

**EXHIBIT A**  
**“Term Sheet”**

**LOAN TERMS**

<b>MSF Facility:</b>	MCRP Performance Based Other Economic Assistance Loan Participation
<b>Borrower:</b>	Bagley Development Group, LLC or a Related Entity
<b>Lender:</b>	City of Detroit Downtown Development Authority or a Related Entity
<b>Total Amount of Loans:</b>	Currently estimated at <del>\$7,500,000</del> <b>\$9,500,000</b>
<b>Lender Share:</b>	Currently estimated at \$2,500,000
<b>Total Capital Investment:</b>	Currently estimated at <del>\$73,440,373</del> <b>\$85,770,009</b>
<b>MSF Eligible Investment:</b>	Currently estimated at <del>\$53,207,694</del> <b>\$62,289,702</b>
<b>Minimum Eligible Investment:</b>	Currently estimated at <del>\$42,567,000</del> <b>\$50,000,000</b>
<b>MSF Share:</b>	Up to the lesser of 15% of “Eligible Investment” or <del>\$5,000,000</del> <b>\$7,000,000</b>
<b>Term:</b>	To reasonably match that of the senior (HUD) lender, anticipated to be to 508 months
<b>Amortization:</b>	N/A
<b>Interest Rate:</b>	3.00% per annum
<b>Repayment Terms:</b>	Monthly interest only payments for 28 months (period to match interest only period of HUD Loan), followed by annual payments equal to 30% of Distributable Cash Flow for 480 months (cash flow to be split on a pro rata basis with the Lender). Developer Fees will be split under the shares as described above. <b>THE MSF TO RECEIVE 100% OF DEFERRED DEVELOPER FEES UNTIL MSF’S PRINCIPAL OUTSTANDING HAS BEEN REDUCED TO \$5,000,000.</b>
<b>Collateral:</b>	To reasonably match that of the Lender, currently anticipated to be subordinate Leasehold Mortgage. All collateral will be in a shared position with the Lender.
<b>Guarantee:</b>	To reasonably match that of the Lender. All collateral will be in a shared position with the Lender.
<b>MSF Fees:</b>	The MSF shall be paid a one-time fee equal to one percent of the MSF’s share of the loan. The Lender may charge the borrower for this fee.

**Funding:**

The MSF will fund up to ~~\$5,000,000~~ **\$7,000,000** to be disbursed following closing of the financing and achievement other performance criteria.

**Other Conditions:**

The MSF's investment will be contingent upon the following:

- Final approval of \$2,500,000 in financing from the City of Detroit DDA or other related entity
- Final approval of \$3,000,000 in CDBG funding from the City of Detroit
- Executed construction documents, including final "Guaranteed Maximum Price construction contract
- Final Amended Operating Agreement with equity pay-in schedule from the Historic Tax Credit Investor
- Final Development Budget
- Minimum owner equity investment of ~~\$6,300,000~~ **\$7,100,000**
- Local approval of an Obsolete Property Rehabilitation Act abatement and a Neighborhood Enterprise Zone abatement
- **RECEIPT OF THE FINAL GROUND LEASE AGREEMENT WITH OLYMPIA DEVELOPMENT**



**MICHIGAN ECONOMIC**  
DEVELOPMENT CORPORATION

March 18, 2021

Michigan Strategic Fund  
300 N. Washington Square  
Lansing, MI 48913

RE: Designation of Amanda Bright McClanahan

To Whom It May Concern:

Pursuant to MCLA 16.51, I hereby confirm my designation of Amanda Bright McClanahan as the person authorized and empowered to act in my stead as a member of the Michigan Strategic Fund board for scheduled meetings I am unable to attend.

Sincerely,

D. Jeffrey Noel  
President & Chairman, MSF  
Chief Executive Officer, MEDC

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## MEMORANDUM

**Date:** May 25, 2021

**To:** Michigan Strategic Fund Board

**From:** **Brittney Hoszkiw, Senior Community Assistance Team Specialist**  
**Debbie Stehlik, Commercial Real Estate Investment Manager**  
**Jake Winder, Brownfield and MCRP Program Specialist**  
**Emanuel Odom, Program Investment Specialist**

**Subject:** **Request for Approval of a Michigan Community Revitalization Program (MCRP) Loan and a Request for Approval of an Act 381 Work Plan**  
**7303 West McNichols LLC, an Entity to be Formed, and the City of Detroit**  
**Brownfield Redevelopment Authority – 7303 West McNichols Redevelopment**

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### Project Summary

The request will support a community development project located in the City of Detroit that will demolish three existing structures and construct a new mixed-use, mixed income building in the Bagley Fitzgerald neighborhood of Detroit, representing \$10,441,789 in total capital investment. The project will develop a new building on a half-acre site between Prairie Street and Monica Street resulting in 38,228 square feet of new mixed-use space, with 38 naturally occurring affordable studio, one-bedroom, and two-bedroom residential units on floors two and three and 5,862 square feet of commercial space across four retail bays on the ground floor. The project is designed to have a walk-up style building along Prairie Street and traditional apartment building with elevator entry along McNichols Road and a shared outdoor roof deck space available to all residents.

The construction cost is \$179 per square foot, which is consistent with the Detroit market for a project of this size. Residential units are currently market rate for this neighborhood; however, they are naturally occurring affordable at 60-80% AMI, or an average of \$1.68 per square foot. Half of the units will remain affordable through the term of the New Market Tax Credits (NMTC) modeled in the capital stack. It is anticipated that 20% of the units will continue to be affordable and will be monitored by the Detroit Housing and Revitalization Department beyond the term of the NMTCs for the life of the abatements. Commercial rates are also set to be accessible to local businesses within the neighborhood, with a portion of the space being designated for possible pop-up shops of local entrepreneurs and neighborhood retailers. The project will include 3,000 square feet of public improvements which includes sidewalk and streetscape improvements along McNichols Road.

A financing gap exists due to limited revenue generated by market rate rents for this neighborhood and high construction costs associated with development in Detroit. These conditions have limited the projected cash flow available for traditional debt and with the proposed MSF support, the project will produce modest returns of 8% over 20 years. All other financial sources have been explored and maximized, including New Market Tax Credits from Invest Detroit and Opportunity Zone Investment. The development team has deferred all related party fees, with the exception of \$150,000 in project management fees to support their emerging developer mentorship efforts (the Project Management Fees”). These related party fees are soft costs and not part of the projects MSF eligible investment. Staff is requesting a waiver to the MCRP Guidelines to pay the Project Management Fees.

The project dips below a 1.2 Debt Service Coverage Ratio in years 2-5 but given the senior lender, Capital Impact Partner's, required operating reserves, the limited cash flow in those years is not a concern to staff. Developer equity of 7.5% is below the typical 10% minimum, however, since this project involves New Market Tax Credits, this is considered acceptable.

While hundreds of millions of dollars of private investment have flowed into Detroit, an Urban Institute analysis found that most of the investment has been concentrated in the Downtown. Outside of downtown and the adjacent neighborhoods, it is estimated that 30% of land remains vacant and a third of residents live in poverty. In response, the City of Detroit, Invest Detroit, and private donors have partnered to create a \$172 million Strategic Neighborhood Fund to direct private investment to ten high impact neighborhoods. Invest Detroit first made strategic land acquisitions, identified emerging, minority developers with ties to the community, and provided below market debt to three projects, this being one, within the corridor which are intended to be catalytic to further private investment.

### **Request**

7303 West McNichols LLC ("Applicant") is requesting a MCRP performance-based Direct Loan in the amount of \$1,250,000 and the City of Detroit Brownfield Redevelopment Authority is requesting approval of a Brownfield Act 381 Work Plan including state tax capture in the amount of \$228,537 to reimburse for MSF eligible activities. The Applicant anticipates that the project will result in a total capital investment of \$10,441,789.

### **Program Summary**

The request for MCRP and Brownfield support is consistent with program requirements because the existing structures on the property are vacant, dilapidated, and atop contaminated soil. The project qualifies for the MCRP and Brownfield Act 381 program because the site is a facility. The project is consistent with the MEDC strategic plan because it involves transforming unused, contaminated space into a vibrant, mixed-use building that contributes to walkability, vibrancy, and density in the area; thus developing attractive places. The project also meets local objectives by supporting a catalytic project within a Strategic Neighborhood, led by an emerging, minority developer with ties to the community, resulting in a mixed-income, mixed-use development which is contextually appropriate for the neighborhood.

### **Local Support**

Local support for the project includes the local portion of the Brownfield TIF with an estimated value of \$295,755, an anticipated Public Act 210 tax abatement with an estimated value of \$119,235 and an anticipated Neighborhood Enterprise Zone tax abatement with an estimated value of \$727,416. The City is also bonding for significant streetscape work along the McNichols corridor as part of the Strategic Neighborhood Investment strategy. The City of Detroit is engaged with the MEDC's Redevelopment Ready Communities (RRC) program. The project is located in a Michigan Geographically Disadvantaged Business Location.

### **Financing Opportunity – MCRP Direct Loan**

The Applicant is requesting a \$1,250,000 MCRP award in the form of a Performance-based Direct Loan. A financing gap exists due to the limited revenue generated by market rate rents for this neighborhood combined with the high cost of construction associated with development in Detroit. This limits the amount



of traditional debt the project can secure. All other financing sources have been explored and maximized, including New Market Tax Credits from Invest Detroit and Opportunity Zone Investment. The project is also leveraging Brownfield TIF, an EGLE Refined Petroleum Grant, a Neighborhood Enterprise Zone abatement and a PA-210 tax abatement. The Applicant is contributing over \$780,000 in cash equity and an additional \$3,395,000 is being contributed as Qualified Low Income Community Investment (QLICI) Loans per the required Leveraged Loan structure dictated by the New Market Tax Credits. It is anticipated that approximately \$2,100,000 of the QLICI debt will be forgiven after seven years once the New Market Tax Credit structure unwinds. The proposed MCRP incentive will fill the remaining financing gap and allow the project to remain financially feasible. Below outlines a summary of the development sources and the proposed structure of the loan. With the financing structure described below, it is anticipated that the investors will be able to achieve an 8% return (assuming amortizing Senior and MSF debt only). Returns may fall to 0% if the QLICI notes are refinanced and amortizing (rather than forgiven) after Year 7. The proposed MCRP loan structure will assist the project in remaining viable long-term as it includes a potential deferral or forgiveness based on cash flow at maturity. The evaluation at maturity, described below, will be performed by underwriting staff and any deferral or forgiveness will be approved by the MSF Fund Manager based on cash flow available to service debt.

