MICHIGAN STRATEGIC FUND BOARD
MEETING AGENDA
OCTOBER 27, 2015
10:00 AM

Public Comment – Please keep public comment limited to three (3) minutes

Communications – Andrea Robach

Chief Compliance Officer Quarterly Report – *Information only*

A. Consent Agenda

Lutheran Homes of Michigan Inc. – Supplemental Bond Authorizing – Chris Cook

250 West Larned, LLC – MCRP Amendment – Julius Edwards

B. Business Investment

1. Entrepreneurship

First Customer Program – FY16 RFP Award Recommendations – *Fred Molnar*

SBDC Emerging Technologies Fund – GVSU Grant Amendment – *Fred Molnar*

SBDC Emerging Technologies Fund – Technology Counseling Grant Amendment – *Fred Molnar*

2. Business Growth

ARAUCO – Forest Product Renaissance Zone – *Ken Murdoch*

Johnson Controls Advanced Power Solutions – Battery Credit Amendment – *Josh Hundt*

3. Access to Capital

Arctaris Michigan – SSBCI Small Business Mezzanine Program Amendment – *Chris Cook*

Packaging Specialties, Inc./K-TAB II, LLC – Bond Authorizing – *Chris Cook*

Young Men's Christian Association of Niles Michigan – Bond Authorizing – *Chris Cook*

C. Community Vitality

Village of Sheridan – CDBG Blight Elimination – *Ryan Kilpatrick*

New Holland Brewing Co./City of Grand Rapids – MCRP & Act 381 WP – *Ryan Kilpatrick*

Strand Theatre Management, LLC/City of Pontiac – MCRP – *Stacy Esbrook*

Plaza Midtown, LLC/City of Detroit – MCRP & MBT Amendment – *Stacy Esbrook*

D. Quarterly Reports – Information only

STATE OF MICHIGAN
OFFICE OF THE CHIEF COMPLIANCE OFFICER
LANSING

RICK SNYDER
GOVERNOR

KEVIN FRANCART, ESQ.
CHIEF COMPLIANCE OFFICER

MEMORANDUM

October 14, 2015

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

Steve Arwood
Chairperson
Michigan Strategic Fund Board

FROM: Kevin L. Francart
Chief Compliance Officer

RE: FY2015 Q4 Report of the Chief Compliance Officer.

The Chief Compliance Officer is required to report quarterly to the State Administrative Board and the Michigan Strategic Fund Board regarding compliance with internal policies and procedures and with applicable laws related to 21st century jobs fund programs. I am pleased to report that all compliance matters addressed during the fourth quarter of the 2015 fiscal year were successfully resolved or are being appropriately addressed.

With respect to the Michigan Strategic Fund Board, the Michigan Strategic Fund Act requires the Chief Compliance Officer to review and evaluate compliance with internal policies and procedures along with applicable state and federal law. The review and evaluation of the tourism promotion programs and activities for FY 2013 and FY 2014 continues. The Chief Compliance Officer assisted the MSF with updating the Community Revitalization Program guidelines. In order to assist in the protection of the State's assets consistent with the requirements of applicable state and federal law the Chief Compliance Officer provided guidance on the proper use of funds for investments from the Jobs for Michigan Investment Fund (Permanent Fund). Site visit guidelines have been posted as required and site visits are being performed pursuant to the guidelines.

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

MICHIGAN STRATEGIC FUND

RESOLUTION 2015-

APPROVAL OF OCTOBER 2015 CONSENT AGENDA
FOR THE MICHIGAN STRATEGIC FUND BOARD

WHEREAS, the Michigan Strategic Fund ("MSF"), at its February 2014 board meeting, approved the use of consent agendas at future board meetings pursuant to defined guidelines.

WHEREAS, the MSF, at its February, 2014 board meeting, approved Guidelines for Preparation and Approval of Consent Agendas for the MSF ("Guidelines").

WHEREAS, pursuant to the recommendation of MSF and MEDC staff, the MSF Board desires to approve the below Consent Agenda items;

NOW, THEREFORE, BE IT RESOLVED, the MSF approves the Consent Agenda items listed below and identified in the final Consent Agenda for this board meeting, for each of which supporting documentation is attached to this Resolution.

Consent Agenda Items:

Proposed Meeting Minutes – September 22, 2015
Lutheran Services of Michigan – Supplemental Bond Authorizing
250 West Larned, LLC – MCRP Amendment

Ayes:

Nays:

Recused:

Lansing, Michigan
October 27, 2015

MICHIGAN STRATEGIC FUND
APPROVED MEETING MINUTES
August 25, 2015

Members Present

Steve Arwood
Dan Boge
Larry Koops
Andrew Lockwood (on behalf of Treasurer Khouri)
Terri Jo Umlor
Shaun Wilson
Mike Zimmer

Members Absent

Paul Anderson
Jody DePree Vanderwel
Wayne Wood

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

Public Comment: Mr. Arwood asked if any members of the audience wished to address the Board. State Representative Bill LaVoy of House District 17 addressed the Board in support of the Port of Monroe project. State Representative Tim Greimel of House District 29 addressed the Board in support of the Valiant International Inc. project.

Communications: No communications

A. CONSENT AGENDA

Resolution 2015-115

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

Proposed Meeting Minutes – August 25, 2015
Burton Industries, Inc. – Tool and Die Renaissance Zone Revocation **2015-116**
Terex USA, LLC – Geographic Renaissance Zone Transfer **2015-117**
55 Ionia Partners, LLC – MCRP Amendment **2015-118**
Griswold Capitol Park, LLC – MCRP & MBT Amendments – **2015-119 & 2015-120**
Compiled Delegation of Authority – Administrative Updates – **2015-121**
First Fulfilment – Marketing Contract Termination – **2015-122**

Shaun Wilson seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

B. ADMINISTRATIVE

Resolution 2015-123 MSF/MEDC Memorandum of Understanding – Annual Renewal

Mark Morante, MSF Fund Manager, provided the Board with information regarding this action item. This is a request to reauthorize the Memorandum of Understanding (MOU) between the Michigan Strategic Fund (MSF) and Michigan Economic Development Corporation (MEDC) for FY 2016. Staff is also requesting that the MSF allocate the 4% Annual Appropriation from the 21st Century Jobs Funds to the MSF to provide services for 21st Century Jobs Funds programs.

Staff Recommendation
MEDC staff recommends that the MOU be amended to extend the effective date of the MOU through September 30, 2016. MEDC staff also recommends that the MSF authorize the expenditure of 4% of the annual appropriation from the 21st CJTF for administrative expenses for fiscal year 2015-2016.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. There being none, Larry Koops motioned for the approval of Resolution 2015-123. Dan Boge seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Resolution 2015-124 Business Development and Community Revitalization Program Allocations
Mark Morante, MSF Fund Manager, provided the Board with information regarding this action item. This is a request to authorize the allocation of funds in the amount of $114,000,000 million from the 21st Century Jobs Fund to the Michigan Strategic Fund (MSF) to operate the Michigan Business Development and the Michigan Community Revitalization Programs for FY 2016.

Staff Recommendation
MEDC recommends that the State Treasurer transfer $114,000,000 million from the 21st Century Jobs Trust Fund to the MSF, according to the budget office spending plan, for the operation of the Michigan Business Development Program and the Michigan Community Revitalization Program for Fiscal Year 2016.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. There being none, Dan Boge motioned for the approval of Resolution 2015-124. Larry Koops seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Resolution 2015-125 Michigan Film & Digital Media Office – Administrative Funding Allocation
Jenell Leonard, Michigan Film Commissioner, provided the Board with information regarding this action item. MCL 125.2029h(13) of the Michigan Strategic Fund Act permits the Michigan Strategic Fund board to authorize the use of up to 4% of the annual appropriation for the Michigan Film and Digital Media Production Assistance Program to be allocated for administration of the program and other functions of the Michigan Film Office as defined in MCL 125.2029a.

Staff Recommendation
Pursuant to statute, Administrative dollars can be used for purposes related to the overall functions of the office as it relates to the film and media production assistance program. MEDC staff recommends approval.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. There being none, Mike Zimmer motioned for the approval of Resolution 2015-125. Andrew Lockwood seconded the motion. T**he motion carried: 7 ayes; 0 nays; 0 recused.**

Resolution 2015-126 Clifford Development, LLC – Loan Write-off
Christin Armstrong, Compliance Director, provided the Board with information regarding this action item. Clifford Development, LLC (“Clifford” or “Company”) is no longer a viable business and MEDC Staff recommends that the MSF Board of Directors support the following actions with respect to the

Clifford loan: that the loan no longer be carried as a receivable, will no longer be pursued, and the outstanding balance be considered a loss (collectively, the "Write Off Request"). The Company was in default of its obligations under the loan agreement for failure to pay any installment of principal or interest when due. The Office of the Attorney General filed a collection lawsuit on behalf of the MSF. A final judgment was entered in favor of the MSF on March 20, 2014 No proceeds existed from a Foreclosure Sale that would have been required to be paid to any subordinate secured creditors, including the MSF.

Staff Recommendation
MEDC Staff recommends the MSF Board approve the request.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. Discussion around the current Portfolio and its management ensued. There being no further questions, Dan Boge motioned for the approval of Resolution 2015-126. Larry Koops seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

C. Business Investment

1. Entrepreneurship

Resolution 2015-127 – First Customer Program – Request to Issue RFP for FY16
Fred Molnar and Denise Graves, Entrepreneurship and Innovation, provided the Board with information regarding this action item. The MEDC requests that the MSF Board approve a continuation of support for the First Customer Program ("FCP") Request for Proposals ("RFP") in the amount of $1,000,000 over three years. The purpose of the FCP RFP is to award a grant to a non-profit organization or university for the continued implementation and execution of the program that is currently run by University of Michigan Institute for Research on Labor, Employment and the Economy.

Staff Recommendation
MEDC Staff recommends: Allocation of $1,000,000 for the program over 3 years; authorize the issuance of a RFP; approval of the Joint Evaluation Committee (JEC) members; and approval of the scoring and evaluation criteria.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the potential conflict of interest in having a JEC member from the University of Michigan, when the program is currently housed at U of M. While staff did not see an issue with this, Chief Compliance Officer Kevin Francart interjected that he did see this as a conflict of interest, and if staff wished to keep the member of the JEC, the University of Michigan would not be allowed to bid on the RFP. Based on this information, Mike Zimmer motioned to table the agenda item until a suitable solution was available. However, Mr. Francart offered to vote on Resolution 2015-127, as amended to remove the JEC member from U of M, and fill the remaining JEC vacancy at the discretion of the Fund Manager. Mr. Zimmer withdrew his motion to table the item, and Larry Koops motioned for approval of Resolution 2015-127 as amended. Mike Zimmer seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Resolution 2015-128 Invest Michigan Pre-seed Fund – Grant Amendment
Fred Molnar and Denise Graves, Entrepreneurship and Innovation, provided the Board with information regarding this action item. MEDC Staff requests that the MSF Board approve a grant amendment in the amount of $2,500,000 to Invest Michigan (IM), to fund the continuation of investments in the form of loans and equity purchase for the Michigan Pre-Seed 2.0 fund. This is a predicted request and is

accounted for in the 2015 budget. The Michigan Pre Seed 2.0 Fund has earned a track record for stringent stewardship of MSF dollars and demonstrated exceptional performance in portfolio development. In order to continue making investments into new opportunities and expand the company portfolio the Fund requests an additional $2,500,000 for new investment activity. This amount is projected to cover investment needs through the end of the grant in April 2017.

Staff Recommendation
MEDC Staff recommend the funding for new investments be approved.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. There being none, Larry Koops motioned for the approval of Resolution 2015-128. Shaun Wilson seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

2. Business Growth

Resolution 2015-129 & 2015-130 International Trade Programmatic Funding & MOU

Jeanne Broad & Dominic Romano, International Trade Programs, provided the Board with information regarding this action item. The Michigan Economic Development Corporation (MEDC) staff requests $2.125 million from the 21st Century Jobs Trust fund in addition to the $750,000 grant award from the United States Small Business Administration, Office of International Trade ("SBA") to support the International Trade Program. Consistent with MCL 125.2088b(4) in the Michigan Strategic Fund (MSF) Act these funds shall be used for business development and business marketing costs.

Staff Recommendation
The MEDC staff recommends approval of the funding, as outlined, as well as to authorize the Memorandum of Understanding between the Michigan Strategic Fund and the Michigan Economic Development Corporation to provide administrative services for the International Trade Program.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the limits on requests for grant funding. There being no further questions, Larry Koops motioned for the approval of Resolution 2015-129 & 2015-130. Dan Boge seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Resolution 2015-131 Procurement Technical Assistance Center – Award Recommendations

Sean Carlson & Dustin Frigy, Michigan Defense Center, provided the Board with information regarding this action item. The PTAC program assists in successfully winning federal contracts, with a strong emphasis on United States Departments of Defense (DoD) and Homeland Security (DHS) contracts, as well as state and local contracts.Based on the objectives outlined in the RFP, as well as recent communications that the FY16 PTAC program funding would be reduced by at least 50%, the JEC is recommending that the top five evaluated proposals receive funding, which are the following (aggregate evaluation scores): the University of Michigan in Ann Arbor (70%), the Flint & Genesee Chamber of Commerce (69%), Networks Northwest in Traverse City (57%), Macomb Community College (56%), and Muskegon Area First (55%).

Staff Recommendation
MEDC Staff recommends that the MSF Board fund the proposed five qualified host organizations to manage PTAC Programs. Final budget negotiations to be approved by the MSF Fund Manager at MEDC.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. There being none, Dan Boge motioned for approval of Resolution 2015-131. Larry Koops seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Resolutions 2015-132 & 2015-133 Port of Monroe – 21st Century Investment & Act 381 Work Plan
Stacy Bowerman, Development Finance, provided the Board with information regarding this action item. The Applicant is requesting approval of up to $3 million from the Investment Fund for Brownfield related expenses, including dredging and other port related improvements. The return on investment will be generated through Tax Increment Financing revenues collected as a result of the project. It is anticipated the returns will be paid over eight years. The project will allow for greater industrial activity at the Port, which will help revitalize the Monroe County Michigan community. Additionally, the City of Monroe Brownfield Redevelopment Authority has submitted an Act 381 Work Plan (hereinafter Work Plan) request for the approval of new local and school tax capture for eligible activities in the amount of $3,643,225. Tax income revenue captured as a result of the Work Plan approval will be used to repay the Investment Fund.

State Senator Dale Zorn of Senate District 17 addressed the Board in support of the project.

Staff Recommendation
MEDC Staff recommends approval of the funding under the Investment Fund, approval of the Investment Fund Award to the Applicant, and approval of local and school tax capture for the Act 381 eligible activities totaling $3,643,275 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $1,580,473.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the 21CIF, and its allowable uses. There being no further questions Larry Koops motioned for the approval of Resolutions 2015-132 & 2015-133. Dan Boge seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Resolution 2015-134 Valiant International, Inc. – MBDP
Marcia Gebarowski, Development Finance, provided the Board with information regarding this action item. This is request from the Company for a $2.3 million Performance-based grant. This project involves the creation of 223 Qualified New Jobs, and a capital investment of up to $32.69 million in the City of Auburn Hills, Oakland County. The Company is a full service provider of automated production systems and tooling, headquartered in Windsor, Ontario, Canada. The Company evaluated numerous opportunities to expand its manufacturing footprint in the NAFTA region. In addition to Auburn Hills, the Company evaluated other opportunities for expansion to alternative jurisdictions in both the Great Lakes corridor and the Southern US.

Staff Recommendation
MEDC Staff recommends approval of project support as outlined in the resolution and terms sheet.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to incenting the creation of jobs specializing in skilled trades. There being no further questions, Larry Koops motioned for the approval of Resolution 2015-134. Andrew Lockwood seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

<u>Resolution 2015-135 Neapco Drivelines, LLC – MBDP</u>
Trevor Friedeberg, Development Finance, provided the Board with information regarding this action item. This is a request from the Applicant for a $1,500,000 performance-based grant. This project involves the creation of 167 Qualified New Jobs as a result of the project, and a capital investment of up to $57,700,952 in the City of Novi, Oakland County and Van Buren Township, Wayne County. The Company is one of the most dynamic suppliers to the OEM manufacturers and the worldwide automotive industry. Incentives will help close the financing gap and ensure the Company is able to continue to grow in Michigan as a long term strategy. Without incentive assistance, the Company would locate the project to Mexico and erode its existing business in Michigan.

Staff Recommendation
MEDC Staff recommends approval of project support as outlined in the resolution and terms sheet.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the Michigan site expansion, as compared to costs in Mexico. The being no further questions, Mike Zimmer motioned for approval of Resolution 2015-135. Larry Koops seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

<u>Resolution 2015-136 Carhartt, Inc. - MBDP</u>
Trevor Friedeberg, Development Finance, provided the Board with information regarding this action item. This is a request from the Applicant for a $1,350,000 performance-based grant. This project involves the creation of 215 Qualified New Jobs as a result of the project, and a capital investment of up to $18,596,000 in the City of Dearborn, Wayne County. Founded in Detroit in 1889, Carhartt is a garment production company specializing and best known for its work clothes, such as jackets, coats, overalls, coveralls, vests, shirts, jeans, dungarees, and fire resistant clothing. The Applicant plans to expand headquarter operations in Dearborn, make investments and create jobs related to corporate, subsidiary, and regional managing offices.

State Representative George Darany from House District 15 addressed the Board in support of this project.

Staff Recommendation
MEDC Staff recommends approval of project support as outlined in the resolution and terms sheet.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the difficulty attracting industry talent, as most operations for the apparel industry are located on the East or West Coast. There being no further questions. Larry Koops motioned for the approval of Resolution 2015-136. Dan Boge seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Mr. Arwood briefly left the meeting, and Mr. Zimmer took over as Chairman for the next item.

<u>Resolution 2015-137 Anderton Machining, LLC – Geographic Renaissance Zone Transfer</u>
Dan Parisian, Compliance Specialist, provided the Board with information regarding this action item. Michigan Economic Development Corporation ("MEDC") Staff requests the Michigan Strategic Fund ("MSF") Board to approve a resolution transferring the Renaissance Subzone designation from Production Engineering, Inc. to Anderton Machining, LLC (the "Company"), located on a site in the Production Engineering Subzone located in the City of Jackson. The Company currently employs 50 people and will enter into a development agreement with the MSF and real property owner Equestor Partners, LLC agreeing to the creation of 30 additional new full-time jobs by June 30, 2018. The new

jobs requirement is lower than the previous company had agreed to create and thus a reduction in the term is being sought.

Staff Recommendation
MEDC Staff recommends the transfer of the Production Engineering Subzone to Anderton Machining, LLC for the site in the City of Jackson, subject to the requirement that a development agreement be executed between the Company and the MSF by December 31, 2015, authorization to enter into a new development agreement with the Company containing the terms reflected herein and others not materially adverse to the MSF, and reduce the term of the Renaissance Zone Subzone by three years, expiring December 30, 2019 for property tax purposes and December 31, 2019 for all other purposes.

Board Discussion
Mr. Zimmer asked if there were any questions from the Board. There being none, Dan Boge motioned for the approval of Resolution 2015-137. Larry Koops seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Mr. Arwood returned to the meeting as Chairman.

3. Access to Capital

Resolution 2015-138 Lutheran Homes of Michigan, Inc. – Bond Authorizing

Chris Cook, Capital Access Director, provided the Board with information regarding this action item. Lutheran Homes of Michigan, Inc. d/b/a Wellspring Lutheran Services, a Michigan nonprofit corporation ("Borrower") is requesting private activity bond financing to refinance existing indebtedness currently outstanding, used to construct and furnish an 88-bed skilled nursing and 20-bed home for the aged facility located at 28910 Plymouth Road, Livonia, Michigan, as well as to acquire and renovate similar type properties in order to expand their services.

The Borrower is a nonprofit, faith-based agency that itself and through its subsidiaries provides skilled nursing, memory care, rehabilitation, assisted living, home care services and residential living choices to over 1,000 older adults residing in Michigan, currently employing approximately 731 full-time equivalent employees, which will increase by approximately 68 full-time equivalent employees.

Staff Recommendation
Based upon a determination by Dickinson Wright PLLC and the State of Michigan Attorney General's office that this transaction complies with state and federal law requirements for tax-exempt financing, staff recommends the adoption of a Bond Authorizing Resolution in an amount not to exceed $20,000,000.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. There being none, Larry Koops motioned for the approval of Resolution 2015-138. Andrew Lockwood seconded the motion. The motion carried, via roll call vote: 7 ayes; 0 nays; 0 recused.

D. COMMUNITY VITALITY

Resolution 2015-139 Regionalized Fund Manager Agreements – CDBG Loan Program

Deb Stuart, Community Incentive Programs Director, provided the Board with information regarding this action item. The Michigan Economic Development Corporation (MEDC) staff is requesting MSF Board approval to: extend the existing Regional Loan Fund Managers' designation for a period of three (3) years, revise the Uniform Reuse and Administration Plan to revise the requirement that the Michigan

Strategic Fund (MSF) have a non-voting seat on the Loan Approval Committee, and extend the date by which a Community Development Block Grant (CDBG) Loan Fund must meet the definition of "Continuing Activity" and revise that definition.

Staff Recommendation
MEDC Staff recommends approval of the program extensions and modifications, as outlined in the resolution.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. There being none, Larry Koops motioned for the approval of Resolution 2015-139. Mike Zimmer seconded the motion. The motion carried: 7 yes; 0 nays; 0 recused.

Resolution 2015-140 Revised Program Guidelines – Michigan Community Revitalization Program
Deb Stuart, Community Incentives Program Director, provided the Board with information regarding this action item. MEDC staff requests approval to restate the Michigan Community Revitalization Program ("MCRP") Guidelines to address project consideration criteria, eligible property, eligible investment and the project evaluation process. MCRP legislation has been amended several times since the current Guidelines were established and in order to accurately account for legislative changes and programmatic criteria, staff is recommending the restated Guidelines with immediate effect.

Staff Recommendation
MEDC Staff recommends approval of the MCRP Guidelines as restated and provided in the resolution.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. There being none, Larry Koops motioned for the approval of Resolution 2015-140. Dan Boge seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Resolution 2015-141 & 2015-142 HM Venture Group, LLC – MCRP & Act 381 Work Plan
Stacy Esbrook, Community Assistance Team, provided the Board with information regarding this action item. HM Ventures Group 6, LLC and other related entities ("Applicant) plan to rehabilitate the fourteen story Wurlitzer Building, turning it into a mixed-use boutique hotel. The project will redevelop 1 parcel on 0.1 acres of property located at 1509 Broadway in the City of Detroit. In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the City of Detroit Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of $1,769,319. HM Ventures Group 6, LLC (Applicant) is requesting approval of a Michigan Community Revitalization Program (MCRP) incentive in the amount of $3,500,000 in the form of a performance-based loan.

Staff Recommendation
MEDC Staff recommends approval of local and school tax capture for the Act 381 eligible activities totaling $1,769,319 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $1,634,899, and approval of a MCRP performance-based loan in the amount of $3,500,000 for HM Ventures Group 6, LLC or related party.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. There being none, Shaun Wilson motioned for the approval of Resolutions 2015-141 & 2015-142. Andrew Lockwood seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

<u>Resolution 2015-143 & 2015-144 OMH Rowe – MCRP & Act 381 Work Plan</u>
Ryan Kilpatrick, Community Assistance Team, provided the Board with information regarding this action item. The project will redevelop the site located at 201 Michigan Street NW in the City of Grand Rapids, and will include renovation of a ninety-two year old building into approximately 9,682 square feet of first floor retail space with approximately 77 residential market rate apartments on the upper floors. The project will be undertaken by CWD Real Estate, a full service brokerage, property management and real estate investment firm located in the City of Grand Rapids. The project will be owned and managed by G2 GR, LLC and RDV Corporation. In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the City of Grand Rapids Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of $2,582,434. OMH, L.L.C. (Applicant) is requesting approval of a Michigan Community Revitalization Program (MCRP) incentive in the amount of $5,400,000 in the form of a performance-based loan.

The Applicant anticipates that the project will result in eligible investment of $21,914,388 and total capital investment in the amount of $26,889,744, along with the creation of approximately 15 permanent full time equivalent jobs with an average hourly wage of $16.00.

Staff Recommendation
MEDC Staff recommends the approval of local and school tax capture for the Act 381 eligible activities totaling $2,582,434. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $1,328,404, as well as a MCRP performance-based loan in the amount of $5,400,000 for OMH, L.L.C.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the future of the US Post Office, which is a contiguous parcel. There being no further questions, Larry Koops motioned for the approval of Resolutions 2015-143 & 2015-144. Mike Zimmer seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

E. STATE BRANDING
Dave Lorenz and Emily Guerrant, Tourism & Business Marketing, provided the Board with information regarding the following action items.

<u>Resolution 2015-145 McCann Erickson – Business Marketing FY16 Extension</u>
This request is for the MSF Board to approve the final one-year extension of an existing contract with McCann Erickson for marketing and advertising services for the MEDC in the amount of $2,409,000.00 for the period of October 1, 2015-September 31, 2016. During the initial contract term and subsequent one year extension, McCann Erickson has successfully integrated the nationally recognized Pure Michigan brand into MEDC's business attraction efforts. McCann has been a strategic partner with MEDC in creating a holistic approach to our marketing efforts, aligning each component underneath the Pure Michigan umbrella. Please see the attached campaign highlights.

Staff Recommendation
MEDC Staff recommends that the MSF Board allocate $2,409,800.00 and authorize the Fund Manager to enter into an extension of the contract agreement with McCann Erickson for marketing and advertising services.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. There being none, Larry Koops motioned

for the approval of Resolution 2015-145. Terri Jo Umlor seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

<u>Resolution 2015-146 Weber Shandwick – Business & Travel Marketing FY16 Extension</u>
This request is for the MSF Board to approve the final one-year extension of an existing contract with Weber Shandwick for public relations services for the MEDC in the amount of $1,850,000, for the period of October 1, 2015 to September 31, 2016. This contract includes PR services for both travel ($1,000,000) and business ($850,000). During the initial contract term and subsequent one year extension, Weber Shandwick has achieved significant national and regional media coverage for the State of Michigan and has helped to establish Pure Michigan as a national leader across major social media platforms, including Facebook, Twitter, Instagram and Pinterest.
Staff Recommendation
The MEDC recommends that the MSF Board allocate $1,850,000, and authorize the Fund Manager to enter into an extension of the contract agreement with Weber Shandwick for public relations services.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. There being none, Dan Boge motioned for the approval of Resolution 2015-146. Larry Koops seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

<u>Resolution 2015-147 McCann Erickson – Travel Marketing FY16 Extension</u>
This request is for the MSF Board to approve a one-year extension of an existing contract with McCann Erickson USA, Inc. for tourism marketing and advertising services in the amount of $24,675,000.00. This amount is inclusive of media placements, ad production and agency fees. During the initial contract term, McCann Erickson has led the creative development and strategy that powers the nationally recognized Pure Michigan travel brand.

Staff Recommendation
The MEDC recommends that the MSF Board allocate $24,675,000.00, and authorize the Fund Manager to enter into an extension of the contract agreement with McCann Erickson USA, Inc. for travel marketing and advertising services.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. There being none, Larry Koops motioned for the approval of Resolution 2015-147. Andrew Lockwood seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

<u>Resolution 2015-148 Brand USA – Letter of Authorization</u>
This request is for the MSF Board to enter into an agreement with Brand USA for the purpose of establishing a co-branding campaign in the amount of $1,735,000, for the period of October 1, 2015 to September 30, 2016. Brand USA is a public-private partnership created to market the U.S. as a tourism destination around the world. Brand USA offers buy in and other advertising opportunities to U.S. destinations, state tourism offices, city and regional convention and visitor bureaus and for-profit attractions. The purpose of our agreement with Brand USA is to establish a co-branding campaign with them for Ontario, Canada and other International opportunities. Brand USA will provide funding for 15% of the cost of this advertising. This agreement allows us to establish this co-marketing relationship with Brand USA. This campaign will allow a match of federal funds for the advertisements.

Staff Recommendation
The MEDC recommends that the MSF Board allocate $1,735,000 and authorize the Fund Manager to

MEMORANDUM

Date:	**October 27, 2015**
To:	**Michigan Strategic Fund Board**
From:	**Christopher Cook, Director of Capital Access**
Subject:	**Private Activity Bond – Amendment to September 22, 2015, Bond Authorizing Resolution** **Lutheran Homes of Michigan, Inc. d/b/a Wellspring Lutheran Services** **Nonprofit – Not to Exceed $20,000,000 – Refunding & New**

Request:

Include a site that was accidentally omitted from the Bond Authorizing Resolution, but was included in the Bond Inducement Resolution. The total amount of the bond projects remains at the not-to-exceed $20,000,000 approved in the Bond Authorizing Resolution from the September 2015 MSF Board meeting.

Background:

At the September 22, 2015, Michigan Strategic Fund Board meeting, Lutheran Homes of Michigan, Inc. d/b/a Wellspring Lutheran Services, a Michigan nonprofit corporation (the "Borrower") requested and received a bond authorizing resolution for private activity bond financing to: (a) refinance outstanding bank debt incurred for the acquisition, construction, furnishing and improving of facilities which provide skilled nursing, memory care, rehabilitation services, home health care services and related land and improvements owned and operated by the Borrower or other members of the Wellspring Lutheran Services Obligated Group and located in the City of Livonia, Wayne County; City of Frankenmuth, Saginaw County; Saginaw Charter Township, Saginaw County; and Comins Township, Oscoda County; (b) finance the acquisition of Livonia Woods, a skilled nursing and rehabilitation center located in the City of Livonia; (c) finance deferred maintenance and capital improvements at the Borrower's assisted living, memory care and skilled nursing communities located in Comins Township, City of Livonia, City of Frankenmuth and Saginaw Charter Township; and (d) finance capital improvements to the adult foster care facility at the Borrower's Saginaw Charter Township campus.

The updated information for the project includes an amount not to exceed $1,500,000 for the financing of capital expenditures for infrastructure, deferred maintenance, information technology and a residential bus at the skilled nursing facility located at 1236 Monroe Street, Monroe, Michigan.

Recommendation:

Based upon a determination by Dickinson Wright, PLLC and the State of Michigan Attorney General's office that this transaction complies with all state and federal requirements for tax-exempt financing, staff recommends the adoption of a Bond Authorizing Resolution Amendment in an amount not to exceed $20,000,000. The MEDC will charge an issuance fee of $37,500.00 dollars.

RESOLUTION TO AUTHORIZE THE ISSUANCE OF THE MICHIGAN STRATEGIC FUND LIMITED OBLIGATION REVENUE BONDS, SERIES 2015 (WELLSPRING LUTHERAN SERVICES PROJECT) (THE "BONDS")

Resolution 2015-__

A. The Michigan Strategic Fund (the "Fund") is authorized by 1984 PA 270, as amended (the "Act"), to issue bonds for the purpose of making loans to pay the costs of a project (as defined in the Act).