### Loan Terms

<b>MSF Facility:</b>	MCRP Performance-Based Direct Loan
<b>Borrower:</b>	7303 West McNichols LLC and an Entity/LLC to be Formed
<b>Total Capital Investment:</b>	Currently estimated at \$10,441,789
<b>MSF Eligible Investment:</b>	Currently estimated at \$8,292,160
<b>Minimum Eligible Investment:</b>	Currently estimated at \$6,633,728
<b>Loan Amount:</b>	Up to the lesser of 20% of “Eligible Investment” or \$1,250,000.
<b>Term:</b>	To reasonably match that of Senior Lender, anticipated to be up to 84 months
<b>Amortization:</b>	To reasonably match that of Senior Lender, anticipated to be up to 360 months
<b>Interest Rate:</b>	1.0% per annum
<b>Repayment Terms:</b>	Monthly interest only payments for up to 84 months with principal due at maturity. At maturity, an evaluation will be conducted by underwriting staff to determine the financial health of the project. Repayment at maturity will occur up to the point where the projected Debt Service Coverage Ratio (DSCR) is 1.20 to 1.00 on all outstanding debt. Any portion of the MCRP incentive that would reduce the DSCR below that threshold could potentially be deferred or forgiven. This analysis will be performed utilizing a 1.0% interest rate and 20-year amortization period. Any deferral or forgiveness will be approved by the MSF Fund Manager.

- Collateral:** Currently anticipated to be a third-priority security interest in all real estate and assignments of the following: rents and leases, TIF reimbursements, all business assets, all reserve accounts, and all contracts, including construction contracts.
- Guarantee:** Currently anticipated to be the full and unconditional Personal Guarantees of Roderick Hardamon, George N’Namdi, and Richard Hosey and the full and unconditional Corporate Guarantees of URGE Development Group LLC, N’Namdi Holdings, LLC and Realty Investment and Consulting, LLC.
- MSF Fees:** The MSF shall be paid a one-time fee equal to 1.0% of the MSF incentive amount.
- Reserves/Contingencies:** Anticipated to be over \$1,500,000 in construction interest, rent up, operating and construction reserves and contingencies.
- Funding:** The MSF will fund up to \$1,250,000 to be disbursed following closing of the financing and other performance criteria.
- Other Conditions:** The MSF’s investment will be contingent upon receipt of the following:
- Copies of final construction documents, including a “Guaranteed Maximum Price” construction contract.
  - Final development budget.
  - Executed Condominium documents.
  - Local approvals of the districts for the PA-210 and NEZ tax abatements.
  - Minimum owner equity investment of \$780,000.
  - Other legal due diligence documentation as may be required by legal counsel.

**Summary of Development Sources:**

Bank Share	\$	4,350,000	41.66%
MSF Share	\$	1,250,000	11.97%
Invest Detroit (QLICI Loans)	\$	3,395,000	32.51%
EGL E RP Grant	\$	658,495	6.31%
Developer Equity	\$	788,294	7.55%
<b>TOTAL</b>	<b>\$</b>	<b>10,441,789</b>	<b>100.00%</b>

**Summary of Development Uses:**

Acquisition	\$	141,000
Hard Construction Costs	\$	7,937,160
Eligible Soft Costs	\$	355,000

Other	\$	2,008,629
<b>TOTAL</b>	<b>\$</b>	<b>10,441,789</b>

**Tax Capture Summary**

In order to alleviate brownfield conditions and prepare the site for redevelopment, the City of Detroit, a Qualified Local Governmental Unit, has duly approved a brownfield plan for this property on March 9, 2021. The property has been determined to be a facility as verified by the Michigan Department of Environment, Great Lakes, and Energy (EGLE) on April 1, 2021.

There are 65.3202 non-homestead mills available for capture, with State mills from school operating and SET millages equaling 24.0000 mills (36.74%) and local millage equaling 41.3202 mills (63.26%). Tax increment capture will begin in 2021 and is estimated to continue for 23 years. The state tax capture is recommended to be capped at \$228,537 which is the amount of tax increment revenue anticipated to be generated in 23 years. Total MSF eligible activities are estimated at \$524,292. Due to an anticipated PA 210 Act tax abatement and an anticipated Neighborhood Enterprise Zone tax abatement, the blended ratio for the MSF eligible activities breaks down as follows:

State tax capture	(43.59%)	\$	228,537
Local tax capture	(56.41%)	\$	<u>295,755</u>
<b>TOTAL</b>		<b>\$</b>	<b>524,292</b>

**Cost of MSF Eligible Activities**

Infrastructure Improvements	\$	418,500
Site Preparation	+	<u>30,884</u>
Sub-Total	\$	449,384
Contingency (15%)	+	<u>67,408</u>
Sub-Total	\$	516,792
Brownfield/Work Plan Preparation	+	<u>7,500</u>
<b>TOTAL</b>	<b>\$</b>	<b>524,292</b>

In addition, the project is requesting \$631,160 in TIF from EGLE to assist with environmental eligible activities.

**Applicant History**

The project is being led by 7303 West McNichols, LLC which is a partnership between George Nnamdi, Rod Hardamon, and Richard Hosey who each independently have development experience and are working together on OSI Apartments on West Grand River Avenue which received \$1,200,000 CRP and Brownfield TIF in January of 2020. That project is successfully under construction. Hardamon is CEO of Urge Development which is focused on systemic change through creative placemaking applying his 20-year career on Wall Street to advise on development of over \$65 million in real estate transactions. Nnamdi of Nnamdi Holdings and owner of the GR Nnamdi Gallery on East Forest in the Sugar Hill Arts District were a catalyst for transforming the surrounding area into a thriving arts center. Hosey leads Hosey Development which has completed more than 170,000 square feet of historic rehab in the Capital Park and currently developing more than 240,000 square feet across several projects that the MEDC has participated in. All are in good standing with MSF and MEDC. A background check has been completed in accordance with the MSF Background Review Policy, and the project may proceed for MSF consideration.

**Appendix A** includes a project map and renderings, **Appendix B** addresses the programmatic requirements and **Appendix C** contains the Organizational Chart.

**Recommendation**

MEDC staff recommends approval of the following (the “Recommendation”):

- a) State tax capture for the Act 381 eligible activities capped at \$228,537 utilizing the current state to local capture ratio.
- b) A MCRP performance-based Direct Loan in the amount of up to \$1,250,000 for 7303 West McNichols LLC on terms and conditions outlined in Exhibit A found in the resolution.
- c) Waiver of the MCRP Guidelines to allow for \$150,000 of the deferred developer fees to be used for the Project Management Fees.

### APPENDIX A – Project Map and Renderings





## APPENDIX B – Programmatic Requirements

### MCRP Program and Guidelines

On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program (MCRP) and on October 27, 2020, 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. It is the role of the MEDC staff to review for eligibility, completeness, and adherence to the program, the information provided by the applicant and to manage the MSF's investment. As required under the MCRP, all statutory criteria for the project have been considered when making the recommendations in this memo. The project meets the MCRP Guidelines and a financial review has been completed.

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:**

While hundreds of millions of dollars in private investment has flowed into Detroit, an Urban Institute analysis found that most of this investment has been concentrated in the Downtown. Outside of downtown and the adjacent neighborhoods, it is estimated that 30% of land remains vacant and a third of residents live in poverty. In response, the City of Detroit and Invest Detroit and private donors partnered to create a \$172 million Strategic Neighborhood Fund to direct private investment to 10 high impact neighborhoods. Invest Detroit first made strategic land acquisitions, identified emerging, minority developers with ties to the community, and provided below market debt to three projects, this being one, within the corridor which are intended to be catalytic to further private investment.

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

The project will act as a catalyst by adding new housing units and a unique commercial offering that will support the corridor and surrounding neighborhoods. The development is anticipated to create 38 residential units and approximately 5,862 square feet of commercial space along the McNichols corridor which would benefit from a more walkable, densely built environment. The mixed-use property will help activate the corridor's tremendous commercial potential and engage the neighborhood through a retail plaza that prioritizes the community's needs, enhancing the pedestrian character of the community, and promoting a high level of design that will improve the quality of life and finally, offering sustainable economic opportunities for residents and area entrepreneurs.

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

The City of Detroit has financially contributed to the project in a number of ways including the local portion of the Brownfield TIF with an estimated value of \$295,755. The development team is also pursuing a Public Act 210 tax abatement and Neighborhood Enterprise Zone tax abatement with an estimated value of \$119,235 and \$727,416 respectively.

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

A financing gap exists due to existing market rents that are not high enough to justify new construction or support the value required to obtain an adequate level of debt. In addition, the project has committed to providing both affordable residential and commercial rental rates, further restricting project cash flow. This makes subsidy necessary to balance the debt, equity and return

requirements as it relates to the overall project cost. All other financing sources have been explored and maximized, including New Market Tax Credits from Invest Detroit and Opportunity Zone Investment. The project is also leveraging Brownfield TIF, an EGLE Refined Petroleum Grant, an anticipated Neighborhood Enterprise Zone abatement and an anticipated PA 210 tax abatement. The development is projected to generate a reasonable return of 8% (assuming amortizing Senior and MSF debt only). Returns fall to 0% if assumptions are made on the QLICI notes being refinanced and amortizing after Year 7. The Applicant is contributing over \$780,000 in cash equity and an additional \$3,395,000 is being contributed as Qualified Low Income Community Investment (QLICI) Loans per the required Leveraged Loan structure dictated by the New Market Tax Credits. It is anticipated that approximately \$2,100,000 of the QLICI debt will be forgiven after seven years once the New Market Tax Credit structure unwinds. The proposed MCRP incentive will fill the financing gap and allow the project to remain financially feasible.

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

This project does not include the reuse of a vacant, historic, or blighted property.

**F. Creation of jobs:**

The developer anticipates 25 jobs will be created following construction. This will include two full-time equivalent permanent jobs related to property management and additional jobs related to the various businesses who will be tenants in the commercial spaces. The average hourly wage is estimated to be \$9.45.

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

The project is being financed in part by a senior loan from Capital Impact Partners for \$4,350,000 or 42% of total development costs. The development team has also secured \$3,395,000 in New Market Tax Credits QLICI loans that make up roughly 32% of total development costs. The development team is contributing \$788,294 in cash equity which is roughly 7.5%. We are proposing to fill the remaining \$1,250,000 gap with a MCRP direct loan.

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

Upon achieving stabilized occupancy, it is anticipated the project's debt service coverage ratio will be approximately 1.19 to 1.00, assuming a TIF average and interest only payments on the MSF and QLICI debt, which will be the structure in place for the project's first seven years. The Applicant is contributing \$788,294 in cash equity, traditional lending sources have been maximized and an additional \$3,395,000 is being contributed as three separate QLICI Loans as a requirement of the Leveraged Loan structure dictated by the New Market Tax Credits. It is expected that roughly \$2,100,000 of the QLICI debt will be forgiven after seven years once the New Market Tax Credit structure unwinds. The remaining QLICI notes are expected to be refinanced, at flexible terms if needed, to ensure the success of the project as the lenders involved have the ability to provide flexibility should this project need it to remain viable. There is an adequate level of reserves and contingencies contained in the project budget.