B. Lutheran Homes of Michigan, Inc. d/b/a Wellspring Lutheran Services, a Michigan nonprofit corporation ("WLS"), along with its subsidiaries: Lutheran Home Care Agency, Inc., a Michigan nonprofit corporation, LHM Asset Management, LLC, a Michigan limited liability company, Aging Enriched Services, LLC, a Michigan limited liability company, AuSable Valley Continuing Care Retirement Community, Inc., a Michigan nonprofit corporation, and Lutheran Home Care Personal Assistance, a Michigan nonprofit corporation (collectively, the "Members of the Obligated Group") own and operate facilities in the State of Michigan for the charitable purpose of providing housing, healthcare and other related services for seniors. WLS is the "Obligated Group Agent" on behalf of the Members of the Obligated Group.

C. The Obligated Group Agent, on behalf of itself and on behalf of the other Members of the Obligated Group, has requested a loan (the "Loan") from the Fund to: (a) refinance existing indebtedness currently outstanding in the principal amount of not more than $3,500,000 that was used to construct and furnish an 88-bed skilled nursing and 20-bed home for the aged facility in Livonia, Michigan; (b) refinance existing indebtedness currently outstanding in the principal amount of not more than $400,000 that was used to acquire land adjacent to WLS's existing skilled nursing and assisted living facility in Frankenmuth, Michigan; (c) refinance existing indebtedness currently outstanding in the principal amount of not more than $2,500,000 that was used to acquire a 40–room adult foster care facility known as Meadowview Manor in Saginaw Township, Michigan; (d) refinance existing indebtedness currently outstanding in the principal amount of not more than $1,100,000 that was used to acquire a 62-bed skilled nursing facility and 13-unit assisted living facility in Comins Township, Michigan; (e) refinance existing indebtedness currently outstanding in the principal amount of not more than $750,000 that was used to acquire and renovate a building to provide home health care services in Frankenmuth, Michigan; (f) fund the 2015 project, which consists of the following: (i) the acquisition of a 72-bed skilled nursing and rehabilitation facility known as Livonia Woods located in Livonia, Michigan; (ii) building and site renovations to the Meadowview Manor facility in Saginaw Township, Michigan; (iii) miscellaneous capital expenditures for infrastructure, deferred maintenance and information technology at the facilities described above; and (iv) capital expenditures for infrastructure, deferred maintenance, information technology and a residential bus at a skilled nursing facility in Monroe, Michigan, in an amount not to exceed $1,500,000; and (h) pay costs of issuing the Bonds (the "Project"). The bonds will be directly purchased by Huntington Public Capital Corporation or an affiliate (the "Purchaser"), a sophisticated investor.

D. The Obligated Group has requested the Fund to issue the Bonds in one or more series in the aggregate principal amount of not to exceed $20,000,000 pursuant to this resolution (the "Resolution") and a bond indenture (the "Indenture"), between the Fund and The Huntington National Bank, as Trustee (the "Bank") relating to the Bonds to obtain funds which will be loaned to the Obligated Group pursuant to a loan agreement between the Fund and the Obligated Group Agent, on behalf of itself and the Obligated Group (the "Loan Agreement"), to pay costs of the Project and refinance the existing indebtedness described above.

E. The obligations of the Obligated Group under the Loan Agreement shall be secured by a note (the "Master Note"), issued pursuant to a master trust indenture, dated as of October 1, 2015 (the "Master Indenture"), between the Obligated Group Agent and The Huntington National Bank, as Master Trustee, as supplemented by supplemental indenture relating to the Bonds, between the Obligated Group Agent and the Master Trustee (the "Supplemental Indenture").

F. The Bonds will be issued as fully registered bonds in the denomination of $100,000 and integral multiples of $5,000 in excess thereof.

G. The Bonds will be purchased by the Purchaser pursuant to a bond purchase agreement among the Purchaser, the Fund, and the Obligated Group (the "Bond Purchase Agreement").

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

SECTION 1. <u>Issuance of Bonds; Limited Obligation</u>. For the purpose of making the loan requested by the Obligated Group, the issuance of the Bonds is authorized.

The terms of the Bonds shall be substantially in the form contained in the Indenture, with the changes permitted or required by action of the Fund or the Indenture. The Bonds shall bear the manual or facsimile signature of a member of the Fund's Board of Directors (a "Member") or of a person authorized by Board Resolution to sign Bond documents on behalf of the Fund (an "Authorized Officer"), and the official seal of the Fund (or a facsimile of the seal) shall be impressed or imprinted on the Bonds. The Bonds and the interest and any premium on the Bonds are not a debt or obligation of the State of Michigan or a general obligation of the Fund within the meaning of any constitutional or statutory limitation and do not constitute a charge against the credit or taxing powers of the State of Michigan or the general funds or assets of the Fund (including funds relating to other Fund loans or activities), but shall be limited obligations of the Fund payable solely from the revenues derived from the Loan Agreement and otherwise as provided in the Indenture.

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

a. Loan Agreement
b. Indenture
c. Bond Purchase Agreement
d. Master Note in the form contained in the Supplemental Indenture
e. Supplemental Indenture

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

SECTION 3. Completion of Document Terms. Any Member may approve the initial interest rate applicable to the Bonds, which shall not be more than 10.0% per annum, and the principal amount of the Bonds, which shall not be greater than $20,000,000. Approval of those terms shall be evidenced by the Member's execution of the Bond Purchase Agreement.

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

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

b. an opinion of counsel to the Obligated Group and necessary certificates and representations of the Obligated Group acceptable to the Fund, the Attorney General, and bond counsel, and

c. an approving opinion of the Attorney General.

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

SECTION 5. Designation of Certain Parties. The Huntington National Bank's acceptance of duties as bond trustee shall be evidenced by its execution of the Indenture.

SECTION 6. Authorization of Filings, Submissions and Other Documents. Any Member or Authorized Officer, as well as counsel to the Fund, is authorized to apply for or submit, execute, and deliver the other certificates, documents, opinions, swap identification, and papers to any party or governmental agency as may be required by the Indenture, the Loan Agreement, or the Bond Purchase Agreement, or as may be necessary to effectuate the valid issuance, sale and delivery of the Bonds as tax-exempt bonds and otherwise as contemplated by those documents.

SECTION 7. Conflict and Effectiveness. All resolutions or other proceedings of the Fund in conflict with this Resolution are repealed to the extent of the conflict. This Resolution shall become effective upon adoption. If the Bonds are not delivered to their original purchaser on or before November 20, 2015, the authority granted by this Resolution shall lapse.

Adopted.

Ayes:

Nays:

October 27, 2015 Meeting
Lansing, Michigan

MEMORANDUM

Date: October 27, 2015

To: Michigan Strategic Fund Board

From: Julius L. Edwards, Capital Access Specialist

Subject: Michigan Community Revitalization Program
Re-approval of a $5,840,000 Other Economic Assistance – Equity Investment Award
250 West Larned, LLC

Requests

250 West Larned, LLC ("Applicant") is requesting re-approval of its $5,840,000 Michigan Community Revitalization Program ("MCRP") Other Economic Assistance Equity Investment Award in order to execute the MCRP Agreement ("Agreement").

Background

On October 28, 2014 the Michigan Strategic Fund ("MSF") approved a $5,840,000 MCRP Other Economic Assistance award in the form of an equity investment to the Applicant. The MCRP approval required the Agreement be entered into within 240 days of the date of the approval, but allowed for a 120 day extension with approval from the MSF Fund Manager. Due to a delay in the project's Historic Tax Credit Part 2 approval, a change in contractors and higher construction costs, all parties were unable to enter into an Agreement by the original expiration date. On June 17, 2015, the MSF Fund Manager approved extending the expiration date to October 28, 2015, but all parties were unable to meet that deadline.

The development team has worked with its contractor to bring down construction costs and is in the process of finalizing the construction contract, which should be finalized by the end of October. Additionally, the development team is working with its' Senior Lender to secure additional debt to cover the construction cost increases. MEDC has received written confirmation from the Historic Tax Credit investor as well as the Senior Lender that they both remain interested in participating in the project. All parties are targeting a calendar year end closing for the project.

Recommendation

The MEDC staff recommends the following:

1. Re-approval of the MSF's Incentive Award

ORIGINAL APPROVAL

MEMORANDUM

Date: **October 28, 2014**

To: **Michigan Strategic Fund Board**

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

Subject: **250 West Larned LLC**
Request for Approval of a $5,840,000 Michigan Community Revitalization Program Performance-Based Other Economic Assistance

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Request

250 West Larned LLC ("Applicant") is requesting approval of a Michigan Community Revitalization Program (MCRP) incentive in the amount of $5,840,000 in the form of a performance-based other economic assistance (equity investment). The Applicant anticipates that the project could result in eligible investment of over $23,417,040 and total capital investment in the amount of $28,947,940 million in the City of Detroit and the creation of 97 full-time equivalent jobs.

Background

The principals of 250 West Larned LLC are Walter Cohen of 21st Century Holdings and the Aparium Group, led by Mario Tricoci. The Applicant has substantial experience in the creation of independent, locally-driven upscale hotels and restaurants across multiple brands. Combined with their real estate development and construction backgrounds, the team provides the level of expertise required to complete a successful and professional project.

The Aparium Group focuses on a locally significant hospitality model, intuitive service, and owner collaboration. The Iron Horse Hotel in downtown Milwaukee is very similar to the hotel project being proposed in Detroit – large scale, historic adaptive re-use and luxury/boutique product. The Aparium Group has not received any incentives from the MSF previously.

Mr. Cohen is the developer of Du Charme Place, a multifamily residential project in downtown Detroit that was approved for MSF incentives in August of 2014. Mr. Cohen is currently working with staff to close that transaction and start construction.

Project Description

The Applicant plans to convert the former Detroit Fire Department Headquarters and the adjacent vacant building into an integrated, modern luxury 100 room boutique hotel with a first floor full service restaurant and a small retail unit on approximately 91,200 square feet of property located at 234-250 W. Larned in Detroit. The hotel will be called the Foundation Hotel. The project is located on the corner of Larned and Washington, adjacent to the Cobo Center, and promotes mixed-use and walkable community attractions. The development team will be doing a historic preservation of the property and the history of Detroit and particularly the historic features of the Fire Department building will be highlighted in the interior design and architecture of the redeveloped building.

The project is located in a downtown and qualifies for an MCRP award because it is a historic resource.

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

Transaction Overview

Market conditions within the City of Detroit still make financing projects through traditional financing mechanisms difficult or necessitate additional gap filling resources. The conditions that exist are lower than optimal rental and housing rates, higher property taxes, and an overall lack of confidence from traditional banks.

The project will be utilizing construction and permanent financing provided by US Bank. It is anticipated that the financing package will include relatively restrictive financial covenants which has driven MEDC staff to consider a non-loan options for structuring the MCRP incentive. Therefore, MEDC staff is recommending the incentive be structured as an equity investment in the project with repayment coming through net cash flow, and proceeds from a sale or refinance of the property (as defined below). Below outlines a summary of the anticipated development sources and the proposed structure of the MCRP equity investment.

Summary of Development Sources:

US Bank Mortgage Loan	$	13,205,000	45.62%
Federal Historic Tax Credit Equity	$	4,674,072	16.15%
MCRP Equity Investment	$	5,840,000	20.17%
Owner Equity Investment	$	5,228,868	18.06%
TOTAL	**$**	**28,947,940**	**100.00%**

MCRP EQUITY INVESTMENT

Applicant(s): 250 West Larned LLC ("Company" or "Applicant")

MSF Investment Amount: Up to the lesser of 25% of eligible investment or $5,840,000. The structure of the MSF investment will be subject to the historic tax credit structure.

Interest Purchased: MSF will acquire an equity interest into 250 West Larned LLC or an entity to be determined. The MSF will provide no guarantees on debt or accept any recourse obligation.

“Put” Right: The MSF will receive a “Put” right for among other things failure to adhere to MSF statutory requirements. If exercised, 250 West Larned or another entity to be determined shall repay in full the entire contribution provided to the partnership and any earned but unpaid profits available at the time of the notice to exercise the Put on terms and conditions acceptable to the MSF.

Split of Net Cash Flows:

1. Annual preferred return to the MSF equal to 2% of its original capital investment, calculated on a cumulative and annually compounded basis.
2. Annual preferred return to Investors equal to 14% of its capital investment, calculated on a cumulative and annually compounded basis.
3. 50% of annual Net Cash Flow to the MSF until an additional 2% cumulative, non-compounding return on its original investment has been achieved, with remaining 50% of cash flow going to the Investors.
4. Thereafter, 95% of annual Net Cash Flow to Investors, with the remaining 5% going to the MSF.

Split of Proceeds from Sale or Refinance:

1. Repayment of 50% of the Investors’ capital investment (includes the original capital investment plus any subsequent capital investments).
2. Repayment of up to 75% of MSF’s original investment, not to exceed $4,340,000.
3. Repayment of the balance of the Investor’s capital investment (includes the original capital investment plus any subsequent capital investments).
4. Payment of an amount equal to what would have been required for the MSF to achieve a cumulative, non-compounded return of 4%, but in no event less than what would have been required to receive a cumulative and annually compounding return of 2% of the MSF’s original investment.
5. Payment of any unpaid accumulated and unpaid returns owed to the Investors, plus an amount equal to what would have been required for the Investors to receive a cumulative and annually compounding return of 22% of their investment.
6. 50% of net proceeds to MSF until it receives up to 18% of its original investment, not to exceed $1,000,000, with the other 50% going to the Investors.
7. 25% of net proceeds to MSF until it receives up to 9% of its original investment, not to exceed $500,000 with the other 75% going to the Investors.
8. Thereafter, 95% of net proceeds to Investors, with remaining 5% going to MSF.

Membership Change: The MSF will have certain rights to block or consent to any material change in the membership of the project owner entity.

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

Timing of Funding: The MSF investment would be made after (a) all of the Investors' equity has been contributed to and used to fund approved and budgeted for Project expenses and (b) U.S. Bank National Association ("USB") has waived all conditions precedent to funding (but for any conditions or obligations required of the Fund to make the Investment). For the avoidance of doubt, the MSF investment will be funded prior to USB advancing any amounts under the construction loan (the "USB Loan").

Recommendation

The MEDC staff recommends approval of an MCRP performance-based other economic assistance in the amount of $5,840,000 for 250 West Larned LLC.

MICHIGAN STRATEGIC FUND
RESOLUTION 2015-

RE-APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM OTHER ECONOMIC ASSISTANCE EQUITY INVESTMENT AWARD TO 250 WEST LARNED, LLC OR OTHER RELATED ENTITIES (FOUNDATION HOTEL 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 2090-1(3), the MSF approved the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate awards and decisions approved under the MCRP ("Transaction Documents");

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

WHEREAS, by Resolution 2014-188 on October 28, 2014 the MSF Board awarded CRP Other Economic Assistance Equity Investment to 250 West Larned, LLC, or such other entities formed or to be formed in furtherance of the Foundation Hotel Project ("Applicant" or "Co-Applicants") of up to $5,840,000 ("Award");

WHEREAS, by the terms of Resolution 2014-188 the MSF Fund Manager approved an extension of the Award to October 28, 2015 ("Original Expiration Date");

WHEREAS, the Applicant was unable to execute the Transaction Documents by the Original Expiration Date and is requesting re-approval of the Award;

WHEREAS, the MEDC is recommending the MSF re-approve the Award in accordance with the Exhibit A ("Term Sheet") with all requirements remaining unchanged, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents for the Equity 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 30 days (the foregoing, collectively, the "MCRP Award Recommendation");

BE IT FURTHER RESOLVED, the MSF Board approves the MCRP Award Recommendation; and

BE IT FURTHER RESOLVED, the MSF Board directs that the following conditions are met; (i) the MSF Investment Amount is not exceeded, (ii) the "Put" right is substantially preserved and (iii) the final terms comply with the MCRP Guidelines and MSF Act.