Developer equity of 7.5% appears to be a deviation from guidelines, however, this project involves New Market Tax Credits, so this is considered an acceptable deviation. In addition, debt service coverage is projected to initially be below 1.20. This is a combination of the affordable rent levels and the amount of leverage being utilized to bring this project to fruition. It is anticipated after the

NMTC's unwind after year 7, there is upside potential in rents that will result in additional cash flow to enhance long term cash flow coverage. In addition, there are sufficient operating reserves in the budget.

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

The 7303 McNichols development site currently consists of three vacant commercial buildings spanning the southern block of McNichols between Prairie and Monica streets and are deemed facilities due to the level of contamination on the site and will be demolished. The proposed development will result in a mixed-use, mixed-income development that has the mass, density and scale appropriate to the corridor and surrounding neighborhood.

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

The project includes 38 residential units including studio, one and two-bedrooms priced for residents within the 60-80% area median income. The first floor includes 5,862 square feet of commercial space across four retail bays and intends to target various retailers that reflect the community's needs and interests. The storefronts are pedestrian-oriented, and programming of the property will foster a creative and inviting environment that complements the existing and intended plans for the corridor.

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

The project does not convert abandoned public buildings into private use.

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

The McNichols project will add permeable planter boxes along the Prairie street side of the development for storm water management. Additional sustainable design elements will be considered as development costs allow.

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

The project does not involve the rehabilitation of a historic resource.

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

7303 West McNichols will provide a new set of housing options to both existing and new residents to the area. The design of the development will incorporate sidewalk and curb improvements in line with the City of Detroit streetscape improvements along McNichols Road. The project is the first of three projects that directly support the City of Detroit's Strategic Neighborhood Investments in the McNichols Corridor which is intended to act as a catalyst for additional investment in the neighborhood.

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

The project is located in a geographically disadvantaged area in the state. This particular neighborhood was identified for investment after determining that despite significant investment in the City of Detroit a majority of that investment was not impacting Detroit neighborhoods which were remaining largely vacant. The project will result in four new retail bays along the McNichols corridor, including one designated to incorporate new and emerging business for the city.

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

A Phase II Environmental Site Assessment of the property dated September of 2020, identified volatile organic compounds in excess of the drinking water protection criteria, groundwater surface

drinking protection criteria, and the recommended interim action screening levels. Based on laboratory analytical results, the property meets the definition of a facility, as defined in Michigan Department of Environment, Great Lakes and Energy Part 201 NREPA. Additionally, the City of Detroit Building, Safety, Engineering and Environment Department has reviewed the results of the Phase I ESA, Phase II ESA, and Baseline Environmental Assessment reports and concurs with the facility designation per Part 201.

- Q. If the rehabilitation of the historic resource will meet the federal Secretary of the Interior's standards for rehabilitation and guidelines for rehabilitating historic buildings (36 CFR 67):**  
The project does not include the rehabilitation of a historic resource.
- R. Whether the project will compete with or affect existing Michigan businesses within the same industry:**  
The project will not compete with or affect an existing Michigan business.
- 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 other additional information has been requested.

**Brownfield Act 381 Program Additional Project Information:**

- A. Area of High Unemployment:**  
The City of Detroit unadjusted jobless rate was 9.6% in March 2021. This compares to the statewide seasonally adjusted average of 5.2% in March 2021.
- A. Reuse of functionally obsolete buildings and/or redevelopment of blighted property:**  
The project does not include the reuse of a functionally obsolete and is not qualifying for this award based on redevelopment of blighted property.
- B. Whether project will create a new brownfield property in the State:**  
No new Brownfields will be created by this project.

### APPENDIX C - Organizational Chart

7303 West McNichols LLC Organizational Structure			
7303 West McNichols LLC EIN: 85-2557420			
7303 West McNichols LLC Manager: Roderick Akelo Hardamon			
Member	Ownership Interest	EIN	State of Organization
<b>URGE Development Group / Roderick Hardamon</b>	<b>33.33%</b>	81-2527055	Michigan
Roderick Hardamon	100.00%		
<b>N'Namdi Holdings LLC / George N'Namdi</b>	<b>33.33%</b>	35-2604332	Michigan
George N'Namdi	100.00%		
<b>Realty Investment and Consulting LLC / Richard Hosey</b>	<b>33.33%</b>	20-5796962	Michigan
Richard Hosey	100.00%		

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2021-075**

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM  
PERFORMANCE BASED DIRECT LOAN AWARD TO  
7303 WEST MCNICHOLS LLC AND AN ENTITY TO BE FORMED**

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

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

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

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

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

**WHEREAS**, 7303 West McNichols, LLC (“Company”) has requested a performance based Direct Loan Award of up to \$1,250,000 (“Award Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

**WHEREAS**, the MEDC has recommended that the MSF approve the Company’s 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 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 120 days (“MCRP Award Recommendation”);

**WHEREAS**, the MEDC has requested a waiver to the MCRP Guidelines to allow \$150,000 of the deferred developer fees to be used to fund the Project Management Fees. (the “Waiver Request”); and

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

**BE IT FURTHER RESOLVED**, the MSF Board approves the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate the above approved MCRP Award Recommendation.

Ayes: Britany L. Affolter-Caine, Paul Ajegba, Susan Corbin, Rachael Eubanks, Paul Gentilozzi, Amanda Bright McClanahan (on behalf of Chairman Noel, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner

Nays: None

Recused: September Hargrove

Lansing, Michigan  
May 25, 2021

**EXHIBIT A**  
**“TERM SHEET”**

**Loan Terms**

<b>MSF Facility:</b>	MCRP Performance-Based Direct Loan
<b>Borrower:</b>	7303 West McNichols LLC and an Entity/LLC to be Formed
<b>Total Capital Investment:</b>	Currently estimated at \$10,441,789
<b>MSF Eligible Investment:</b>	Currently estimated at \$8,292,160
<b>Minimum Eligible Investment:</b>	Currently estimated at \$6,633,728
<b>Loan Amount:</b>	Up to the lesser of 20% of “Eligible Investment” or \$1,250,000
<b>Interest Rate:</b>	1.0% per annum
<b>Term:</b>	To reasonably match that of Senior Lender, anticipated to be up to 84 months
<b>Amortization:</b>	To reasonably match that of Senior Lender, anticipated to be up to 360 months
<b>Repayment Terms:</b>	Monthly interest only payments for up to 84 months with principal due at maturity. At maturity, an evaluation will be conducted by underwriting staff to determine the financial health of the project. Repayment at maturity will occur up to the point where the projected Debt Service Coverage Ratio (DSCR) is 1.20 to 1.00 on all outstanding debt. Any portion of the MCRP incentive that would reduce the DSCR below that threshold could potentially be deferred or forgiven. This analysis will be performed utilizing a 1.0% interest rate and 20-year amortization period. Any deferral or forgiveness will be approved by the MSF Fund Manager.
<b>Collateral:</b>	Currently anticipated to be a third-priority security interest in all real estate and assignments of the following: rents and leases, TIF reimbursements, all business assets, all reserve accounts, and all contracts, including construction contracts.
<b>Guarantee(s):</b>	Currently anticipated to be the full and unconditional Personal Guarantees of Roderick Hardamon, George N’Namdi, and Richard Hosey and the full and unconditional Corporate Guarantees of

<b>MSF Fee(s):</b>	URGE Development Group LLC, N’Namdi Holdings, LLC and Realty Investment and Consulting, LLC. The MSF shall be paid a one-time fee equal to 1.0% of the CRP incentive amount.
<b>Reserves/Contingencies:</b>	Anticipated to be over \$1,500,000 in construction interest, rent up, operating and construction reserves and contingencies.
<b>Funding:</b>	The MSF will fund up to \$1,250,000 to be disbursed following closing of the financing and other performance criteria.
<b>Other Conditions:</b>	<p>The MSF’s investment will be contingent upon receipt of the following:</p> <ul style="list-style-type: none"> <li>- Copies of final construction documents, including a “Guaranteed Maximum Price” construction contract.</li> <li>- Final development budget.</li> <li>- Executed Condominium documents.</li> <li>- Local approvals of the districts for PA-210 and NEZ tax abatements.</li> <li>- Minimum owner equity investment of \$780,000.</li> <li>- Other legal due diligence documentation as may be required by legal counsel.</li> </ul>

May 24, 2021

Katelyn Wilcox  
Assistant Chief of Protocol  
Michigan Economic Development Corporation  
300 N. Washington Square  
Lansing, MI 48913

Re: 7303 West McNichols LLC/McNichols Redevelopment

Dear Ms. Wilcox

This letter is to advise that I am recusing myself from deliberations and voting on the 7303 West McNichols LLC/McNichols Redevelopment agenda item during the Michigan Strategic Fund board meeting on Tuesday, May 25, 2021.

The reason for the recusal is that I have a conflict of interest with respect to the parties involved in the agenda item.

Regards,

September Hargrove



**MICHIGAN ECONOMIC**  
DEVELOPMENT CORPORATION

March 18, 2021

Michigan Strategic Fund  
300 N. Washington Square  
Lansing, MI 48913

RE: Designation of Amanda Bright McClanahan

To Whom It May Concern:

Pursuant to MCLA 16.51, I hereby confirm my designation of Amanda Bright McClanahan as the person authorized and empowered to act in my stead as a member of the Michigan Strategic Fund board for scheduled meetings I am unable to attend.

Sincerely,

D. Jeffrey Noel  
President & Chairman, MSF  
Chief Executive Officer, MEDC

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**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2021-076**

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN  
CITY OF DETROIT BROWNFIELD REDEVELOPMENT AUTHORITY  
MCNICHOLS REDEVELOPMENT**

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

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

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

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

**WHEREAS**, the City of Detroit Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 7303, 7329, 7355 West McNichols Road, within the City of Detroit, known as McNichols Redevelopment (the “Project”);

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

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

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

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board approves the Brownfield Work Plan and authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as 43.59% to 56.41% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation and infrastructure improvements as presented in the Work Plan dated April 20, 2021. Any change in millage that increases the capture percentage of school taxes in the ratio above by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on

costs of MSF eligible activities with a maximum of \$516,792 for the principal activity costs of non-environmental activities and a contingency, a maximum of \$7,500 for Brownfield/Work Plan preparation, and with the total capture of state school taxes capped at a maximum of \$228,537.