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan
October 27, 2015

Exhibit A

Term Sheet

MCRP EQUITY INVESTMENT

Applicant(s): 250 West Larned, LLC or Related Entities ("Company" or "Applicant")

MSF Investment Amount: Up to the lesser of 25% of eligible investment or $5,840,000. The structure of the MSF investment will be subject to the historic tax credit structure.

Interest Purchased: MSF will acquire an equity interest into 250 West Larned, LLC or an entity to be determined. The MSF will provide no guarantees on debt or accept any recourse obligation.

"Put" Right: The MSF will receive a "Put" right for among other things failure to adhere to MSF statutory requirements. If exercised, 250 West Larned or another entity to be determined shall repay in full the entire contribution provided to the partnership and any earned but unpaid profits available at the time of the notice to exercise the Put on terms and conditions acceptable to the MSF.

Split of Net Cash Flows:

1. Annual preferred return to the MSF equal to 2% of its original capital investment, calculated on a cumulative and annually compounded basis.
2. Annual preferred return to Investors equal to 14% of its capital investment, calculated on a cumulative and annually compounded basis.
3. 50% of annual Net Cash Flow to the MSF until an additional 2% cumulative, non-compounding return on its original investment has been achieved, with remaining 50% of cash flow going to the Investors.
4. Thereafter, 95% of annual Net Cash Flow to Investors, with the remaining 5% going to the MSF.

Split of Proceeds from Sale or Refinance:

1. Repayment of 50% of the Investors' capital investment (includes the original capital investment plus any subsequent capital investments).
2. Repayment of up to 75% of MSF's original investment, not to exceed $4,340,000.
3. Repayment of the balance of the Investor's capital investment (includes the original capital investment plus any subsequent capital investments).
4. Payment of an amount equal to what would have been required for the MSF to achieve a cumulative, non-compounded return of 4%, but in no event less than what would have been required to receive a cumulative and annually compounding return of 2% of the MSF's original investment.

5. Payment of any unpaid accumulated and unpaid returns owed to the Investors, plus an amount equal to what would have been required for the Investors to receive a cumulative and annually compounding return of 22% of their investment.
6. 50% of net proceeds to MSF until it receives up to 18% of its original investment, not to exceed $1,000,000, with the other 50% going to the Investors.
7. 25% of net proceeds to MSF until it receives up to 9% of its original investment, not to exceed $500,000 with the other 75% going to the Investors.
8. Thereafter, 95% of net proceeds to Investors, with remaining 5% going to MSF.

Membership Change: The MSF will have certain rights to block or consent to any material change in the membership of the project owner entity.

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

Timing of Funding: The MSF investment would be made after (a) all of the Investors' equity has been contributed to and used to fund approved and budgeted for Project expenses and (b) U.S. Bank National Association ("USB") has waived all conditions precedent to funding (but for any conditions or obligations required of the Fund to make the Investment). For the avoidance of doubt, the MSF investment will be funded prior to USB advancing any amounts under the construction loan (the "USB Loan").

MSF Additional Required Final Terms and Conditions: The final terms and conditions must include:

- The MSF Investment Amount is not exceeded
- The "Put" right is substantially preserved
- The final terms comply with the MCRP Guidelines and MSF Act

MEMORANDUM

Date: **October 27, 2015**

To: **Michigan Strategic Fund Board**

From: **Denise Graves, University Relations Director, Entrepreneurial Services**

Subject: **State-wide Entrepreneurial Service Provider First Customer Program, Joint Evaluation Committee Recommendations**

Action

The MEDC requests that the MSF Board approve total funding of $1,000,000 for 3 years for the First Customer Program.

Background

Since 2012, the MSF Board has funded the Entrepreneurial Service Provider First Customer Program. The First Customer Program is a state-wide program assisting start-ups and small companies diversifying into new industries to identify potential "first" customers. The First Customer Program engages with statewide partners in the preparation and execution of referrals, assessments, action plans and implementation strategies. The MEDC administers the Entrepreneurial Service Provider grant.

On September 22nd, 2015, the MSF Board approved:

1) Allocation of $1,000,000 from the 21st Century Jobs Trust Fund 2015-2016 appropriation to the MSF for the Entrepreneurial Services Provider Program to solicit proposals from non-profits and universities to provide business acceleration services to entrepreneurs and new technology start-up companies in order to encourage new company formation and job creation.
2) 2015 Entrepreneurial Services Provider RFP
3) Joint Evaluation Committee (JEC) to review the submissions to the RFP and,
4) Scoring and evaluation criteria for the review of the Entrepreneurial Services Provider Program proposals.

Results

The MEDC received 1 proposal requesting $1,000,000 in response to the RFP. The JEC reviewed the proposals and with a consensus score of 91, supports funding the proposal received from UM Institute for Research on Labor, Employment and the Economy.

Recommendation

The MEDC requests that the MSF Board approve funding of $1,000,000 to UM Institute for Research on Labor, Employment and the Economy for the continuation of the Entrepreneurial Services Provider First Customer Program.

MEMORANDUM

Date: October 27, 2015

To: MSF Board

From: Fred Molnar, VP, Entrepreneurship and Innovation

Subject: Michigan Small Business Development Center Emerging Technology Fund Refunding request

MEDC Staff recommends the MSF Board approve a grant amendment for an extension of one year and refunding in the amount of $2,500,000 to the Michigan Small Business Development Center (MI-SBDC) to fund the continuation of matching funds for Small Business Innovation Research (SBIR) and Small Business Technology Transfer Research (STTR) federal awards.

BACKGROUND TO AWARD

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

The Emerging Technologies Fund (ETF) is designed to expand funding opportunities for technology based companies in the federal innovation research and development arena by providing 25% matching funds for SBIR and STTR federal awards up to $25,000 for Phase I and $125,000 for Phase II clinical studies. On February 25 2014, the MSF selected the MI-SBDC to receive a grant to continue the ETF program in the amount of $2,293,472 (Resolution No. 2014-017) with a further $2,076,500 added in October 2014 (Resolution No. 2014-178). This amount is governed under the terms and conditions of a Grant Agreement. The Grant Agreement term began April 28, 2014 and ends December 31, 2015.

PROGRAM RESULTS

The purpose of the ETF program is to attract federal SBIR and STTR dollars into the State and as such has been a flagship success story for the 21CJF. Between April 2014 and March 2015, the time of the last progress report, the program has awarded 60 grants totaling $2,745,545 and attracted almost $20,000,000 in federal SBIR and STTR dollars with a further $17,000,000 in third party and follow on funding in the form of venture capital/angel funds, new sales and bank loans.

The ETF program continues to deliver outstanding economic impact for the state: the grantee has continuously demonstrated stringent stewardship of the fund while regularly exceeding key metrics. In terms of service provided, the ETF program has repeatedly achieved the highest customer satisfaction rating of any EIVC program and was this year recognized at the national level by the National Academy of Sciences. The Fund is expected to be exhausted as of October 2015 and this refunding is expected to fund the program through December 2016.

BACKGROUND TO REFUNDING REQUEST

MI-SBDC requests an extension and refunding to continue program operations in providing ETF matching funds to support high potential companies attract SBIR and STTR awards to Michigan.

RECOMMENDATION

MEDC Staff recommends the MSF Board approve this grant amendment and that the MSF Board delegate authority to the MSF Fund Manager, with the assistance of MEDC staff, to negotiate and execute the final terms and conditions and all necessary agreements with SBDC.

MICHIGAN STRATEGIC FUND

RESOLUTION
2015-

GVSU-SBDC EMERGING TECHNOLOGIES FUND GRANT AMENDMENT

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

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

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

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

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

WHEREAS, on February 25, 2014, the Grand Valley State University Michigan Small Business Development Center ("GVSU-SBDC") received a grant of $2,293,472 to provide entrepreneurial support services through its Emerging Technologies Fund (the "GVSU-SBDC-ETF Grant");

WHEREAS, on October 28, 2014, the MSF Board approved an amendment to the GVSU-SBDC-ETF grant to increase the funding by $2,076,500 ("Grant Amendment #1");

W**HEREAS,** in order to continue these entrepreneurial support services, the MEDC recommends that the GVSU-SBDC-ETF Grant be increased by $2,500,000 and extended to December 31, 2016 (the "Grant Amendment #2"); and

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

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

BE IT FURTHER RESOLVED, that the MSF Fund Manager is authorized to negotiate final terms and conditions of Grant Amendment #2 and to execute all documents necessary to effectuate the Grant Amendment #2.

Ayes:

Nays:

Recused:

Lansing, Michigan
October 27, 2015

MEMORANDUM

Date: September 22, 2015

To: MSF Board

From: Fred Molnar, VP, Entrepreneurship & Innovation

Subject: Michigan Small Business Development Center Entrepreneurial Support Services Extension and Refunding request

ACTION

MEDC Staff recommends the MSF Board approve a grant amendment for an extension for one year and refunding in the amount of $1,250,000 to the Michigan Small Business Development Center (MI-SBDC) to fund the continued provision of the Technology Counseling Services to the high-tech entrepreneurial community.

BACKGROUND TO AWARD

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

On February 25, 2014, the MSF selected the SBDC to provide specialized support services to assist the commercialization of competitive-edge technologies and awarded it a grant in the amount of $2,423,280 for two years.

PROGRAM RESULTS

The Technology Counseling Services team has demonstrated exceptional performance in all areas, consistently achieving and exceeding milestones.

Since January 2014 to the most recent progress report submitted in April 15, 2015, SBDC clients have achieved the following:

- 258 Jobs created
- $140,363,018 capital formation
- 36 patents issued
- 76 commercialized products

The SBDC is a flagship partner for MEDC, having acquired a strong track record for stringent stewardship of MEDC dollars and being among the top performers in the MEDC customer survey.

BACKGROUND TO REFUNDING REQUEST

The SBDC Technology Counseling Services budget period ends in December 2015 and it is expected that approximately 95% of the funds will be exhausted at this time.

RECOMMENDATION

MEDC staff recommend the funding for continued operation is approved and that the MSF Board delegate authority to the MSF Fund Manager, with the assistance of MEDC staff, to negotiate and execute the final terms and conditions and all necessary agreements with SBDC.

MICHIGAN STRATEGIC FUND

RESOLUTION
2015-

GVSU-SBDC TECHNOLOGY COUNSELING SERVICES GRANT AMENDMENT

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

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

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

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

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

WHEREAS, on February 25, 2014, the Grand Valley State University Michigan Small Business Development Center ("GVSU-SBDC") received a grant of $2,423,280 to provide entrepreneurial support and technology counseling services (the "GVSU-SBDC-Technology Counseling Services Grant");

WHEREAS, in order to continue these entrepreneurial support services, the MEDC recommends that the GVSU-SBDC-Technology Counseling Services Grant be increased by $1,250,000 and extended to December 31, 2016 (the "Grant Amendment"); and

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

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
October 27, 2015

PURE MICHIGAN

MEMORANDUM

Date: **October 27, 2015**

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

From: **Joshua Hundt, Director – Development Finance**

Subject: ***Johnson Controls APS Production, Inc. ("Company" or "Applicant")***
Amendment to Approved Cell Manufacturing Incentive
Revocation of Michigan Strategic Fund Renaissance Zone

Request

This is a request to amend the Company's Cell Manufacturing Incentive and revoke the Company's Michigan Strategic Fund Renaissance Zone. These amendments will result in a one-time repayment of $3,750,000 by the Company related to the Cell Manufacturing Incentive and an estimated increase in annual tax revenue of $125,000 as a result of the revocation of the Michigan Strategic Fund Renaissance Zone. Additionally, the Company is committing to an additional $12,000,000 in new investment at its facility in Holland, Ottawa County.

The requested amendment to the Cell Manufacturing Incentive agreement includes the following:

a) Require a one-time repayment of a portion of their Cell Manufacturing Incentive in the amount of $3,750,000 by the Company;
b) Revise the Cell Manufacturing Incentive agreement to remove the requirement that the Company create 400 jobs, and replace with requiring the Company to maintain the 225 jobs that have been created by the Company at the project;
c) Establish a credit mechanism whereby for each additional new investment increment of $100,000 the Company is credited for maintenance of one job against the 225 job maintenance requirement;
d) Broaden the relocation language in the agreement to include a relocation of operations outside of the state of Michigan or a plant closure scenario, which will be defined as the elimination of 51% or more of the 225 jobs currently at the project;
e) Modify the repayment provisions to remove the "claw-back" provision if the Company doesn't create 400 jobs by December 31, 2018, and replace with a provision consistent with the 225 job maintenance requirement and new investment increment mechanism. If at any point the amount of maintained jobs is lower than the amount of maintained jobs that are required based on the corresponding additional new investment the Company shall repay $8,750,000;
f) Add a provision that the Cell Manufacturing Incentive agreement will terminate upon the Company making an additional new investment of $22,500,000 or December 31, 2018, whichever is earlier.

Background
On October 27, 2009, by Resolution 2009-168, the Michigan Economic Growth Authority awarded a Battery Pack Manufacturing Tax Credit (Pack Credit) to Johnson Controls-Saft APS, LLC, which was a joint venture between Johnson Controls and Saft APS.

Also on October 27, 2009, the Company was awarded a Battery Cell Manufacturing Tax Credit (Cell Credit), Resolution 2009-170; on August 18, 2009, the company was awarded a High-Tech MEGA, Resolution 2009-140, and both were related to the same project under the joint venture.

In 2011 the Company changed their business structure. The new structure include the dissolution of the joint venture between Johnson Controls and Saft APS Production. However, the new company, Johnson Controls APS Production, Inc., retained the current FEIN for the Pack Credit, Cell Manufacturing credit and High-Tech MEGA

On February 14, 2012 the Company was awarded a Cell Manufacturing Incentive to replace the previous incentive structure, as allowed under Public Act 292 of 2011, which amended Sections 434 (5) and 500 (7) of the Michigan Business Tax Act (PA 36 of 2007) as follows:

- Allows a taxpayer to elect to file separately from its unitary business group for purposes of collecting its certificated advanced battery credit in the MBT, if that taxpayer meets certain requirements.
- Caps the amount of the advanced battery credit under Secton 434(5) of the Michigan Business Tax Act at $75,000,000, a $25,000,000 reduction from the original $100,000,000 credit, if the taxpayer makes this election. The credit has to be taken over three years.
- Requires the taxpayer to forgo its MEGA and battery pack credits if it makes the election to file in this manner, resulting in a savings of $51,000,000 to the State of Michigan over the life of the credits.
- Allows the taxpayer that elects to make this election to be issued a voucher which may be submitted to the Michigan Department of Treasury separate from its tax filing in order to receive the value of the credit prior to its tax filing.
- Requires the taxpayer to create 400 new jobs as part of the project, a 100 job increase over the original requirement of 300 new jobs.