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

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

Ayes: Britany L. Affolter-Caine, Paul Ajegba, Susan Corbin, Rachael Eubanks, Paul Gentilozzi, Amanda Bright McClanahan (on behalf of Chairman Noel, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner

Nays: None

Recused: September Hargrove

Lansing, Michigan  
May 25, 2021

May 24, 2021

Katelyn Wilcox  
Assistant Chief of Protocol  
Michigan Economic Development Corporation  
300 N. Washington Square  
Lansing, MI 48913

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Sincerely,

D. Jeffrey Noel  
President & Chairman, MSF  
Chief Executive Officer, MEDC

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## MEMORANDUM

**Date:** May 25, 2021

**To:** Michigan Strategic Fund Board

**From:** Daniel Leonard, Senior Community Assistance Specialist  
Debbie Stehlik, Commercial Real Estate Investment Manager  
Julius Edwards, Senior Commercial Real Estate Investment Manager  
Rob Garza, Manager, Statutory Analysis

**Subject:** Request for Approval of a Michigan Community Revitalization Program (MCRP)  
Other Economic Assistance – Loan Participation  
GLC Northern Michigan Pine, LLC - 309 W. Front Street

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### Project Summary

The request will support a community development project located in the City of Traverse City that will construct a new four-story mixed-use building, representing \$25,339,947 in total capital investment. This project will include approximately 5,125 square feet of commercial space on the first floor, up to 91 residential rental units occupying approximately 76,722 square feet on floors one through four, approximately 33,868 square feet of subgrade parking containing 93 spaces, approximately 1,168 square feet of amenity space, and 27,298 square feet of common space. The completed project will represent approximately 144,181 gross square feet, including parking. Residential units were designed with an intentional blended income mix supporting the goals of the DDA and several large employers throughout Traverse City, and include the creation of 78 market rate residential units and 13 income restricted housing units limited to 80% AMI. To monitor the income restricted units, the Traverse City Housing Commission has been contracted and will work collaboratively with the development team for 5 years.

Commercial space within the first floor will target a rental price of \$26 per square foot, whereas the residential market rate units range from \$2.06 to \$2.09 per square foot across studio, one- and two-bedroom units. The 13 income restricted units will range from \$1.74 to \$2.00 per square foot and are a mix of studio and one-bedroom apartments. Public improvements throughout the project include roughly 3,091 square feet of new public boardwalk along the Boardman River. This boardwalk will be connected to previous riverfront improvements allowing access to downtown via the riverfront in addition to the sidewalk systems. Overall, infill development with new housing is a primary goal of the DDA, City and regional master plan and this project has garnered several letters of support from large downtown employers such as Hagerty Insurance, Munson Healthcare, M-22 retailers, and others. Construction cost per square foot is \$214 which is comparable to other projects of the same size and scope.

A financing gap exists due to both physical and economic issues within downtown Traverse City. The site's physical nature of being heavily contaminated is a challenge financially as the site will require significant remediation as well as special foundations. An additional challenge is the access to building materials in northern Michigan, which has raised construction pricing over 5% in the past six months alone. Finally, the development team's commitment to restricting rental rates on 13 residential units to affordable levels financially impacts the revenue stream. The relatively high purchase price of land in Traverse City is a contributing factor in redevelopment projects throughout the downtown, however, traditional financing in

this project will contribute roughly \$18,400,000 or approximately 73% of the capital stack. The deal overall will maintain an average debt service coverage ratio of 1.30. With MSF approval of the recommended Loan Participation award, the developer's projected return for the project is 6.6% over 20 years.

### **Request**

GLC Northern Michigan Pine, LLC ("Applicant") is requesting a MCRP performance-based Other Economic Assistance - Loan Participation with Centier Bank in the amount of \$2,900,000 with up to \$750,000 forgivable upon construction completion and achievement of other performance criteria. The Applicant anticipates that the project will result in a total capital investment in the amount of \$25,339,947.

### **Program Summary**

The request for MCRP support is consistent with program requirements. It will create a mixed-use, multi-story building in Traverse City. The project qualifies for the MCRP program because the site is a facility. The project is consistent with MEDC's strategic plan by developing an attractive place along West Front Street while supporting existing employers of Traverse City by providing a much-needed housing option to both retain and attract talent. Physically, this project will act as a cornerstone to West Front Street. Once complete, this project will provide a visual as well as public connection to the existing waterfront access via a public boardwalk along the Boardman River, which is a significant addition to the sense of place for this portion of downtown Traverse City. The development team's proposal to develop both market rate residential units as well as income restricted units accommodates a market need for housing while aligning with the DDA and City's vision of bringing year-round residents into the community. The local economic development organization, Traverse Connect, is targeting mobile entrepreneurs through their "Creative Coast" attraction efforts and this product is anticipated to be a key aspect of their efforts. Overall, local support for this project is significant due to the creation of new residential units which will target the needs of various downtown businesses of whom have struggled to retain and attract talent due to a lack of housing.

### **Local Support**

Local support for the project includes the local portion of an existing MEGA approved Act 381 Work Plan valued at \$243,700 and a DDA contribution in the amount of \$3,498,300 to support the creation of new public sidewalk systems, streetscape, front street bridge repair, buried power lines and the long-term creation of a new public parking deck. These local contributions support both this project and an adjacent project at 305 West Front Street that has just been completed and was awarded a Brownfield MBT credit. The City of Traverse City is certified with the MEDC's Redevelopment Ready Communities (RRC) program.

### **Financing Opportunity – Other Economic Assistance – Loan Participation**

The senior lender, Centier Bank, along with the Applicant has requested the MSF participate in up to \$2,900,000 of a total \$21,326,906 in construction to permanent loan financing. The \$2,900,000 MSF Share includes up to \$750,000 to be forgivable upon construction completion, which will be automatic, contingent upon compliance with loan agreements. A financing gap exists due to the significant costs involved in the remediation of a heavily contaminated site as well as special concrete foundations needed for the project combined with the overall increased cost of construction in northern Michigan. In addition, the development team's commitment to restricting rental rates on 13 residential units to affordable levels financially impacts the revenue stream. Staff is recommending the forgivable portion in order to offset the impacts of the above, allowing the development team to achieve a return level necessary to proceed forward with the proposed project. The development team has maximized traditional bank financing at approximately 73% of the capital stack and is contributing an estimated \$4,000,000 or just under 16%. They are also leveraging a previously approved MEGA Act 381 Work Plan valued at \$1,646,626 (both 305 and 309 Front Street) and a DDA contribution in the amount of \$3,498,300 (both 305 and 309 Front Street). The project is anticipated to maintain an average debt service coverage ratio of above 1.20 upon reaching

stabilized occupancy. It is anticipated that disbursements to the project on the loan will be made on a pro-rata basis. Below outlines a summary of the development sources and the proposed structure of the loan participation. With the financing structure described below, it is anticipated that the investors will be able to achieve a 6.6% return from operations.

**Loan Terms**

<b>MSF Facility:</b>	MCRP Other Economic Assistance Loan Participation
<b>Borrower:</b>	GLC Northern Michigan Pine, LLC
<b>Senior Lender:</b>	Centier Bank
<b>Total Amount of Loans:</b>	Currently estimated at \$21,326,906
<b>Lender Share:</b>	Currently estimated at \$18,426,906
<b>Total Capital Investment:</b>	Currently estimated at \$25,339,947
<b>MSF Eligible Investment:</b>	Currently estimated at \$20,565,368
<b>Minimum Eligible Investment:</b>	Currently estimated at \$16,452,295
<b>MSF Share:</b>	Up to the lesser of 20% of “Eligible Investment” or \$2,900,000.
<b>Term:</b>	Shall match that of the Senior Lender, anticipated to be 84 months
<b>Amortization:</b>	Shall match that of the Senior Lender, anticipated to be 360 months
<b>Interest Rate:</b>	1.0% per annum
<b>Repayment Terms:</b>	Monthly interest only payments for up to 36 months, followed by monthly principal and interest payments with principal due at maturity. If Borrower is in compliance with all agreements, <b>up to \$750,000 will automatically be forgiven upon construction completion.</b>
<b>Collateral:</b>	To reasonably match that of the Lender, currently anticipated to be a First Mortgage Lien position and Assignment of Rents and Leases on the Land and Building along with a 1 <sup>st</sup> lien position on the business assets and FF&E of the Borrower and a security interest in the TIF Reimbursements. MSF Share of collateral will be subordinated to that of the Lender.
<b>Guarantee:</b>	To reasonably match that of the Lender, currently anticipated to be the limited personal guarantees of Ryan Rans, Bradley Toothaker, Christopher Reid and Jeff Smoke, limited to 125% of their pro-rata ownership share during construction and stabilization, then limited to 50% of their pro-rata ownership share upon achieving a 1.20 Debt Service Coverage ratio. MSF Share of collateral will be subordinated to that of the Lender.
<b>MSF Fees:</b>	The MSF shall be paid a one-time fee equal to 1.0% of the MSF’s share of the loan. The Lender may charge the borrower for this fee.

- Reserves:** Anticipated to be over \$1,750,000 in construction interest, rent up, operating and construction contingencies and reserves.
- Deferred Developer Fees:** There are no developer or related-party fees
- Funding:** The MSF will fund up to \$2,900,000 to be disbursed following closing of the financing and other performance criteria.
- Other Conditions:** The MSF’s investment will be contingent upon the following:
- Copies of final construction documents, including an executed “Guaranteed Maximum Price” construction contract.
  - Final development budget.
  - Minimum owner equity investment of \$4,000,000.
  - Other legal due diligence documentation as may be required for review.

**Summary of Development Sources:**

Bank Share	\$	18,426,906	72.72%
MSF Share	\$	2,900,000	11.44%
Developer Equity	\$	4,013,041	15.84%
<b>TOTAL</b>	<b>\$</b>	<b>25,339,947</b>	<b>100.00%</b>

**Summary of Development Uses:**

Acquisition	\$	2,963,579
Hard Construction Costs	\$	19,755,368
Eligible Soft Costs	\$	810,000
Other	\$	1,811,000
<b>TOTAL</b>	<b>\$</b>	<b>25,339,947</b>

**Applicant History**

GLC Northern Michigan Pine, LLC is a development company based out of Indiana with significant experience developing multi-use buildings as well as industrial projects throughout the Midwest. This will be the Company’s first development effort outside of southwest Michigan and will hopefully act as a catalytic development project not only for the City of Traverse City, but also for their company’s future investment in Michigan. Neither GLC Northern Michigan Pine, LLC nor its principals, have been awarded incentives from the Michigan Strategic Fund. A background check has been completed in accordance with the MSF Background Review Policy, and the project may proceed for MSF consideration.

**Appendix A** includes a project map and renderings, **Appendix B** addresses the programmatic requirements and **Appendix C** contains the Organizational Chart.

**Recommendation**

MEDC staff recommends approval of a MCRP performance-based Other Economic Assistance Loan Participation in the amount of up to \$2,900,000 for GLC Northern Michigan Pine, LLC on terms and conditions outlined in Exhibit A found in the resolution.

### APPENDIX A – Project Map and Renderings



## **APPENDIX B – Programmatic Requirements**

### **MCRP Program and Guidelines**

On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program (MCRP) and on October 27, 2020, 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. It is the role of the MEDC staff to review for eligibility, completeness, and adherence to the program, the information provided by the applicant and to manage the MSF's investment. As required under the MCRP, all statutory criteria for the project have been considered when making the recommendations in this memo. The project meets the MCRP Guidelines and a financial review has been completed.