The Company has received the full $75,000,000 Cell Manufacturing Incentive. The Company has created 225 jobs and invested $174,000,000 at the project. They are continuing investment at their facility related to cell manufacturing, integrative cell manufacturing operation, and developing and producing anodes and cathodes related to the manufacture battery cells and packs. The Company has committed to invest at least an additional $12,000,000 at the project related to the manufacture of additional battery technologies. However, due to the slower than anticipated development of the advanced battery industry, the Company does not anticipate the creation of 400 jobs by December 31, 2018.

Recommendation

MEDC Staff recommends the following (collectively, "Recommendation"):

a) Revoke the Company's Michigan Strategic Fund Renaissance Zone that was approved by the MSF Board on October 28, 2009, and amended December 18, 2013;
b) Amend the Cell Manufacturing Incentive agreement by Requiring a one-time repayment of a portion of their Cell Manufacturing Incentive in the amount of $3,750,000 by the Company;
c) Amend the Cell Manufacturing Incentive agreement to remove the requirement that the Company create 400 jobs, and replace with requiring the Company to maintain the 225 jobs that have been created by the Company at the project;
d) Amend the Cell Manufacturing Incentive agreement establishing a credit mechanism whereby for each additional new investment increment of $100,000 the Company is credited for maintenance of one job against the 225 job maintenance requirement;
e) Amend the Cell Manufacturing Incentive agreement to broaden the relocation language to include a relocation of operations outside of the state of Michigan or a plant closure scenario, which will be defined as the elimination of 51% or more of the 225 jobs currently at the project;
f) Amend the Cell Manufacturing Incentive agreement by modifying the repayment provisions to remove the "claw-back" provision if the Company doesn't create 400 jobs by December 31, 2018, and replace with a provision consistent with the 225 job maintenance requirement and new investment increment mechanism. If at any point the amount of maintained jobs is lower than the amount of maintained jobs that are required based on the corresponding additional new investment the Company shall repay $8,750,000;
g) Amend the Cell Manufacturing Incentive agreement by adding a provision that the Cell Manufacturing Incentive agreement will terminate upon the Company making an additional new investment of $22,500,000 million or December 31, 2018, whichever is earlier.

All other aspects of the approval remain unchanged.

MICHIGAN STRATEGIC FUND

RESOLUTION
2015-

JOHNSON CONTROLS APS PRODUCTION, INC.
AMENDMENT TO CELL MANUFACTURING TAX CREDIT
REVOCATION OF RENAISSANCE ZONE

WHEREAS, the Michigan Legislature created the Michigan Economic Growth Authority ("MEGA") under the Michigan Economic Growth Authority Act, 1995 PA 24, as amended (the MEGA Act"), with the authority to award tax credits and voucher certificates under the Michigan Business Tax Act, 2007 PA 36, as amended (the "MBT");

WHEREAS, on August 18, 2009, the MEGA Board authorized a High Tech MEGA Tax Credit for Johnson Controls-Saft Advanced Power Solutions, LLC (the "High Tech Credit");

WHEREAS, on October 27, 2009, the MEGA Board authorized a Battery Cell Manufacturing Tax Credit for Johnson Controls-Saft Advanced Power Solutions, LLC (the "Battery Cell Manufacturing Credit");

WHERAS, on October 27, 2009, the MEGA Board also authorized a Battery Pack Manufacturing Tax Credit for Johnson Controls-Saft Advanced Power Solutions, LLC (the "Pack Manufacturing Credit")

WHERAS, on December 13, 2011, the MEGA Board amended the Battery Cell Manufacturing Tax Credit, the Battery Pack Manufacturing Tax Credit, and the High Tech MEGA to reflect the name change of the taxpayer to Johnson Controls APS Production, Inc. (the "Company");

WHEREAS, Public Act 292 of 2011 amended the MEGA Act and the MBT to authorize the MEGA Board to provide voucher certificates in addition to tax credits, to allow battery cell manufacturing tax credits to be received by a taxpayer in the form of a voucher payment instead of a tax credit, and to change the requirements for receiving a voucher payment;

WHEREAS, on February 14, 2012, the MEGA Board amended the Battery Cell Manufacturing Credit to provide for a voucher certificate for three (3) consecutive years provided that (1) the voucher could not exceed $25 million in any given tax year, for a total value not to exceed $75 million; (2) the Company created at least 75 new jobs by December 31, 2012, 150 cumulative new jobs by December 31, 2013, 225 cumulative new jobs by December 31, 2014 and 400 cumulative new jobs by December 31, 2018; (3) the agreement included a repayment requirement of all or a portion of the credits received if the Company relocated new jobs outside of the State of Michigan during the term of the agreement; and (4) the Company forfeited the High Tech Credit and the Pack Manufacturing Credit (collectively, the "Amended Battery Cell Manufacturing Credit");

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

WHEREAS, Section 8a(2) of the Michigan Renaissance Zone Act (the "Act"), 1996 PA 376, as amended, authorizes the MSF to designate up to 17 renaissance zones in one or more cities, villages, or townships if consented by the local unit of government in which the renaissance zone is located;

WHEREAS, on October 28, 2009, the MSF Board approved a Renaissance Zone for Johnson Controls APS Production, Inc. f/k/a Johnson Controls – Saft APS Production, Inc. (the “Company”) in the City of Holland, as authorized in Section 8a(2) of the Act (the “Renaissance Zone”);

WHEREAS, on December 18, 2013, the MSF Board approved an amendment to the Renaissance Zone to reduce the capital investment milestone, reduce the job creation milestone, authorize an alternative repayment remedy and decrease the term of the Renaissance Zone;

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF for both Battery Cell Manufacturing Tax Credits and Renaissance Zones;

WHEREAS, the Company is requesting that the MSF Board amend the Amended Battery Cell Manufacturing Credit as follows (collectively, the “Amendment Request”):

1) Eliminate the requirement that the Company create 400 jobs and instead require the Company to maintain 225 jobs (the “Maintained Employees”) until the earlier of the Company’s new capital investment of $22,500,000 or December 31, 2018;

2) Allow the Company to count new investment toward the Maintained Employees, such that each $100,000 of new capital investment made by the Company will count toward one job of Maintained Employees (“New Investment Job Equivalent”);

3) Revise the repayment provision to require repayment of $8,750,000 if the Company fails to maintain 225 jobs or make the New Investment Job Equivalent; and

4) Add a provision that the agreement shall terminate upon the earlier of the Company’s new investment of $22,500,000 or December 31, 2018.

WHEREAS, in consideration of the Amendment Request, MEDC Staff recommends that the MSF Board authorize the following (the “Amendment Considerations”):

1) Require the Company to immediately repay $3,750,000 of its Battery Cell Manufacturing Credit;

2) Expand the relocation provision in the agreement to include relocating or otherwise eliminating or failing to employ 51% or more of the Maintained Employees at the project location;

3) Revoke the Company’s Renaissance Zone.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the Amendment Request and the Amendment Considerations; and

BE IT FURTHER RESOLVED, the MSF Board authorizes the MSF Fund Manager to negotiate the final terms and conditions and to execute all documents necessary to effectuate the Amendment Request and the Amendment Considerations.

Ayes:

Nays:

Recused:

October 27, 2015
Lansing, Michigan

MEMORANDUM

DATE: October 27, 2015

TO: Michigan Strategic Fund Board

FROM: Chris Cook, Director – Capital Access

RE: SSBCI Small Business Mezzanine Program
Arctaris Michigan Growth & Income Fund, L.P. - Amendment to Limited Partnership Agreement and Side Letter & Rescinding Additional Commitment to the Fund

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Request

Staff requests that the MSF Board approve amended terms and conditions for Michigan Income & Principal-Protected Growth Fund ("Fund") as detailed in Exhibit A. Staff also requests that the MSF Board consent to rescind the resolution that allowed for an investment by the MSF of an additional $1.0 million to the Fund.

Background

On January 23, 2013 the Michigan Strategic Fund Board approved a request to invest $4.5 million in the form of Class B shares into the Fund. The Fund was newly created with Arctaris Michigan Partners, LLC ("Arctaris") acting as the general partner. The commitment of the MSF required that the Fund raise a minimum of $18 million in investment from Class A members in order for the MSF to be obligated to provide its investment of $4.5 million. The Board also delegated to the MSF Fund Manager the authority to negotiate and finalize all terms and conditions related to the Fund. On September 1, 2013 the MSF and the Fund entered into a Limited Partnership Agreement ("LPA") and Side Letter Agreement ("Side Letter"). On July 22, 2014 the MSF Board approved a request to increase the MSF investment in the Fund by $1.0 million to $5.5 million. This increase of the MSF investment was not effectuated.

The Fund was designed to invest in both royalty-enhanced loans and traditional term debt securities, which generate monthly current income, principal amortization, and upside potential tied to the company's long-term growth. The economic development goals of the Fund include the creation of jobs and economic opportunity for the residents of Michigan. At the time of the investment MEDC staff believed that there was a lack of available mezzanine style capital to lower middle market companies. To date the Fund has made two investments totaling $4,938,664.

Based on discussions between the MSF and the Arctaris, revisions are being made to the LPA and Side Letter. Planned changes include:

- Clarifying that all called capital and investments must be made on a pro rata basis between the Class A investors (except as to two Class A investors that are fully drawn) and the MSF and further requiring that capital be called from Class A investors in order to bring total called capital to pro rata.
- Appointment of an Administrative Manager to oversee operations of the Fund. Responsibilities of the Administrative Manager will include making staffing decisions on behalf of the Fund, approval of all significant expenses or other obligations to be incurred by the Fund, and taking other actions to further the interest of the operation of the Fund.
- Placement by the MSF of up to three members of the advisory board of the Fund.
- Extending the commitment period of the Fund based on the anniversary of the date of execution of the amended LPA.

Recommendation
MEDC Staff recommends the following to the MSF Board:

- Approval of the terms and conditions of the Fund as defined in Exhibit A
- Rescind the resolution dated July 22, 2014 which committed an additional $1.0 million to the Fund

Exhibit A

Michigan Income & Protected Growth Fund L.P.

Summary of Terms and Conditions of the Fund

The following is a summary of terms and conditions of the Michigan Income & Protected Growth Fund L.P.

General Terms

Limited Partnership:	Michigan Income & Protected Growth Fund L.P.
General Partner:	Arctaris Michigan Partners, LLC
Purpose:	The Fund's investments will generally focus on strong growth potential (revenue and jobs) lower middle-market companies in Michigan with $1.5 to $25 million in revenues. Target transactions will range from $500,000 to $2 million for terms from generally three to five years. No single transaction shall exceed $5 million. The Fund will not invest more than 10% of the targeted fund size in any portfolio company. The General Partner must receive written approval by the Class B shareholders for any transactions that may deviate from these parameters.
Michigan Investments:	The Fund will invest only in Michigan based companies, as defined by the MSF, and only in Michigan based projects.
SSBCI/MSF Requirements:	The Fund will comply with all SSBCI and MSF requirements, which include, but are not limited to, that the Fund shall not invest in companies with more than 750 employees globally, shall not invest in projects that include passive real estate, shall not participate in loan(s) greater than $20 million, and shall require the Fund and all portfolio companies to sign all appropriate representations and warranties and conflict of interest disclosures as may be required by the MSF or SSBCI.
MSF Commitment:	The MSF has approved a commitment up to $4,500,000 in the form of Class B Shares (the "Class B Investment Commitment"). The SSBCI/MSF commitment shall not at any time make up more than twenty percent (20%) of the Fund.
Minimum Fund Size:	The Fund and its General Partner must subscribe at least $22,500,000 in investor commitments and shall maintain at

	least $22,500,000 in combined capital commitments and deployed capital at all times during operation of the Fund.
Commitment Period:	The commitment of the investors to provide funds will expire at the earlier of (i) the date when all the Class A Investor Commitments and the Class B Investor Commitments (the Class A Investor Commitments and the Class B Investor Commitments are collectively referred to herein as the "Investor Commitments") have been invested, or (ii) on or about the fifth anniversary of the execution of the amended and restated LPA (the "Commitment Period").
Advisory Board:	The Fund will establish an advisory board and hold a monthly meeting of this advisory board to review and discuss the Fund portfolio company investment activities. This advisory board shall have up to 3 members appointed by the MSF Fund Manager.
Other:	Key Personnel and certain Fund oversight and operations to include an Administrative Manager approved by MSF Fund Manager. Capital calls and investments shall be on a pro rata basis between Class A investors (except as to two Class A investors that are fully drawn) and the MSF.

MICHIGAN STRATEGIC FUND

RESOLUTION 2015-

STATE SMALL BUSINESS CREDIT INITIATIVE
SMALL BUSINESS MEZZANINE PROGRAM
MICHIGAN INCOME & PRINCIPAL-PROTECTED GROWTH FUND AWARD AMENDMENT

WHEREAS, under the State Small Business Credit Initiative Act of 2010 (title III of the Small Business Jobs Act of 2010, Public Law 111-240, 124 Stat. 2568, 2582 (the "SSBCI"), the United States Congress appropriated funds to the United States Department of Treasury ("US Treasury") to be allocated and disbursed to states that have applied for and created programs in accordance with the SSBCI to increase the amount of capital made available by private lenders to small businesses ("SSBCI Programs");

WHEREAS, at its May 25, 2011 meeting, the MSF Board approved (i) the creation of the Small Business Mezzanine Program (the "SBMP") designed to facilitate financing of projects for commercial borrowers and (ii) the guidelines for the SBMP ("SBMP Guidelines");

WHEREAS, On June 21, 2011, the US Department of Treasury approved the State of Michigan, through the MSF, to receive and disburse SSBCI funds within the SSBCI Programs created by the MSF;

WHEREAS, the Michigan Economic Development Corporation ("MEDC") provides administrative services for the Michigan Strategic Fund ("MSF") for SSBCI Programs, including the SBMP;

WHEREAS, at its January 23, 2013 meeting, the MSF Board awarded Michigan Income & Principal-Protected Growth Fund (previously known as Arctaris Michigan Growth & Income Fund, L.P.) ("MIPPGF" or the "Fund") up to $4.5 million under the SBMP (the "MIPPGF Award");

WHEREAS, the MSF and MIPPGF subsequently entered into a Limited Partnership Agreement (the "LPA") and Side Letter Agreement (the "Letter Agreement"), each dated September 1, 2013, to effectuate the MIPPGF Award (the LPA and Letter Agreement, collectively, the "Transaction Documents");

WHEREAS, at its July 22, 2014 meeting, by resolution 2014-101, the MSF Board approved an amendment to the Transaction Documents to effectuate an increase in the MIPPGF Award of up to a total of $5.5 million under the SBMP;

WHEREAS, since Resolution 2014-101, the MEDC and the Fund have discussed terms and conditions for the MIPPGF Award and Transaction Documents, including maintaining the MIPPGF Award at up to $4.5 million, including key personnel and management terms, extending the commitment period for the Fund, and other terms and conditions for the Transaction Documents summarized on the attached Exhibit A ("Amended MIPPGF Award");

WHEREAS, the MEDC recommends the MSF (i) rescind Resolution 2014-101 and (ii) approve the Amended MIPPFG Award.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board rescinds Resolution 2014-101;

BE IT FURTHER RESOLVED, the MSF Board approves the Amended MIPPGF Award.

Ayes:

Nays:

October 27, 2015
Lansing, Michigan

Exhibit A

Michigan Income & Protected Growth Fund L.P.

Summary of Terms and Conditions of the Fund

The following is a summary of terms and conditions of the Michigan Income & Protected Growth Fund L.P.