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:**

This project brings people downtown to both live and work in Traverse City. Currently, access to residential housing options is extremely limited throughout the community. More residents living downtown will support existing businesses and potentially drive new business growth. Within the core business district of the DDA, this is the first project of this scale utilizing an income restricted 80% AMI threshold for new housing units.

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

This project will act as a catalyst for additional revitalization in this area of Traverse City as the income targeted residential units will support the needs of the existing business environment. Once complete, this project will set a standard for new housing development.

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

Local support for the project includes the local portion of an existing MEGA approved Act 381 Work Plan valued at \$243,700 and a DDA contribution in the amount of \$3,498,300 to support the creation of new public sidewalk systems, streetscape, front street bridge repair, buried power lines and the long-term creation of a new public parking deck. These local contributions support both this project and a project at 305 West Front Street that has just been completed and was awarded a Brownfield MBT credit.

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

A financing gap exists due to the greater costs involved in the redevelopment of a heavily contaminated brownfield site and the additional expenses associated with the environmental remediation, site preparation and infrastructure activities to support the proposed project. Given the site's unstable soil conditions, the development team is required to include special foundations, significant dewatering to support underground parking, and overcome the overall increased cost of construction in northern Michigan. In addition, the inclusion of affordable housing impacts the project's ability to generate cash flow compared to that of a traditional market rate housing project. The development team has maximized traditional bank financing at approximately 73% of the capital stack and is contributing an estimated \$4,000,000 in equity or just under 16%. They are also leveraging a previously approved MEGA Act 381 Work Plan valued at \$1,646,626 (both 305 and 309 Front Street) and a DDA contribution in the amount of \$3,498,300 (both 305 and 309 Front Street). Without this incentive, the project would not be financially viable or offer a return high enough to attract investment.

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

The project will not reuse an existing vacant building and is not qualifying as a historic resource or blighted.

**F. Creation of jobs:**

The project is anticipated to support the creation of 24 new jobs with an average hourly wage of \$15.75.

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

The development team is bringing approximately \$4,000,000 in cash equity to the project and traditional debt contributing 16% and 73% of the capital stack respectively.

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

The project has an average debt service coverage ratio of greater than 1.2 to 1.0. The debt service coverage ratio is projected to drop slightly below 1.20 in years 11 and 12. This is primarily the result of the end of TIF reimbursements after year 10 combined with refinance assumptions. Staff is comfortable with this due to the experience of the development team and the very slight dip below 1.20 (1.17 and 1.19). Staff reviewed rent comparables as provided in a January 2021 appraisal and is comfortable with the subject property's proposed rental structure as it is in line with the market. The development team is contributing over \$4,000,000 in equity, has maximized traditional financing, and is projected to earn a return of 6.6%.

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

This project will replace the existing parking lot with a 4-story mixed use building and physically provide a new bookend to West Front Street along this primary east-west corridor.

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

The subject development project will create an approximately 144,000 gross square foot 4-story, mixed-use building containing commercial space and 91 new residential units. Given the location of the project, the future commercial and residential tenants will be afforded multi-functional walkable options to access downtown Traverse City via the future public boardwalk along the Boardman River, and the traditional sidewalk system connecting this project to the City's central business districts.

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

The project is not converting any abandoned public buildings to private use.

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

The selected site has been utilized to preserve the mature native landscaping environment along the river front and maximize the shade. The site is on a major east-west public transportation route and is extremely close to the Hall Street Transfer Station and the downtown business district for easy access to all public transportation routes. The 309 Front Street project encourages use of the direct connections to the Boardman River Trail walks, sidewalks, boardwalks and water access which promotes non-motorized transportation and enhances life of the downtown residents. Additionally, the design team worked collaboratively with the 305 W. Front Street site to utilize its storm water management system further protecting the adjacent river system. This building's storm water will extend to the underground storm water collection system of 305 W. Front Street which provides groundwater recharge through a sediment separator for clean water discharge back to the Boardman River and no direct surface water to the river. This will reduce the municipal storm water system

stress by not returning storm water into the public storm system. The apartment units utilize Energy Star appliances throughout to help tenants reduce energy usage and save money on operating costs. Lighting fixtures will utilize low wattage LED lamps on the exterior lighting, in the apartment common areas and in apartments. Exterior building lighting will be up/down lighting fixtures, enhancing the building exterior while reducing light pollution for adjacent neighbors and making the pedestrian experience more enjoyable. Working with Consumer Energy on their Renewable Energy programs or solar photo voltaic panels are considered for the roof surface, utilizing the 27,000 square feet of roof area. The design team's inclusion of the riverfront, site landscaping, building architecture, interior architecture and mechanical systems has created a living environment that will be energy efficient, water conserving and cost saving for the tenant while providing a natural riverfront living environment. Additional insulation will also be utilized on the exterior walls to minimize heat loss and save on energy bills for the tenants.

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

This project does not involve the rehabilitation of a historic resource.

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

The subject project will support the long-term investment goals of the Traverse City DDA and will absorb the market demand for residential housing in a strategic location downtown. Providing new, walkable residential units will accommodate the needs of regional businesses who struggle to retain/attract talent based upon a lack of housing and will provide relief to the surrounding housing market by freeing up interest in single-family housing stock.

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

The project's 91 new residential rental units meets the priority of both the DDA and City of Traverse City in creating new residential opportunities. This project's targeted income-restricted and market rate residential units will benefit local retailers, large-scale businesses, and provide more year-round activity within downtown Traverse City.

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

The subject property is considered a facility per the Department of Environment, Great Lakes and Energy. This site's redevelopment efforts will remove property contaminates in alignment with the due care plan developed to address onsite environmental issues. Additionally, landscaping and onsite stormwater management was developed in a manner to protect the neighboring Boardman River and its watershed with rain gardens and other low-impact-design elements.

**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):**

This project is not qualifying as a historic resource and is not subject to review of the federal Secretary of Interior's standards.

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

The subject project will not compete with other existing businesses in the area and overall will support the needs of local businesses struggling to attract and retain talent due to a lack of downtown housing throughout Traverse City.

**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:**

There are no additional criteria to be considered.

### APPENDIX C - Organizational Chart

Company Name Organizational Structure					
GLC Northern Michigan Pine EIN: 85-1713226					
Company Name Manager: Jeffrey William Smoke					
Member			Ownership Interest	EIN	State of Organization
GLC Northern Michigan LLC			100.00%	85-1713226	Michigan
	CRG TC LLC	50%		81-0833996	
	GLC South Bend TC Series	50%		85-1976277	
<b>Member/Company name and manager</b>					
<b>Member/Company name and manager</b>					
<b>Member/Company name and manager</b>					
<b>Key Principals/Guarantors:</b>		<b>Amount of Guarantee</b>			
	Jeff Smoke		31.25%		
	Chris Reid		31.25%		
	Ryan Rans		31.25%		
	Brad Toothaker		31.25%		

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2021-073**

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM  
OTHER ECONOMIC ASSISTANCE LOAN PARTICIPATION AWARD TO  
GLC NORTHERN MICHIGAN PINE, LLC**

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

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

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

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

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

**WHEREAS**, GLC Northern Michigan Pine, LLC (“Company”) has requested a performance based Other Economic Assistance Loan Participation of up to \$2,900,000 (“Award Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

**WHEREAS**, the MEDC has recommended that the MSF approve the Company’s 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 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 120 days (“MCRP Award Recommendation”); and

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

**BE IT FURTHER RESOLVED**, the MSF Board approves the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate the above approved MCRP Award Recommendation.

Ayes: Britany L. Affolter-Caine, Paul Ajegba, Susan Corbin, Rachael Eubanks, September Hargrove, Amanda Bright McClanahan (on behalf of Chairman Noel, designation attached), Charles P. Rothstein, Susan Tellier

Nays: None

Recused: Cindy Warner

Abstained: Paul Gentilozzi

Lansing, Michigan  
May 25, 2021

**EXHIBIT A**  
**“TERM SHEET”**

**Loan Terms**

<b>MSF Facility:</b>	MCRP Other Economic Assistance Loan Participation
<b>Borrower:</b>	GLC Northern Michigan Pine, LLC
<b>Senior Lender:</b>	Centier Bank
<b>Total Amount of Loans:</b>	Currently estimated at \$21,326,906
<b>Lender Share:</b>	Currently estimated at \$18,426,906
<b>Total Capital Investment:</b>	Currently estimated at \$25,339,947
<b>MSF Eligible Investment:</b>	Currently estimated at \$20,565,368
<b>Minimum Eligible Investment:</b>	Currently estimated at \$16,452,295
<b>MSF Share:</b>	Up to the lesser of 20% of “Eligible Investment” or \$2,900,000.
<b>Term:</b>	Shall match that of the Senior Lender, anticipated to be 84 months
<b>Amortization:</b>	Shall match that of the Senior Lender, anticipated to be 360 months
<b>Interest Rate:</b>	1.0% per annum
<b>Repayment Terms:</b>	Monthly interest only payments for up to 36 months, followed by monthly principal and interest payments with principal due at maturity. If Borrower is in compliance with all agreements, <b>up to \$750,000 will automatically be forgiven upon construction completion.</b>
<b>Collateral:</b>	To reasonably match that of the Lender, currently anticipated to be a First Mortgage Lien position and Assignment of Rents and Leases on the Land and Building along with a 1 <sup>st</sup> lien position on the business assets and FF&E of the Borrower and a security interest in the TIF Reimbursements. MSF Share of collateral will be subordinated to that of the Lender.
<b>Guarantee:</b>	To reasonably match that of the Lender, currently anticipated to be the limited personal guarantees of Ryan Rans, Bradley Toothaker, Christopher Reid and Jeff Smoke, limited to 125% of their pro-rata ownership share during construction and stabilization, then limited to 50% of their pro-rata ownership share upon achieving a 1.20 Debt Service Coverage ratio. MSF Share of collateral will be subordinated to that of the Lender.

- MSF Fees:** The MSF shall be paid a one-time fee equal to 1.0% of the MSF's share of the loan. The Lender may charge the borrower for this fee.
- Funding:** The MSF will fund up to \$2,900,000 to be disbursed following closing of the financing and other performance criteria.
- Other Conditions:** The MSF's investment will be contingent upon the following:
- Copies of final construction documents, including an executed "Guaranteed Maximum Price" construction contract.
  - Final development budget.
  - Minimum owner equity investment of \$4,000,000.
  - Other legal due diligence documentation as may be required for review.

May 25, 2021

Katelyn Wilcox  
Assistant Chief of Protocol  
Michigan Economic Development Corporation  
300 North Washington Square  
Lansing, MI 48913

RE: 309 West Front Street, Traverse City

Dear Katelyn,

I would like to recuse myself from the discussion on the above referenced property/ project as I know the developer, and I own the property directly across the street from this project. If this project moves forward it could potentially enrich me and increase my property value, therefore I prefer to not be involved in the discussion and will certainly not vote on the approval of this project.

Please let me know if questions.

Sincerely,

Cindy L. Warner



**MICHIGAN ECONOMIC**  
DEVELOPMENT CORPORATION

March 18, 2021

Michigan Strategic Fund  
300 N. Washington Square  
Lansing, MI 48913

RE: Designation of Amanda Bright McClanahan

To Whom It May Concern:

Pursuant to MCLA 16.51, I hereby confirm my designation of Amanda Bright McClanahan as the person authorized and empowered to act in my stead as a member of the Michigan Strategic Fund board for scheduled meetings I am unable to attend.

Sincerely,

D. Jeffrey Noel  
President & Chairman, MSF  
Chief Executive Officer, MEDC

PURE *M*ICHIGAN®



## MEMORANDUM

**Date:** May 25, 2021

**To:** Michigan Strategic Fund Board

**From:** Lynda Franke, Underwriting and Incentive Structuring Specialist  
Julius L. Edwards, Senior Commercial Real Estate Investment Manager

**Subject:** Request for Approval of a Michigan Community Revitalization Program Other Economic Assistance Loan Participation Agreement Amendment #7  
Exchange Building, LLC

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### Request

Exchange Building, LLC (“Company”) is requesting approval of an amendment to the Michigan Community Revitalization Program Other Economic Assistance Loan Participation Agreement and any related ancillary agreements (“Agreement”). The Company and MEDC staff are requesting to dissolve the existing Agreement with TCF Bank and replace it with an MCRP Performance-Based Direct Loan Agreement in order to put the 15-story project which is located in downtown Kalamazoo in a stronger and more successful position moving forward. This project was heavily impacted by COVID-19 and because of the time of construction completion it has had difficulty securing commercial tenants, although residential leasing is strong. Supporting this request will give the project time to attract commercial tenants, allow the project to continue to contribute to the vitality of downtown Kalamazoo and ultimately strengthen their ability to repay the outstanding MSF loan balance. Construction is complete and the proposed direct loan with a 24 month term will help the project to finish leasing and stabilize. The amendment request dated April 27, 2021 includes a request to replace the current loan participation structure with two new direct loans from TCF Bank and the MSF. The MSF award amount will not change, however TCF Bank is increasing their amount of debt to this project from \$18,766,844 to \$31,813,871 in order to remove a second participant bank who has elected to not participate in the refinancing request.

### Background

The Michigan Strategic Fund Board approved a \$6,400,000 Other Economic Assistance Performance Based Loan Participation Award (“Award”) and MBT Brownfield Credit Amendment on December 20, 2016, to the Company for the purpose of redeveloping .6 acres of property located at 155 West Michigan Avenue in the city of Kalamazoo into a 15 story, mixed-use building with market rate residential units, an integrated parking ramp for about 319 spaces and approximately 58,720 square feet of commercial space.

An amendment to the Award was approved on June 27, 2017 to add language regarding the senior lender’s subordination requirements related to repayment of the MSF Share concerning certain potential future instances of default. The additional approval was necessary in order to close the loan with TCF Bank and Old National Bank (“Lenders”).

The Michigan Strategic Fund Board approved a reauthorization of the Award on July 25, 2017 to allow the parties extra time to execute the final documents.

An amendment to the project was approved on February 25, 2020 to extend the interest only period by six months, extend all dates related to the loan conversion and Milestone Three by six months, and also extend

due dates for loan covenant testing. No amendment for these changes was executed prior to the Lenders' approval expiration, and the COVID-19 pandemic also changed the circumstances for the project.

An amendment to the project was approved on May 20, 2020 to defer payments to the Lenders for three months and to the MSF for six months, starting in May 2020. The second participant bank, Old National Bank's management decided not to approve that course of action, so no amendment was executed for the payment deferral.

An amendment to the project was approved on July 1, 2020 for a 90-day extension to the interest-only period and a 90-day extension to all dates related to the construction loan conversion.

An amendment to the project was approved on September 22, 2020 for a 90-day extension to the interest-only period and a 90-day extension to all dates related to the construction loan conversion.

An amendment to the project was approved on December 7, 2020 for a 90-day extension to the interest-only period and a 90-day extension to all dates related to the construction loan conversion.

An amendment to the project was approved on April 9, 2021 for a 90-day extension to the interest-only period and a 90-day extension to all dates related to the construction loan conversion.

Construction was completed in 2020. The project has performed well on the residential side achieving higher rates than anticipated, with near 100% occupancy of the 131 units anticipated by the end of May 2021. Leasing efforts on the commercial space have been hampered by the pandemic, and the development team has only been able to lease approximately 43% of the available space.

Financing for the project matured in July 2020 and the project has been approved for four extensions in order to allow time to secure a refinancing proposal. During this time the development has worked to secure an adequate refinancing proposal. Their efforts to secure a refinancing have been hindered by the second participant bank electing not to continue its participation with TCF Bank. TCF Bank has issued a term sheet to the Company to refinance the project and buyout the second participant bank's investment. As part of TCF's refinancing proposal they are proposing to reduce the availability under the original facility from the two banks from \$36,576,000 in senior debt to \$31,813,871. TCF Bank is also requesting consent from the MSF to advance the remaining \$4,762,129 within the next two years when the project's cash flow can handle the increase in debt service. Additionally, as part of the refinancing proposal from TCF Bank, it is looking to exit the participation structure with the MSF and requesting that the MSF enter into a separate subordinated direct loan with the Company.

In addition to removing one of the lenders, the Company would like to remove one of the minority (5%) owners. The majority owners and minority owner are in a legal dispute which is being monitored closely by TCF Bank. The bank is mitigating risk associated with the dispute by requiring the ownership team to fund an escrow to cover any unappealable financial claims against the property.

As part of the proposed conversion to a direct loan from the MSF, several changes to the originally-approved structure are requested. Below is the structure of the original Other Economic Assistance Loan Participation Award with the proposed changes to the business terms detailed with ~~strike through~~ and **CAPITALIZED** fonts:

**LOAN FACILITY**

**MSF Facility** MCRP PERFORMANCE-BASED DIRECT LOAN ~~Loan Participation and Servicing Agreement Under “Other Economic Assistance”~~

**Borrower:** Exchange Building, LLC

**Lender:** ~~Chemical Bank (TCF Bank)~~

**Total Loan Amount:** ~~Currently estimated at \$42,976,000~~

**Lender Share:** ~~Currently estimated at \$6,400,000~~

**MSF Share:** ~~Up to the lesser of 20% of “Eligible Investment” or \$6,400,000~~

**LOAN AMOUNT: UP TO \$6,400,000**

**Term:** To match that of the **SENIOR** Lender, not to exceed **24 MONTHS** ~~96 months with an interest only period of up to 36 months.~~

**Amortization:** ~~Up to 300 months following the interest only period~~ **TO MATCH THAT OF THE SENIOR LENDER NOT TO EXCEED 360 MONTHS.**

**Interest Rate:** On the MSF share anticipated to be 2.00% per annum.

**Repayment Terms:** ~~Up to 36~~ **24** months of ~~monthly interest only payments followed by monthly~~ principal and interest payments. Balance is due at maturity.

**Subordination of Payments**

~~It is anticipated that payments to the MSF will be allowed to the extent that the Debt Service Coverage Ratio (DSCR) is always above 1.20x. This ratio may be negotiated to a lower threshold (i.e. 1.10x)~~

**Collateral:** To match that of the Lender, ~~currently anticipated~~ **AT A MINIMUM** being a mortgage lien on the property, assignment of leases and rents, and a security interest in the TIF reimbursements. MSF ~~share of~~ **LIEN INTEREST IN THE** collateral will be subordinated to that of the **SENIOR** Lender.

**Guarantee:** ~~To match that of the Lender, currently anticipated to be the personal guarantees of Jeff Nicholson, Archie Leach, and Greg Taylor. The MSF Share of guarantee(s) will be subordinated to that of the Lender.~~ **GUARANTEES ACCEPTABLE TO THE MSF FUND MANAGER.**

**FEES:** **THE MSF SHALL BE PAID A ONE-TIME FEE EQUAL TO 0.50% OF THE MSF’S LOAN. THE BORROWER WILL BE RESPONSIBLE FOR ANY THIRD-PARTY FEES INCURRED BY THE MEDC/MSF IN CLOSING THE LOAN.**

**OTHER:**

- The currently undisbursed MCRP funds of \$659,249 would assist in funding an overall \$2,276,830 Tenant Improvement Escrow.
- Allow up to \$400,000 in annual distributions that will be funded personally by Jeff Nicholson and Archie Leach to pay the Class B members.
- Acknowledge proposed ownership change to remove 5% minority owner, Greg Taylor, and distribute his ownership shares and guarantee responsibilities to the other owners.

The requirements for the MBT credit that was part of the original structure have been met and Milestones One and Two have been met. The company is current with reporting requirements and has paid over \$226,000 in interest to the MSF as of April 2021.

**Recommendation**

The MEDC staff recommends approval of the following amendment requests:

- a) Rescind the Loan Participation and replace it with a Performance-Based Direct Loan in the amount of the outstanding MSF loan balance and consistent with the terms identified above;
- b) Authorize the MSF Fund Manager to consent to approximately \$4.7 million in future funding from TCF Bank if to-be-identified financial parameters and other criteria are met by the property.