General Terms

Limited Partnership:	Michigan Income & Protected Growth Fund L.P.
General Partner:	Arctaris Michigan Partners, LLC
Purpose:	The Fund's investments will generally focus on strong growth potential (revenue and jobs) lower middle-market companies in Michigan with $1.5 to $25 million in revenues. Target transactions will range from $500,000 to $2 million for terms from generally three to five years. No single transaction shall exceed $5 million. The Fund will not invest more than 10% of the targeted fund size in any portfolio company. The General Partner must receive written approval by the Class B shareholders for any transactions that may deviate from these parameters.
Michigan Investments:	The Fund will invest only in Michigan based companies, as defined by the MSF, and only in Michigan based projects.
SSBCI/MSF Requirements:	The Fund will comply with all SSBCI and MSF requirements, which include, but are not limited to, that the Fund shall not invest in companies with more than 750 employees globally, shall not invest in projects that include passive real estate, shall not participate in loan(s) greater than $20 million, and shall require the Fund and all portfolio companies to sign all appropriate representations and warranties and conflict of interest disclosures as may be required by the MSF or SSBCI.
MSF Commitment:	The MSF has approved a commitment up to $4,500,000 in the form of Class B Shares (the "Class B Investment Commitment"). The SSBCI/MSF

	commitment shall not at any time make up more than twenty percent (20%) of the Fund.
Minimum Fund Size:	The Fund and its General Partner must subscribe at least $22,500,000 in investor commitments and shall maintain at least $22,500,000 in combined capital commitments and deployed capital at all times during operation of the Fund.
Commitment Period:	The commitment of the investors to provide funds will expire at the earlier of (i) the date when all the Class A Investor Commitments and the Class B Investor Commitments (the Class A Investor Commitments and the Class B Investor Commitments are collectively referred to herein as the “Investor Commitments”) have been invested, or (ii) on or about the fifth anniversary of the execution of the amended and restated LPA (the “Commitment Period”).
Advisory Board:	The Fund will establish an advisory board and hold a monthly meeting of this advisory board to review and discuss the Fund portfolio company investment activities. This advisory board shall have up to 3 members appointed by the MSF Fund Manager.
Other:	Key Personnel and certain Fund oversight and operations to include an Administrative Manager approved by MSF Fund Manager. Capital calls and investments shall be on a pro rata basis between Class A investors (except as to two Class A investors that are fully drawn) and the MSF.

MEMORANDUM

Date: **October 27, 2015**

To: **Michigan Strategic Fund Board**

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

Subject: ***Private Activity Bond – Authorizing***
K-Tab II, LLC
Manufacturing - $4,100,000 – New

Request:
K-Tab II, LLC ("Borrower") is a Michigan limited liability company established to manage the real estate activities on behalf of Packaging Specialties, Inc. (the "Company"), a family-owned Michigan corporation. Borrower is requesting private activity bond financing in order to acquire and relocate to 10.85 acres of land with an existing approximately 175,000 square foot facility located at 8111 Middlebelt Road, Romulus, Wayne County.

Background:
The Company, serving primarily Southeast Michigan, was established in 1963 and manufactures corrugated and fiberboard packaging including flexo cartons, die cutting, corrugated plastic, build up blocks, custom built kits, corrugated and chip partitions, ultrasonic welding, and specialty gluing. The Company has outgrown is current 80,000 square foot facility located in Ecorse, Michigan.

The Company currently employs 53 individuals, and is outgrowing its current 80,000 square foot facility. Upon completion of the project and at full operation Company intends to hire and additional 50 employees.

The cost of the land and existing building was approximately 1.5 million dollars with interim financing of $1.2 million. The balance is earmarked for renovation/rehabilitation costs.

Plans of Finance:
The $4,100,000 principal amount of bonds will be purchased directly by PNC Bank for its own portfolio.

Recommendation:
Based upon a determination by Clark Hill PLC and the State of Michigan Attorney General's office that this transaction complies with state and federal law requirements for tax-exempt financing, staff recommends the adoption of a Bond Authorizing Resolution in an amount not to exceed $4,100,000. The MEDC will charge an issuance fee of $10,250 dollars.

RESOLUTION TO AUTHORIZE THE ISSUANCE OF THE MICHIGAN STRATEGIC FUND MULTI-MODAL LIMITED OBLIGATION BONDS (KTAB II, LLC PROJECT),
SERIES 2015 (THE "BONDS")

Resolution 2015-

Background

A. The Michigan Strategic Fund (the "Fund") is authorized by 1984 PA 270, as amended (the "Act"), to issue bonds for the purpose of making loans to pay the costs of a project (as defined in the Act).

B. KTab II, LLC, a Michigan limited liability company (the "Obligor"), established to own and manage the real estate on which the manufacturing facilities of Packaging Specialties, Inc., a Michigan corporation (the "Company"), are located, has requested a loan from the Fund to assist the Obligor in (i) financing the costs of acquiring approximately 10.85 acres of land and an approximately 175,000 square foot existing facility, and the rehabilitation of the facility, located at 8111 Middlebelt Road, Romulus, Wayne County, Michigan (the "Project"); and (ii) paying all or a portion of the costs of issuing such bonds. The Project will be owned by the Obligor and operated by the Company as a manufacturer of fiberboard packaging products.

C. The Obligor has requested the Fund to issue the Bonds in a principal amount not to exceed $4,100,000 pursuant to this resolution (the "Resolution") and a trust indenture (the "Indenture"), between the Fund and PNC Bank, National Association, as depositary (the "Bank") relating to the Bonds to obtain funds which will be loaned to the Obligor pursuant a loan agreement between the Fund and the Obligor (the "Loan Agreement"), to pay costs of the Project.

D. The Bonds will be issued as fully registered bonds in minimum bond denominations of $100,000.

E. The Bonds will be purchased by the Bank pursuant to a bond purchase agreement among the Bank, the Fund, and the Obligor (the "Bond Purchase Agreement").

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

SECTION 1. Issuance of Bonds; Limited Obligation. For the purpose of making the loan requested by the Obligor, the issuance of the Bonds is authorized.

The terms of the Bonds shall be substantially in the form contained in the Indenture, with the changes permitted or required by action of the Fund or the Indenture. The Bonds shall bear the manual or facsimile signature of a member of the Fund's Board of Directors (a "Member") or of a person authorized by Board

Resolution to sign Bond documents on behalf of the Fund (an “Authorized Officer”), and the official seal of the Fund (or a facsimile of the seal) shall be impressed or imprinted on the Bonds. The Bonds and the interest and any premium on the Bonds are not a debt or obligation of the State of Michigan or a general obligation of the Fund within the meaning of any constitutional or statutory limitation and do not constitute a charge against the credit or taxing powers of the State of Michigan or the general funds or assets of the Fund (including funds relating to other Fund loans or activities), but shall be limited obligations of the Fund payable solely from the revenues derived from the Loan Agreement and otherwise as provided in the Indenture.

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

a. Loan Agreement
b. Indenture
c. Bond Purchase Agreement

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

SECTION 3. Completion of Document Terms. Any Member may approve the initial interest rate applicable to the Bonds, which shall not be more than 10.0% per annum, and the principal amount of the Bonds, which shall not be greater than $4,100,000. Approval of those terms shall be evidenced by the Member’s execution of the Bond Purchase Agreement.

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

a. an approving opinion of bond counsel to the Fund acceptable to the Fund and the Attorney General of the State of Michigan (the “Attorney General”);

b. an approving opinion of counsel to the Obligor and necessary certificates and representations of the Obligor acceptable to the Fund, the Attorney General, and bond counsel;

c. an approving opinion of the Attorney General; and

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

SECTION 5. Designation of Certain Parties. The Bank's acceptance of duties as depositary shall be evidenced by its execution of the Indenture; provided however, that in the event of a Conversion Date or a Bank Purchase Mandatory Tender Date, as those terms are defined in the Indenture, a Trustee shall be appointed as and accept the duties of such position by executing an amended or supplemental Indenture.

SECTION 6. Authorization of Filings, Submissions and Other Documents. Any Member or Authorized Officer, as well as counsel to the Fund, is authorized to apply for or submit, execute, and deliver the other certificates, documents, opinions, and papers to any party or governmental agency as may be required by the Indenture, the Loan Agreement, or the Bond Purchase Agreement, or as may be necessary to effectuate the valid issuance, sale and delivery of the Bonds as tax-exempt bonds and otherwise as contemplated by those documents.

SECTION 7. Election Under Internal Revenue Code. The Fund elects, in accordance with Section 1.103-10(b)(2)(vi) of the Income Tax Regulations, to have the provisions of the $10,000,000 limit of Section 144(a)(4) of the Internal Revenue Code of 1986, as amended, apply to the Bonds.

SECTION 8. Conflict and Effectiveness. All resolutions or other proceedings of the Fund in conflict with this Resolution are repealed to the extent of the conflict. This Resolution shall become effective upon adoption. If the Bonds are not delivered to their original purchaser on or before November 24, 2015, the authority granted by this Resolution shall lapse.

Adopted.

Ayes:

Nays:

October 27, 2015 Meeting
Lansing, Michigan

PURE MICHIGAN

MEMORANDUM

Date: **October 27, 2015**

To: **Michigan Strategic Fund Board**

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

Subject: ***Private Activity Bond – Authorizing***
Young Men's Christian Association of Niles Michigan, Inc. d/b/a Niles-Buchanan YMCA
Nonprofit – Not to Exceed $4,590,000

Request:
Young Men's Christian Association of Niles, Michigan, Inc. d/b/a Niles-Buchanan YMCA ("Borrower"), a not-for-profit organization, is requesting private activity bond financing to: a) refinance a conventional loan ("Bridge Loan"), the proceeds of which refunded the outstanding principal amount of the Michigan Strategic Fund Variable Rate Demand Limited Obligation Revenue Bonds (YMCA of Niles, Michigan, Inc. Project), Series 2005, which were originally issued in the principal amount of $7,360,000; and b) pay certain costs related to the issuance of the Series 2015 Bonds.

Background:
Borrower, a charitable, non-profit organization, qualifying under Section 501(c)(3) of the U.S. Tax Code, was first incorporated in the State of Michigan on July 12, 1949.

The proceeds of the 2005 Bonds were utilized for the construction of an approximately 56,000 square foot facility and the acquisition and installation of equipment and furnishings at the facility. This project is located at 905 North Front Street, City of Niles, Berrien County, Michigan, and employs 12 full time and approximately 130 part-time employees.

Plans of Finance:
The Series 2015 Bonds will be issued on or about November 4, 2015, as a private placement with Chemical Bank, a qualified institutional buyer and accredited investor. With the proceeds of the Series 2015 Bonds, the Borrower will simultaneously repay in full the outstanding principal balance of the Bridge Loan and pay all or a portion of the issuance costs of the Series 2015 Bonds.

Recommendation:
Based upon a determination by Warner Norcross& Judd, LLP and State of Michigan Attorney General's office that the refunding complies with all state and federal legal requirements for tax-exempt financing, staff recommends the adoption of a Bond Authorizing Resolution in an amount not to exceed $4,590,000. The MEDC will charge an issuance fee of $11,375.00.

RESOLUTION TO AUTHORIZE THE ISSUANCE OF THE MICHIGAN STRATEGIC FUND LIMITED OBLIGATION REVENUE BONDS, SERIES 2015 (YMCA OF NILES PROJECT) (THE "BONDS")

Resolution 2015-

Background

A. The Michigan Strategic Fund (the "Fund") is authorized by 1984 PA 270, as amended (the "Act"), to issue bonds for the purpose of making loans to pay the costs of a project (as defined in the Act).

B. Young Men's Christian Association of Niles, Michigan, Inc. d/b/a Niles-Buchanan YMCA (the "Obligor"), a not-for-profit organization , has requested a loan from the Fund to: a) refinance a conventional loan ("Bridge Loan"), the proceeds of which refunded the outstanding principal amount of the Michigan Strategic Fund Variable Rate Demand Limited Obligation Revenue Bonds YMCA of Niles, Michigan, Inc. Project), Series 2005, which were originally issued in the principal amount of $7,360,000 (the "Project"); and b) pay certain costs related to the issuance of the Bonds.

C. The Obligor has requested the Fund to issue the Bonds in a principal amount not to exceed $4,590,000 pursuant to this resolution (the "Resolution") and a bond purchase and loan agreement, dated as of November 4, 2015 (the "BPLA") among the Fund, the Obligor and Chemical Bank, a Michigan Banking corporation, as lender and bondholder (the "Lender") to pay the costs of the Project (and thereby refinance the Bridge Loan) and to pay certain costs of issuance of the Bonds.

D. The Lender has agreed to purchase the Bonds on the terms and conditions set forth in the BPLA.

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

SECTION 1. Issuance of Bonds; Limited Obligation. For the purpose of making the loan requested by the Obligor, the issuance of the Bonds is authorized.

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

The Bonds and the interest and any premium on the Bonds are not a debt or obligation of the State of Michigan or a general obligation of the Fund within the meaning of any constitutional or statutory limitation and do not constitute a charge against the credit or taxing powers of the State of Michigan or the general funds or assets of the Fund (including funds relating to other Fund loans or activities), but shall be a limited obligation of the Fund payable solely from the revenues derived from the BPLA and otherwise as provided in the BPLA.

SECTION 2. Approval, Execution, and Delivery of Documents. The form of the following document, on file with the staff of the Fund and on which has been endorsed by the staff of the Fund the date of adoption of this Resolution, is approved:

a. Bond Purchase and Loan Agreement.

Any Member and Authorized Officer are authorized to execute and deliver the BPLA, in substantially the form approved, with any changes as are considered necessary or desired by him or her, permitted by the Act or otherwise by law, and not materially adverse to the Fund.

SECTION 3. Completion of Document Terms. The following terms of the Bonds shall be approved by the Member executing the BPLA:

a. the maximum principal amount of the Bonds, which shall not exceed $4,590,000;

b. the interest rate for the Bonds, which shall not exceed 6.5 % per annum.

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

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

b. an opinion of counsel to the Obligor and necessary certificates and representations of the Obligor acceptable to the Fund, the Attorney General, and bond counsel,

c. an approving opinion of the Attorney General.

d. an investor letter in form and substance acceptable to the Attorney General from the Lender.

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

SECTION 5. Authorization of Filings, Submissions and Other Documents. Any Member or Authorized Officer, as well as counsel to the Fund, is authorized to apply for or submit, execute, and deliver the other certificates, documents, opinions, and papers to any party or governmental agency as may be required by the BPLA or as may be necessary to effectuate the valid issuance, sale, and delivery of the Bonds as tax-exempt bonds and otherwise as contemplated by those documents.

SECTION 6. Conflict and Effectiveness. All resolutions or other proceedings of the Fund in conflict with this Resolution are repealed to the extent of the conflict. This Resolution shall become effective upon adoption. If the Bonds are not delivered to or upon the order of the Lender on or before November 20, 2015, the authority granted by this Resolution shall lapse.

Adopted.

Ayes:

Nays:

October 27, 2015 Meeting
Lansing, Michigan

MEMORANDUM

Date: **October 27, 2015**

To: **Michigan Strategic Fund Board**

From: **Ryan Kilpatrick, Community Assistance Team Specialist**
Greg West, Program Specialist, Community Development Block Grant
Christine Whitz, Manager, Community Development Block Grant Program

Subject: ***Community Development Block Grant Program***
Blight Elimination Project
Village of Sheridan, County of Montcalm

Request

The Village of Sheridan is requesting $415,000 in Community Development Block Grant (CDBG) funds for blight clearance needed for the former Carnation factory located in the Village of Sheridan, Montcalm County, Michigan. In addition, staff is requesting a waiver of the minimum match requirement.