### Attachment A

Exchange Building, LLC Organizational Structure				
Exchange Building, LLC EIN:				
Exchange Building, LLC Manager: Jeffrey Allan Nicholson & Archie Murray Leach				
Member		Ownership Interest	EIN	State of Organization
<b>155 JAN, LLC (Jeffrey A. Nicholson, Manager)</b>				
	Jeffrey A. Nicholson Trust u/a/d 7/12/02	100.00%		
		<b>30.00%</b>	81-4943532	Michigan
<b>Cribbage IV, Inc. (Archie M. Leach, President)</b>				
	Cribbage II, Inc. (Archie M. Leach, President)	100.00%		
	Cribbage I, Inc. (Archie M. Leach, President)	100.00%	98-1244086	Michigan
	The Leach 2015 Family Trust		46-3901332	Michigan
			98-1200372	Ontario, Canada
<b>W. Michigan &amp; Rose Development, LLC (Gregory A. Taylor, Manager)</b>				
		<b>5.00%</b>	45-2900889	
<b>Class B Members:</b>				
<b>KJH Exchange, LLC (Kelly J. Hogarth, Manager)</b>				
		<b>7.50%</b>	82-2393634	
<b>ArmKal, LLC (Stephen P. Gibson, Manager)</b>				
		<b>5.00%</b>	82-4269665	
<b>Hearths II, Inc. (Archie M. Leach, Director)</b>				
	Eucre II, Inc. (Archie M. Leach, Director)	100.00%		
	Eucre I, Inc. (Archie M. Leach, Director)	100.00%	32-0514125	Michigan
	Martha Jane Leach, Sarah Lorane Leach, and Victoria Leach		36-4855108	Michigan
				Ontario, Canada
<b>Key Principals/Guarantors:</b>				
		<b>Amount of Guarantee</b>		
	Jeffrey A. Nicholson and the Jeffrey A. Nicholson Trust u/a/d 7/12/02	50%		
	Archie Leach and The Leach 2015 Family Trust	50%		

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2021-074**

**APPROVAL OF AN AMENDMENT TO A MICHIGAN COMMUNITY REVITALIZATION  
PROGRAM OTHER ECONOMIC ASSISTANCE PERFORMANCE BASED LOAN  
PARTICIPATION AWARD FOR  
THE EXCHANGE BUILDING, LLC**

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

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

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

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

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

**WHEREAS**, by Resolution 2016-262 on December 20, 2016, the MSF Board awarded a MCRP Other Economic Assistance Performance Based Loan Participation Award to The Exchange Building, LLC, in furtherance of the Project of up to \$6,400,000 (“Award”);

**WHEREAS**, by Resolution 2017-081 on June 27, 2017, the MSF Board approved a MCRP Award approval amendment to allow additional subordination requirements related to repayment of the MSF Share concerning certain instances of default;

**WHEREAS**, by Resolution 2017-108 on July 25, 2017, the MSF Board approved a Reauthorization of the MCRP Award to allow the parties extra time to execute the final documents;

**WHEREAS**, by Resolution 2020-029 on February 25, 2020, the MSF Board approved a MCRP amendment to extend the interest only period by six months, extend all dates related to the loan conversion and Milestone Three by six months, and also extend due dates for loan covenant testing; although no amendment was executed;

**WHEREAS**, the MSF Board Delegates approved an Awardee Relief Initiative amendment on May 20, 2020 to defer payments to the Lenders for three months and to the MSF for six months, starting in May 2020; although no amendment was executed;

**WHEREAS** the MSF Board Delegates approved an Awardee Relief Initiative amendment on July 1, 2020 for a 90-day extension to the interest-only period and a 90-day extension to all dates related to the construction loan conversion;

**WHEREAS** the MSF Board Delegates approved an Awardee Relief Initiative amendment on September 22, 2020 for a 90-day extension to the interest-only period and a 90-day extension to all dates related to the construction loan conversion;

**WHEREAS** the MSF Board Delegates approved an Awardee Relief Initiative amendment on December 7, 2020 for a 90-day extension to the interest-only period and a 90-day extension to all dates related to the construction loan conversion;

**WHEREAS** the MSF Board Delegates approved an Awardee Relief Initiative amendment on April 9, 2021 for a 90-day extension to the interest-only period and a 90-day extension to all dates related to the construction loan conversion;

**WHEREAS**, the MEDC is recommending that the MSF approve the amendment recommendation to 1) Rescind the Loan Participation and replace it with a Performance-Based Direct Loan in the amount of the outstanding MSF loan balance in accordance with the Term Sheet and Guidelines, and 2) Authorize the MSF Fund Manager to consent to approximately \$4.7 million in future funding from TCF Bank if to be identified financial parameters and other criteria are met by the property, subject to (i) final due diligence performed to the satisfaction of the MEDC; and (ii) execution of the Transaction Documents for the Award Request within 120 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 120 days (“MCRP Amendment Recommendation”).

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

Ayes: Britany L. Affolter-Caine, Paul Ajegba, Susan Corbin, Rachael Eubanks, Paul Gentilozzi, September Hargrove, Amanda Bright McClanahan (on behalf of Chairman Noel, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner

Nays: None

Recused: None

Lansing, Michigan  
May 25, 2021

**“EXHIBIT A”**

**LOAN FACILITY**

**MSF Facility** MCRP **PERFORMANCE-BASED DIRECT LOAN** ~~Loan Participation and Servicing Agreement Under “Other Economic Assistance”~~

**Borrower:** Exchange Building, LLC

**Lender:** ~~Chemical Bank (TCF Bank)~~

**Total Loan Amount:** ~~Currently estimated at \$42,976,000~~

**Lender Share:** ~~Currently estimated at \$6,400,000~~

**MSF Share:** ~~Up to the lesser of 20% of “Eligible Investment” or \$6,400,000~~

**LOAN AMOUNT: UP TO \$6,400,000**

**Term:** To match that of the **SENIOR** Lender, not to exceed **24 MONTHS** ~~96 months with an interest only period of up to 36 months.~~

**Amortization:** ~~Up to 300 months following the interest only period~~ **TO MATCH THAT OF THE SENIOR LENDER NOT TO EXCEED 360 MONTHS.**

**Interest Rate:** On the MSF share anticipated to be 2.00% per annum.

**Repayment Terms:** ~~Up to 36~~ **24** months of ~~monthly interest only payments followed by monthly~~ principal and interest payments. Balance is due at maturity.

**Subordination of Payments**

~~It is anticipated that payments to the MSF will be allowed to the extent that the Debt Service Coverage Ratio (DSCR) is always above 1.20x. This ratio may be negotiated to a lower threshold (i.e. 1.10x)~~

**Collateral:** To match that of the Lender, ~~currently anticipated~~ **AT A MINIMUM** being a mortgage lien on the property, assignment of leases and rents, and a security interest in the TIF reimbursements. MSF ~~share of~~ **LIEN INTEREST IN THE** collateral will be subordinated to that of the **SENIOR** Lender.

**Guarantee:** ~~To match that of the Lender, currently anticipated to be the personal guarantees of Jeff Nicholson, Archie Leach, and Greg Taylor. The MSF Share of guarantee(s) will be subordinated to that of the Lender.~~ **GUARANTEES ACCEPTABLE TO THE MSF FUND MANAGER.**

**FEES:** **THE MSF SHALL BE PAID A ONE-TIME FEE EQUAL TO 0.50% OF THE MSF’S LOAN. THE BORROWER WILL BE RESPONSIBLE FOR ANY THIRD-PARTY FEES INCURRED BY THE MEDC/MSF IN CLOSING THE LOAN.**

**OTHER:**

- The currently undisbursed MCRP funds of \$659,249 would assist in funding an overall \$2,276,830 Tenant Improvement Escrow.
- Allow up to \$400,000 in annual distributions that will be funded personally by Jeff Nicholson and Archie Leach to pay the Class B members.
- Acknowledge proposed ownership change to remove 5% minority owner, Greg Taylor, and distribute his ownership shares and guarantee responsibilities to the other owners.



**MICHIGAN ECONOMIC**  
DEVELOPMENT CORPORATION

March 18, 2021

Michigan Strategic Fund  
300 N. Washington Square  
Lansing, MI 48913

RE: Designation of Amanda Bright McClanahan

To Whom It May Concern:

Pursuant to MCLA 16.51, I hereby confirm my designation of Amanda Bright McClanahan as the person authorized and empowered to act in my stead as a member of the Michigan Strategic Fund board for scheduled meetings I am unable to attend.

Sincerely,

D. Jeffrey Noel  
President & Chairman, MSF  
Chief Executive Officer, MEDC

PURE *M*ICHIGAN®



## MICHIGAN STRATEGIC FUND

### MEMORANDUM

**Date:** May 25, 2021  
**To:** Michigan Strategic Fund (“MSF”) Board Members  
**From:** Jeff Noel, President  
**Subject:** Quarterly MSF Delegated Authority and Activities Report

We are pleased to present our monthly report to the MSF Board, featuring a review of our delegated authority activity over the previous month. The following pages provide a narrative centered around the types of projects supported through delegated approval from April 1, 2021 to April 30, 2021, as well as information about the impact that those projects have had on communities across the state.

We remain committed to maintaining transparency in our efforts to communicate with you all about our work to create equitable opportunities throughout the state. Over time, we will continue identifying ways to evolve and grow this report based on the feedback and requests we receive from Board members.

As always, we are committed to evaluating the ways in which we can continue to ensure we are transparent and accountable to Board members moving forward. Please let me or Val Hoag know if you have any questions or comments about this new reporting layout or with the contents of these quarterly reports.

# Q2 Impacts



To continue providing transparent, intentional and impactful reporting to the MSF Board members on delegated project approvals and activities, the following report details delegated approval updates from April 1, 2021 to April 30, 2021.

Throughout the Fiscal Year, MSF delegates – with authority granted by the MSF Board – approve various projects within MSF programs in accordance with each program’s guidelines, as approved by the MSF Board. Under no circumstances will MSF delegates approve a project that does not meet the Board-approved guidelines for the program. Furthermore, each project approved through delegated authority must undergo the same rigorous vetting and verification process as do projects that come before the MSF Board for approval. By ensuring consistent safeguards are in place for both delegate-approved and Board-approved projects, we are ensuring fairness and uniformity in our process, as we work to enable long-term economic prosperity for the people of our state.

## MONTHLY IMPACTS

We are pleased to share the April delegate-approved projects continue to represent our emphasis on supporting underserved populations in geographically disadvantaged areas. Throughout April 2021, 36% of the projects approved through delegated authority were located in geographically disadvantaged areas. Additionally, all April approved projects through delegated authority have committed to create nearly 15 jobs and over \$6.5 million in private investment.

# MSF Quarterly Report Delegate Approvals



Under the authority delegated by the MSF Board, the MSF delegates approved the following projects during April 2021, which satisfy Board-approved guidelines for each program and have been vetted and approved through the same safeguards as those projects that come before the Board for consideration.

## Brownfield Tax Increment Financing (TIF)

Through the Brownfield Redevelopment Financing Act, Brownfield TIF allows applicable taxing jurisdictions to receive property taxes on the property at the current level and capture the incremental increase in tax revenue resulting from a redevelopment project.

Project Name	Approval Date	Location	Incentive Amount	Project Highlights
266 Michigan Ave Kalamazoo, LLC	4/20/2021	Kalamazoo	\$31,946	Rehabilitation of an existing four-story building containing approximately 14,000 square feet into a mixed-use project consisting of approximately 3,500 square feet of 1st floor retail space and approximately 10,500 square feet of residential rental space on floors two, three and four, containing approximately 11 residential rental units.

## Capital Access

The Capital Access team partners with lenders to assist in helping small businesses obtain financing that would otherwise not be available.

### Michigan Supplier Diversification Fund – Collateral Support Participation

Project Name	Approval Date	Location	Incentive Amount	Project Highlights
Mid-Michigan Periodontics & Dental Implants, P.C.	4/2/2021	Bay City	\$476,332	The dental company is looking to refinance current loans from 1st State Bank and have a working capital LOC. Company is working with Isabella Bank and seeking collateral support.