Background

The project site is occupied by a long vacant and dilapidated industrial structure that is publicly owned due to tax foreclosure. Several notices of condemnation have been issued for the site and there is significant concern that the building is no longer able to support its own weight. The structure is immediately adjacent to a public sidewalk and fronts upon a State thoroughfare (M-66). Should the building collapse on its own, it would be a major public safety hazard and would likely result in significant impairment of traffic and economic activity in the region.

The project will involve a hazardous materials survey and abatement proceeding as well as complete demolition of all structures on site, site cleanup and proper management of any contaminated soils. The demolition and blight abatement is expected to result in a vacant, publicly owned site which is seeded with grass and maintained by the Village until a future use can be defined.

The Village does not have the local funding necessary to meet the minimum requirement for this CDBG blight elimination project, therefore the grant amount of $415,000 will be for the total project cost.

Program specific requirements and screening guidelines are addressed in **Appendix A.**

Project area map, including renderings and before photos are provided in **Appendix B.**

Recommendation
The MEDC Staff recommends:

- A CDBG blight grant agreement in the amount of $415,000 be authorized for the Village of Sheridan for the removal of the former manufacturing facility.

- The ten percent Local Match requirement, as stated in the CDBG program guidelines, be waived.

APPENDIX A – Programmatic Requirements & Screening Guidelines

Program Requirements

The project was evaluated utilizing the CDBG requirements. It has been determined that the project meets the following requirements to qualify as an eligible project under the CDBG program:

- **National Objective:**
  This project qualifies for CBDG funding as the project meets the definition of blight as defined in the Brownfield Redevelopment Financing Act 381 of 1996, MCL 125.2652 (e)(i-iv) and (vii). The project meets a national objective by eliminating or preventing slums and blight on a spot or area basis.

- **Eligible Activity:**
  This project involves eligible activities identified in Section 105(a)(4) of Title I of the Housing and Community Development Act of 1974, as amended.

Screening Guidelines

The project was evaluated utilizing the CDBG guidelines. It has been determined that the project meets the following standards to qualify as an eligible project under the CDBG program:

- **Economic Impact:** The economic impact of this project was evaluated. It was determined that the project is:

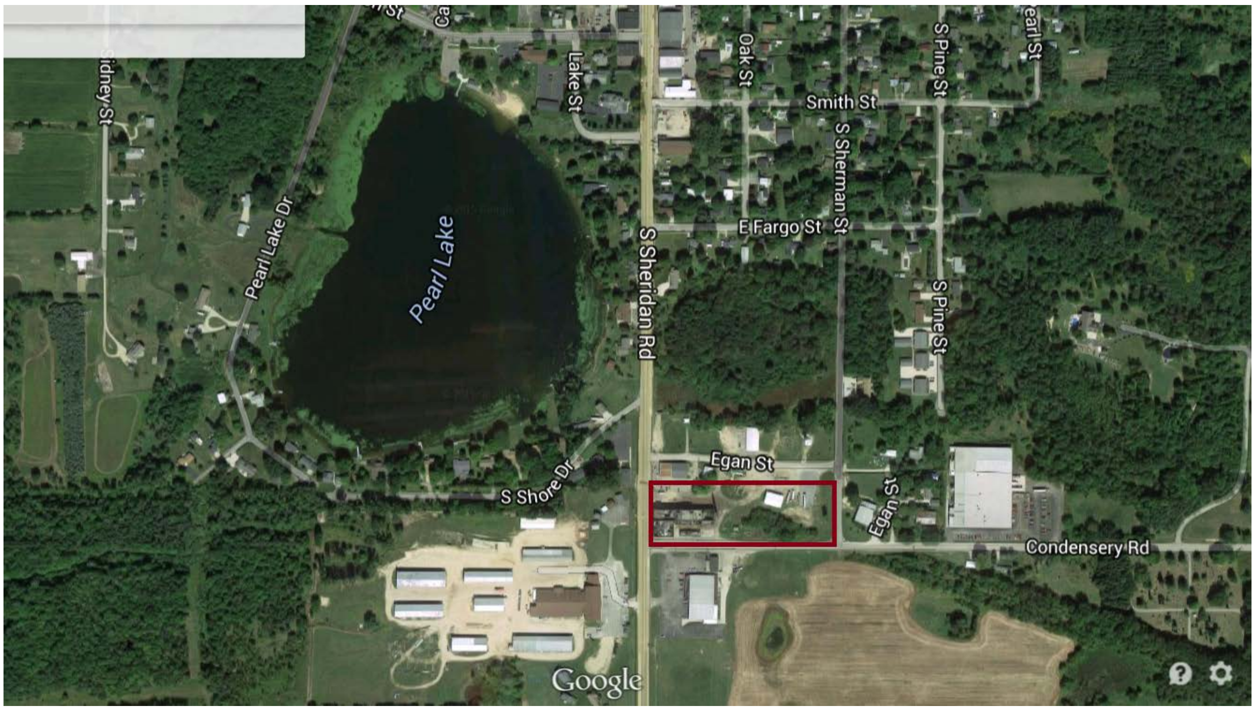
  - Located in a highly visible location
  - Located in a DDA or other like district

  And the community has:

  - Local/regional organizational capacity to successfully complete this project

The MEDC staff has concluded that the project meets the minimum program requirements and screening guidelines to be eligible under the CDBG program.

APPENDIX B – Map



MICHIGAN STRATEGIC FUND

RESOLUTION 2015- _________

APPROVAL OF THE VILLAGE OF SHERIDAN'S BLIGHT ELIMINATION PROJECT

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

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

WHEREAS, The CDBG program has policies, criteria, and parameters that are enumerated in the 2015 Program Guidelines, as amended (the "Criteria"). The MSF, by Resolution 2015-039, authorized and approved the Consolidated Plan and the Criteria and the MSF, by Resolution 2015-039, authorized and approved the 2015 Application Guide which includes guidelines for blight elimination grants;

WHEREAS, pursuant to SFCR 10.1-1, 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 or decisions approved under the CDBG program;

WHEREAS, the **Village of Sheridan** (the "Community") has submitted a complete application for approval requesting funding to be used to fund the Blight Elimination Project (the "Project");

WHEREAS, CDBG program staff reviewed the proposed Project in light of the Criteria, Guide and HUD regulations and concluded the Project is eligible for funding, is not speculative in nature, is economically sound, is ready to proceed, and will eliminate specific conditions of blight or physical decay on a spot basis not located in a designated slum or blighted area; and

WHEREAS, staff recommends that a grant agreement be authorized and entered into with the Community for funds from the CDBG program; and

WHEREAS, staff recommends waiving the minimum Local Match requirement, as stated in the CDBG program guidelines for the reasons set forth in this Resolution.

NOW, THEREFORE, BE IT RESOLVED, that the MSF authorizes a grant to the Community not to exceed $415,000 for the payment or reimbursement of costs associated with the Project, and, allocates $415,000 from the Michigan CDBG program for the purpose of funding the Community's proposed Project contingent upon the MSF's continued receipt of CDBG funds and availability of adequate funds; and

BE IT FURHTER RESOLVED, that the MSF authorizes waiving the minimum Local Match requirement as stated in the CDBG program guidelines; and

BE IT FURTHER RESOLVED, the MSF Fund Manager, in coordination with MEDC staff is directed to negotiate the terms of a grant agreement for the Project consistent with this Resolution; and

BE IT FURTHER RESOLVED, if the Community fails to execute and return the grant agreement to staff within 180 days of the date this Resolution is adopted, this Resolution shall be of no further force and effect and shall be void.

Ayes:

Nays:

Recused:

Lansing, Michigan
October 27, 2015

PURE MICHIGAN®

MEMORANDUM

Date: **October 27, 2015**

To: **Michigan Strategic Fund Board**

From: **Ryan Kilpatrick, Community Assistance Team Specialist**
Julius L. Edwards, Capital Access Specialist
Jennifer Schwanky, Brownfield Program Analyst

Subject: **City of Grand Rapids Brownfield Redevelopment Authority**
Request for Approval of an Act 381 Work Plan
Bridge and Turner, LLC - Request for Approval Michigan Community Revitalization Program Other Economic Assistance Performance Based Loan Participation

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Request

Bridge and Turner, LLC is requesting a $2.5 million in the form an Other Economic Assistance Loan Participation award to support redeveloping the property located at 405 Bridge Street NW in the City of Grand Rapids with two-mixed use buildings that include space for New Holland Brewery (NHB). The project is located in a traditional commercial center and qualifies for a Michigan Community Revitalization Program (MCRP) award and Act 381 work plan because it is a facility. In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the City of Grand Rapids Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of $2,126,175.

The development team has been able to leverage an $18,840,000 loan from Mercantile Bank, which is greater than 75% of the total development costs of the project and in line with traditional lending levels. Additionally, the development team has been able to raise $3,660,000 (14.6% of total development costs) in private equity for the project. The remaining gap would be filled with a $2.5M MCRP award. The award would be in the form of a Loan Participation bearing interest of three percent and an exit fee of $425,000 due at loan maturity. It is anticipated that the award would allow the investors to achieve a return of less 10%. Extensive amounts of urban fill and contamination are present on the site. While brownfield TIF is expected to reimburse some of the expenses related to site work, there remain significant earthwork challenges that are not eligible under these programs. Further, New Holland Brewery will drive significant job creation on the site, but the cost to build this project in a manner which allows for adequate separation of the brewery facility from the residential portion of the project would be prohibitive without MCRP assistance. The MCRP award will address a $2.5 million funding gap resulting from these urban site conditions. The eligible activities will alleviate Brownfield conditions across the site and make it suitable for redevelopment, and protect human health and the environment. Without

Brownfield tax increment reimbursement, the cost burden related to Brownfield eligible conditions would make the project financially unfeasible. MCRP detailed structure is provided in **Appendix A.**

The Applicant anticipates that the project will result in eligible investment of $20,081,274 and total capital investment in the amount of $25,000,000, along with the creation of approximately 219 permanent full-time equivalent jobs with an average hourly wage of $20.00.

Background

Bridge and Turner, LLC plans to redevelop the property located at 405, 415, 425, and 427 Bridge Street NW and 416 and 424 Broadway NW with two-mixed use buildings that include space for NHB (approx. 45,000 sf), residential apartments (36,500 sf), commercial offices (21,000 sf), and ground floor retail (5,000 sf). This project will transform the "gateway" to the City's west side business district by increasing economic activity, eliminating blight, and increasing property values. Three blighted buildings on the site (former gas station, adult bookstore, and adult theater) will be demolished to facilitate site redevelopment. NHB intends to occupy two floors of the westernmost building (corner of Bridge and Broadway); NHB's operations will consist of beer and spirits production, a bar, restaurant, retail store and outdoor beer garden. Two floors of commercial office space will be located above NHB. The easternmost building (corner of Bridge and Turner) is designed with four floors of residential units above street level retail space.

Asbestos abatement will be necessary prior to demolition activities in order to protect human health. Demolition activities will be necessary to remove blighted buildings from the site. Site preparation activities include construction staking and fencing, overhead utility relocation, erosion control, traffic control, and temporary earth retention and site excavation. Infrastructure improvements including sewer, water and storm water improvements, as well as curbs, gutters, sidewalks and engineering are necessary to support the new development.

Bridge and Turner, LLC will be managed by Rockford Construction, who has over 20 years of real estate development experience in West Michigan. A $1 million CRP grant was previously awarded for the redevelopment of the former Miller Products building into the new Rockford Construction headquarters. Rockford Construction has also been involved in other incented projects on the west side, including Fulton Place Project, which plans to redevelop one acre of property next to Grand Valley State University in downtown Grand Rapids.

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

Recommendation

MEDC staff recommends approval of the following:

a) Local and school tax capture for the Act 381 eligible activities totaling $2,126,175. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $1,097,532.
b) Approval of money to be transferred for the specific purpose of this project through MCL 125.2088b(2) to the MCRP Program for the purpose of the program authorized under

MCL125.2088b(2) as long as the program provides for repayment for breach of the written agreement or the failure to meet measurable outcomes.

c) A MCRP Other Economic Assistance Performance Based Loan Participation in the amount of $2,500,000 for Bridge and Turner, LLC.

APPENDIX A

FINANCING OPPORTUNITY – MCRP LOAN PARTICIPATION

The project is seeking Michigan Strategic Fund (MSF) participation in coordination with Mercantile Bank as the senior lender. The Lender, along with the Borrower, has requested the MSF participate in up to $2,500,000 in a $21,340,000 construction to permanent loan facility. The MSF would be pari passu in terms of payments on its share of the loan, but would allow the collateral to apply first to the Lender's share in an event of liquidation. 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.

SUMMARY OF DEVELOPMENT SOURCES:

Mercantile Bank Share		$	18,840,000	75.4%
MCRP Share		$	2,500,000	10.0%
Developer Equity		$	3,660,000	14.6%
	TOTAL	**$**	**25,000,000**	**100.0%**

LOAN FACILITY

MSF Facility	MCRP Loan Participation and Servicing Agreement Under "Other Economic Assistance"
Borrower:	Bridge and Turner, LLC
Lender:	Mercantile Bank
Total Loan Amount:	Currently estimated at $21,340,000
Lender Share:	Currently estimated at $18,840,000
MSF Share:	Up to the lesser of 20% of "Eligible Investment" or $2,500,000
Term:	To match that of the Lender, not to exceed 120 months with an interest only period of up to 36 months.
Amortization:	Up to 300 months following the interest only period.
Interest Rate:	On the MSF share anticipated to be 3.00% per annum
Repayment Terms:	On the MSF share up to 36 months of monthly interest only payments followed by monthly principal and interest payments.
Collateral:	To match that of the Lender, currently anticipated being a mortgage lien on the property, assignment of leases and rents, and a security interest in the TIF reimbursements. MSF share of collateral will be subordinated to that of the Lender.
Guarantee:	To match that of the Lender, currently anticipated to be the limited unsecured personal guarantees of the members of Bridge and Turner, LLC. The MSF Share of guarantee(s) will be subordinated to the Lender

MSF Fees:	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. Additionally, the MSF will be charging a $425,000 "Exit Fee" due at loan maturity.
Funding:	The MSF will fund up to $2,500,000 to be disbursed following closing of the Loan and other performance criteria.
Other Conditions:	The MSF's investment will be contingent upon the following: - A minimum owner equity contribution of $3,660,000 to the project. - Receipt and review of a final executed lease with NHB and any other ancillary agreements regarding debt service payments covered by NHB.

APPENDIX B – Programmatic Requirements & Screening Guidelines

Property Eligibility
The project is located within the boundaries of the City of Grand Rapids, which is a Qualified Local Governmental Unit, and has been determined to be a facility as verified by Michigan Department of Environmental Quality (DEQ).

The property is the subject of a Brownfield Plan, duly approved by the City of Grand Rapids on March 24th, 2015.

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

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

As required under the MCRP, the following statutory criteria is being considered by the MSF:

A. **The importance of the project to the community in which it is located:**
The existing buildings consist of a former gasoline filling station, adult bookstore, and adult theater. The buildings are blighted and will be demolished to facilitate site redevelopment. This project is consistent with the City's master plan and area specific plan for the Westside, which prioritizes multi-story buildings featuring mixed uses. Based on its urban location, this redevelopment project contributes to preserving greenspace areas outside the urban core. The demand for new residential and commercial space on the city's Westside is attracting investment to facilitate this mixed use project. This project enables the expansion of West Michigan's craft brewery industry and fills demand for a greater variety of urban living options.