## Michigan Community Revitalization Program (MCRP)

The Michigan Community Revitalization Program is available from the MSF, in cooperation with MEDC. The program is designed to accelerate private investment in Michigan's communities through the redevelopment of functionally obsolete properties, reduction of blight, and the reuse of brownfield and historic properties.

Project Name	Approval Date	Location	Incentive Amount	Project Highlights
266 Michigan Ave Kalamazoo, LLC	4/20/2021	Kalamazoo	\$420,000	Rehabilitation of an existing four-story building containing approximately 14,000 square feet into a mixed-use project consisting of approximately 3,500 square feet of 1st floor retail space and approximately 10,500 square feet of residential rental space on floors two, three and four, containing approximately 11 residential rental units.
876 Michigan, LLC	4/30/2021	Baldwin	\$450,000	This is a project located in the Village of Baldwin that will rehabilitate a two-story vacant building, representing \$1,487,499 in total capital investment. The project will consist of approximately 6,490 square feet over two floors. The ground floor will contain 3,745 square feet of restaurant space while the second floor will contain three residential one-bedroom apartments totaling 2,031 square feet. The proposed restaurant will bring vitality to the downtown.

## SPECIAL LEGISLATIVE GRANTS

Special Legislative grants are available from the MSF, in cooperation with MEDC.

Project Name	Approval Date	Location	Incentive Amount	Project Highlights
Van Andel Research Institute	4/27/2021	Grand Rapids	\$1,000,000	The purpose of this award is to provide funding to support costs associated with recruitment and improvements for laboratory growth initiatives.

## COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)

The U.S. Department of Housing and Urban Development (HUD) allocates Community Development Block Grant (CDBG) funding to the State of Michigan, through the Michigan Strategic Fund with assistance from the MEDC, for further distribution to eligible units of general local government (UGLGs) to carry out MSF- approved activities. CDBG program funds are used to provide grants and loans to UGLGs, usually with populations under 50,000 (referred to as non-entitlement jurisdictions), in support of economic or community development projects.

Project Name	Approval Date	Location	Incentive Amount	Project Highlights
City of Albion	4/29/2021	Albion	\$39,900	Incentives awarded to this project to assist with preliminary water connection estimate, topo survey, road evaluation, and renderings.
Ingham County Economic Development Corporation	4/29/2021	Mason	\$120,500	Combined four sites in Mason, Williamston, Vevay Township and Delhi Township into one county grant.
Lansing Area Economic Partnership	4/29/2021	Lansing	\$107,000	EDA Match Grant under the CDBG CARES funding awarded to support Medical Technology (MedTech) Industry Cluster Strategy including Supply Chain Leakage Analysis, Marketing/Branding, and Healthcare Innovation Ecosystem Development for Lansing MI Region.

## Michigan State Trade Expansion Program (MI-STEP)

The MI-STEP program is designed to spur job creation by empowering Michigan small businesses that meet U.S. Small Business Administration guidelines and size standards to export their products.

Project Name	Approval Date	Location	IncentiveAmount
Detroit Engineered Products, Inc. - EISA Digital Marketing Asia	4/1/2021	Troy	\$285
Detroit Engineered Products, Inc. - NAFEMS International Digital Engineering Advertising Campaign	4/1/2021	Troy	\$2,775
Hastings Fiberglass Products - Utility Expo	4/2/2021	Hastings	\$13,485
Magnetic Products Inc. - International Web Design - Mexico - Phase 2	4/2/2021	Highland Township	\$80,010
ONLINE Engineering - Digital Marketing/SEO South America & Middle East	4/2/2021	Manistique	\$15,000
Ragsdale Home Furnishings - E-Commerce Platform Design - Japan	4/2/2021	Battle Creek	\$7,500
Unist, Inc - FABTech Chicago 2021	4/2/2021	Grand Rapids	\$3,937
Supply Chain Shipping LLC - Automation Alley Virtual Trade Mission India	4/5/2021	Grand Rapids	\$750
Wilson-Garner Co. - International Web Design Europe & Asia	4/5/2021	Harrison Township	\$11,250
Garrison Dental Solutions - Portuguese Translation	4/7/2021	Spring Lake	\$1,200
Genomenon, Inc. - ESHG Virtual Conference Vienna	4/7/2021	Ann Arbor	\$12,000
AHB Tooling & Machinery LLC (dba AHB Tooling & Machinery) - German & Spanish Website Maintenance	4/8/2021	Roseville	\$713
Curriculum Crafter - Egypt & UAE Sales Trip	4/13/2021	Grand Rapids	\$7,804
Saint Clair Systems - Sales Trip to Mexico - April	4/14/2021	Washington Township	\$3,113
SSI Electronics Inc. - MEDICA Marketing & Market Research	4/14/2021	Belmont	\$9,750
AMBE Engineering, LLC - International Website Development	4/15/2021	Northville	\$7,500

Project Name	Approval Date	Location	IncentiveAmount
Lomar Machine & Tool Company - Mexico Sales Trip	4/15/2021	Horton	\$2,595
MedImage, Inc. - SNMMI Virtual Summer Show	4/15/2021	Ann Arbor	\$2,100
Q-Sage, Incorporated - GEAPS Columbus	4/15/2021	Mt. Pleasant	\$12,831
SoundOff Signal - Latin America Marketing Playbook	4/16/2021	Hudsonville	\$4,253
Weldaloy Products Co. - IDEX	4/16/2021	Warren	\$15,000
Fullerton Tool Company, Inc. - Market Research - Canada, Mexico, EU	4/17/2021	Saginaw	\$1,706
Innotec - International Marketing & Web Design - Global	4/17/2021	Zeeland	\$15,000
Link Engineering Company - EuroBrake Virtual Trade Show	4/17/2021	Plymouth	\$6,090
RTV - International Website Development Canada, Mexico, UK	4/17/2021	Traverse City	\$14,250
Diagnostic Instruments dba Spot Imaging Solutions - CE Mark Compliance Testing	4/19/2021	Sterling Heights	\$10,125
Zero Gravity Filters - CE Compliance Testing	4/19/2021	Brighton	\$8,250
Supply Chain Shipping LLC - IBT Michigan Online Program - China	4/20/2021	Grand Rapids	\$6,750
Barron Industries, Inc. - Seattle Aerospace Summit	4/20/2021	Oxford	\$3,263
Jetco Solutions - GSGP S. Korea & Japan Trade Mission	4/20/2021	Cascade Township	\$9,720
Maelstrom Chemical Technologies, LLC - UK Marketing Campaign Part 2	4/20/2021	Shelby Township	\$600
Logos Logistics, Inc. - IBT Michigan Online Global - China & Japan	4/21/2021	Romulus	\$6,750
Vantage Plastics - PACK Expo	4/27/2021	Standish	\$15,000

# Program Amendments



For a variety of reasons, projects may return to the MSF requesting an amendment to their previous approvals, at which point the Business Development and Community Development teams evaluate whether those projects would qualify for those amendments. These amendments include, but are not limited to, changes of scope for projects; adjusted milestones; extended or contracted timelines; redefined project sites; and modified award amounts. See below for a list of program amendments that received delegated approval in April 2021.

## Michigan Business Development Program (MBDP)

Project Name	MSF Delegate Amended Date	Project Location	Type of Request
Detroit Engineered Products, Inc.	4/16/2021	Troy	Extends forbearance date to 6/30/2022.

# Financial Data Overview and Terminations



## Michigan Business Development Program - Terminations

Project Name	Project Location	Incentive Type	Amount	Disbursed	Date	Reason for Termination	Repayment
Magna Dexsys (Norplas)	Delta Township	Expansion	\$640,000	\$640,000	4/20/2021	Unable to fulfill grant requirements	\$410,000
JR Automation Technologies, LLC	Holland	Expansion	\$800,000	\$400,000	4/22/2021	Unable to fulfill grant requirements	\$240,000

# MSF Awardee Relief Report Grants and Loans



The following include delegated approvals for the MSF Awardee Relief Program from Q2, demonstrating the impact this program has continued to have on providing flexibility, accountability and transparency for those projects previously approved by the MSF Board but are now facing challenges due to COVID-19.

## CD Awardee Relief

Project Name	Program Name	Project Location	MSF Delegate Approval Date	Type of Request
Mid Towne Village LLC	Community Revitalization Program	Grand Rapids	4/8/2021	90-day principal payment deferral from April-June 2021 on Lender and MSF Shares, add the cumulative deferred amounts to the loan balance at maturity, and correct error on September 2016 amendment that changed the maturity date beyond the original February 28, 2023.
Exchange Building, LLC	Community Revitalization Program	Kalamazoo	4/9/2021	Extend construction maturity date and interest only period to July 7, 2021 and due dates related to Milestone Three to July 7, 2021 for time to secure a new lender to refinance and payoff current senior lenders. Project stabilization delayed by COVID-19.
The Corner Lender, LLC	Community Revitalization Program	Detroit	4/30/2021	This amendment extended the Milestone four due date from December 31, 2020 to December 31, 2021.

## BD Awardee Relief

Project Name	Program Name	Project Location	MSF Delegate Approval Date	Type of Request
Knauf Insulation, Inc.	Business Development Program	Albion	4/16/2021	Extension of Milestones one and two by one year.
Andronaco Industries	Business Development Program	Kentwood	4/28/2021	Extension of the Milestones due to COVID-19.

# MSF Confidentiality Memos



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, Public Act 442 of 1976, as amended. On February 27, 2012, the MSF Board approved by resolution the delegation of this authority to the MSF Fund Manager, who acknowledges the confidentiality of eligible information on behalf of the MSF Board by executing a confidentiality memo.

## Approvals by Authorized Delegate

During the period between April 1, 2021 and April 30, 2021, the following confidentiality memos were approved by the MSF Fund Manager:

Company Name and Location	• Overview of Confidential Information
Michigan Tech Enterprise Corporation 600 E Lakeshore Dr. Houghton, MI 49931	Employment information (including, but not limited to, numbers of employees and compensation); Private sector financing (including, but not limited to, banks, investors, venture capital, owner/founder investments); Intellectual property (patent, trademark, copyright, trade secret, and licensing agreements); Revenue Employment projections.
Mid-Michigan Periodontics & Dental Implants, PC 101 E. Main Street, Ste #120, Bay City, MI 48708	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.

Company Name and Location	• Overview of Confidential Information
<p>Tri-City Kids Pediatric Dentistry, PC 101 E. Main Street, Ste #120, Bay City, MI 48708</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>Pentar Stamping, Inc 1821 Wildwood Avenue, Jackson, MI 49202</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>C.J. Holdings UP, LLC 404 N. 8<sup>th</sup> Street, Gladstone, MI 49837</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>Superior Extrusion, Inc. 118 Ave. G. Gwinn, MI 49841</p>	<p>The identity, number of shares, and percent ownership of the shareholders of the Company.</p>