B. **If the project will act as a catalyst for additional revitalization of the community in which it is located:**
This project will transform the "gateway" to the City's west side business district. For decades this area has suffered from economic decline, resulting in significant blight, depressed property values and rising unemployment and poverty. This project will create opportunities for additional commerce and investment in the district, and also employ the local workforce on various construction activities.

C. **The amount of local community and financial support for the project:**
This project has been approved by the local brownfield authority for an estimated $1,028,643 in local brownfield tax increment financing.

D. **The applicant's financial need for a community revitalization incentive:**
Extensive amounts of urban fill and contamination are present on the site. While brownfield TIF is expected to reimburse for some of the site work, and the MDEQ is initiating a self-funded cleanup on a portion of the site, there remain significant earthwork challenges (e.g. foundations, site infrastructure) that are not eligible under these programs. The MCRP award will address a $2.5 million funding gap resulting from these urban site conditions. The development team has been able to leverage an $18,840,000 loan from Mercantile Bank, which is greater than 75% of the total development costs of the project and in line with traditionally lending levels. Additionally, the development team has been able to raise $3,660,000 (14.6% of total development costs) in private equity to the project.

E. **The extent of reuse of vacant buildings, reuse of historical buildings, and redevelopment of blighted property:**
The subject property has been determined to be a facility and was previously occupied by an adult book store, adult theatre and former gas station. Soil and groundwater on the site contain concentrations of volatile organic compounds (VOCs), polynuclear aromatic hydrocarbons (PAHs), and heavy metals at concentrations that exceed MDEQ Part 201 criteria. The upper 12 feet of soil across the site contains debris, including brick, coal, metal, and glass, as well as buried automotive parts and appliances. The contaminated soil containing this material requires excavation and disposal at a licensed landfill to facilitate site redevelopment.

F. **Creation of jobs:**
The project is expected to create approximately 219 jobs with an average hourly wage of $20.00.

G. **The level of private sector and other contributions, including, but not limited to, federal funds and federal tax credits:**
The development team has been able to leverage $18,840,000 in debt from Mercantile Bank and will contribute $3,660,000 in private equity to the project.

H. **Whether the project is financially and economically sound:**
Upon reaching a stabilized occupancy it is anticipated that the project will generate sufficient cash flow to cover its debt service requirements by a ratio of over 1.20 to 1.00. Additionally, the project will have the financial support of the development team and its investors.

Following a review of the rental rates and occupancy levels, staff has determined that each of the underwritten levels were acceptable and in line with the market. The review consisted of other developments in the area and an appraisal performed by CBRE dated October 1, 2015. Additionally, 100% of the commercial/office space have letters of intent in place from prospective tenants.

I. **Whether the project increases the density of the area:**
The project will transform the site from having three small structures totaling approximately 6,000 square feet, to having over 100,000 square feet of newly constructed residential, retail, office and restaurant/brewery space.

J. **Whether the project promotes mixed-use development and walkable communities:**
The project has been planned and designed in coordination with the City of Grand Rapids' investment in the streetscape infrastructure along Bridge Street. This section of the traditional business corridor will have significantly enhanced pedestrian amenities to improve the walkability of the neighborhood and connections to the central business district on the opposite side of the river.

K. **Whether the project converts abandoned public buildings to private use:**
None of the previous buildings on the site were publicly owned.

L. **Whether the project promotes sustainable development:**
The project consists of urban infill on a brownfield site. Project scope will include environmental cleanup of the site and new construction featuring energy efficient windows, roofing, appliances, lighting and mechanical systems.

M. **Whether the project involves the rehabilitation of a historic resource:**
The project does not involve a historic resource.

N. **Whether the project addresses area-wide redevelopment:**
This project is anticipated to be a catalyst for area-wide redevelopment on the west side of Grand Rapids. This investment will significantly transform the "gateway" to the west side.

O. **Whether the project addresses underserved markets of commerce:**
There is currently a lack of available, high quality housing in downtown Grand Rapids and the near neighborhoods. This project will redevelop an underutilized site and provide additional housing and retail amenities which do not currently exist in this neighborhood.

P. **The level and extent of environmental contamination:**
Soil and groundwater on the site contain concentrations of volatile organic compounds (VOCs), polynuclear aromatic hydrocarbons (PAHs), and heavy metals at concentrations that exceed MDEQ Part 201 criteria. The upper 12 feet of soil across the site contains debris, including brick, coal, metal, and glass, as well as buried automotive parts and appliances. The contaminated soil containing this material requires excavation and disposal at a licensed landfill to facilitate site redevelopment.

Q. **If the rehabilitation of the historic resource will meet the federal Secretary of the Interior's standards for rehabilitation and guidelines for rehabilitating historic buildings (36 CFR 67):**
The project does not involve a historic resource.

R. Whether the project will compete with or affect existing Michigan businesses within the same industry:
The project is not anticipated to compete with or significantly affect existing Michigan businesses in the same industry.

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:
None.

<u>Brownfield Act 381 Program Additional Project Information:</u>

A. Reuse of functionally obsolete buildings and/or redevelopment of blighted property:
The subject property has been determined to be a facility and was previously occupied by an adult book store, adult theatre and former gas station. This project will remove the current blighted buildings to facilitate redevelopment of the area with two brand new buildings.

B. Cost gap that exists between the property and a similar greenfield property:
The Brownfield Tax Increment Financing is needed to alleviate significant brownfield conditions which would not exist on a greenfield site. Soil contaminants, debris, auto parts and appliances are all known to be buried below the surface of the site and must be properly removed and disposed of to construct the project.

C. Whether project will create a new brownfield property in the State:
No new Brownfields will be created by this project.

<u>Tax Capture Breakdown</u>
There are 46.4926 non-homestead mills available for capture, with school millage equaling 24 mills (51.62%) and local millage equaling 22.4926 mills (48.38%). Tax increment capture will begin in 2017 and is estimated to continue for 16 years. The requested tax capture for MSF eligible activities breaks down as follows:

School tax capture	(51.62%)	$	1,097,532
Local tax capture	(48.38%)	$	1,028,643
TOTAL		**$**	**2,126,175**

<u>Cost of MSF Eligible Activities</u>

Demolition	$	65,000
Asbestos Abatement		25,000
Infrastructure Improvements		368,000
Site Preparation	+	1,386,500

Sub-Total	$	1,844,500
Contingency (15%)	+	276,675
Sub-Total	$	2,121,175
Brownfield/Work Plan Preparation	+	5,000
TOTAL	**$**	**2,126,175**

APPENDIX C – Project Map and Renderings

MICHIGAN STRATEGIC FUND

RESOLUTION 2015-

ALLOCATION OF FUNDS AND APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM OTHER ECONOMIC ASSISTANCE PERFORMANCE BASED LOAN PARTICIPATION AWARD TO BRIDGE AND TURNER, 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, as later amended) to enable the MSF to create and operate the Michigan Community Revitalization Program ("MCRP") to provide incentives in the form of grants, loans and other economic assistance for redevelopment of communities in Michigan;

WHEREAS, 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 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 and activities, and the MRCP;

WHEREAS, as part of the 21st 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 21st 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 loan and investments;

WHEREAS, Mercantile Bank ("Lender") will be providing financing to Bridge and Turner, LLC and or related entities ("Proposed Borrower") of up to $21,340,000 toward the construction activities and infrastructure improvements to real property ("Project");

WHEREAS, the Lender and Proposed Borrower have requested an Other Economic Assistance Performance Based Loan Participation Award from the MSF under the MCRP for the Project in an amount not to exceed up to $2,500,000 ("Award Request"), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A ("Term Sheet");

WHEREAS, the MEDC recommends that the MSF approve the MCRP Award Request through the Investment Fund in accordance with the Term Sheet, subject to: (i) available Funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of transaction documents within 120 days of the date of this Resolution ("Time Period"), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 60 days (the foregoing, collectively, the "MCRP Award Recommendation").

WHEREAS, the MEDC recommends that the MSF approve funding of up to $2,500,000 from the Investment Fund to fund the MCRP Award Recommendation (the "Funding");

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

BE IT FURTHER RESOLVED, the MSF approves the Funding.

Ayes:

Nays:

Recused:

Lansing, Michigan
October 27, 2015

EXHIBIT A

LOAN FACILITY

MSF Facility	MCRP Loan Participation and Servicing Agreement Under “Other Economic Assistance”
Borrower:	Bridge and Turner, LLC
Lender:	Mercantile Bank
Total Loan Amount:	Currently estimated at $21,340,000
Lender Share:	Currently estimated at $18,840,000
MSF Share:	Up to the lesser of 20% of “Eligible Investment” or $2,500,000
Term:	To match that of the Lender, not to exceed 120 months with an interest only period of up to 36 months.
Amortization:	Up to 300 months following the interest only period.
Interest Rate:	On the MSF share anticipated to be 3.00% per annum.
Repayment Terms:	Up to 36 months of monthly interest only payments followed by monthly principal and interest payments.
Collateral:	To match that of the Lender, currently anticipated being a mortgage lien on the property, assignment of leases and rents, and a security interest in the TIF reimbursements. MSF share of collateral will be subordinated to that of the Lender.
Guarantee:	To match that of the Lender, currently anticipated to be the limited unsecured personal guarantees of the members of Bridge and Turner, LLC. The MSF Share of guarantee(s) will be subordinated to the Lender.
MSF Fees:	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. Additionally, the MSF will be charging a $425,000 “Exit Fee” due at loan maturity.
Funding:	The MSF will fund up to $2,500,000 to be disbursed following closing of the Loan and other performance criteria.
Other Conditions:	The MSF’s investment will be contingent upon the following: - A minimum owner equity contribution of $3,660,000 to the project. - Receipt and review of a final executed lease with NHB and any other ancillary agreements regarding debt service payments covered by NHB.

MICHIGAN STRATEGIC FUND

RESOLUTION 2015-

APPROVAL OF A BROWNFIELD WORK PLAN
CITY OF GRAND RAPIDS BROWNFIELD REDEVELOPMENT AUTHORITY
BRIDGE STREET GATEWAY PROJECT

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

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

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

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

WHEREAS, the City of Grand Rapids Brownfield Redevelopment Authority (the "Authority") has submitted a work plan for property located at 405, 415, 425, and 427 Bridge Street NW and 416 and 424 Broadway Avenue NW within the City of Grand Rapids, known as Bridge Street Gateway (the "Project");

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

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

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as the 51.62% to 48.38% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, asbestos abatement and infrastructure improvements as presented in the revised Work Plan dated October 13, 2015. Any change in millage that increases the capture percentage of school operating taxes by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on a maximum of $2,126,175 for the principal activity costs of non-environmental activities and a contingency and a maximum of $5,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of $1,097,532.

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

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

Ayes:

Nays:

Recused:

October 27, 2015
Lansing, Michigan

MEMORANDUM

Date: **October 27, 2015**

To: **Michigan Strategic Fund Board**

From: **Stacy Esbrook, Senior Community Assistance Team Specialist**
Julius L. Edwards, Capital Access Specialist
Mary Kramer, Brownfield and MCRP Program Specialist

Subject: **Strand Theater Manager, LLC – Request for Approval of a Michigan Community Revitalization Program Performance-Based Direct Loan**

Request

The proposed project consists of the a historic renovation of the Strand Theater and will activate the long-vacant (since early 1990's) space into a theater and performing arts center, a restaurant and food service facility and an educational and community venue. The proposed project will be undertaken by Strand Theater Manager, LLC (Strand) and Encore Performing Arts Center (Encore). The project will redevelop four parcels of property located at 8, 10, 12, and 16 North Saginaw in the City of Pontiac. Strand Theater Manager, LLC will act as the developer and project owner for the project and Encore will act as the theater operator. The project is located in a downtown and qualifies for a Michigan Community Revitalization Program (MCRP) award because it is functionally obsolete and a historic resource.

Strand Theater Manager, LLC ("Applicant") is requesting approval of a MCRP incentive in the amount of $4,500,000 in the form of a Performance-Based Direct Loan. The request is for 50% of eligible investment costs, as this project is a historic preservation project. MCRP legislation allows that annually the MSF may consider support up to three single projects that shall not exceed 50% of the eligible investment up to $10,000,000 for the specific purpose of historic preservation. This project is the first project being considered for up to 50% of eligible investment.

The Applicant anticipates that the project will result in eligible investment of $9,172,270 and total new capital investment of 12,014,060**,** excluding previous investment made by the City. It is anticipated there will be the creation of approximately 90 permanent full-time equivalent jobs with an average hourly wage of $18.

The Strand Theater is located in the heart of Downtown Pontiac. It is anticipated that its renovation will provide a significant economic boost to the area due to the attention generated from the acts performing at the theater and the patrons frequenting the establishment. Renovation of the Strand property has been in the works for a number of years, with the City of Pontiac investing over $7.6 million from 2002 to 2005 in the property in an effort to renovate the building. Despite the City's efforts, they were unable to complete the renovation. The current owner of the building took ownership of the property in 2013 and has worked diligently to put together a concrete development plan and secure adequate financing to complete the renovation. The development team is in the process of securing $1.5M in senior financing from the Illinois Facilities Fund (IFF). It is also anticipated that Enhanced Capital will be providing approximately $3.3M in historic tax credit equity to the property and the owners will be contributing nearly $600,000 of equity to the project. Additionally, the development team has been able to secure a Naming Rights Contract that should, at a minimum, generate $720,000 over the term of the agreement. The remaining gap is being filled by a $4.5 million MCRP Performance-Based Direct Loan award. The senior debt on the project has been intentionally kept low due to the inherent risks associated with operating a performing arts theatre. The MCRP award will be structured as a "Cash Flow" loan which will minimize risk and allow for financial flexibility. It is anticipated that if the Strand performs as anticipated, the MCRP loan will be paid back within 15 years. A detailed structure for the MCRP award is provided in **Appendix A.**

Background

The project consists of the historic renovation of the Strand Theater in downtown Pontiac into a performance arts and community center and destination restaurant. The theater building will include an 867-seat performance arts theater that will be equipped with modern sound, light and projection for a high-end theater experience. There will dedicated space for dressing rooms to accommodate booked artists/acts. The exterior will be fully restored to the renaissance-style design, including a full STRAND marquee. The theater building will also include a martini-style bar and a community movie theater and education room on the second floor. The adjacent and attached building will be built out for a third location for Slows BBQ Restaurant with the third floor of the restaurant building dedicated to office and administration space for the theater.

The developer for this project is West Construction, led by Kyle Westberg. West Construction has not directly received MSF incentives in the past, but has been awarded Brownfield Tax Credits and Tax Increment Financing by the MEGA Board for the redevelopment of the Lafayette Place Lofts. Lafayette Place Lofts is a successful historic redevelopment on the north-end of downtown Pontiac. West Construction converted a former Sears' department store into mixed-use development including a downtown market/cafe, one- and two-bedroom apartment lofts and an Anytime Fitness.

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

Recommendation

MEDC staff recommends approval of the following:

a) A MCRP performance-based loan in the amount of $4,500,000 for Strand Theater Manager, LLC;
b) Upon completion of the project, $1,500,000 of the loan shall be forgiven.

APPENDIX A

<u>FINANCING OPPORTUNITY – MCRP PERFORMANCE-BASED DIRECT LOAN</u>

The project is seeking a $4,500,000 Michigan Strategic Fund (MSF) investment in the Strand Theater in the form of a MCRP Performance-Based Loan. The loan will not be structured as a straight amortizing traditional loan, but as a loan with a repayment structure based on the cash flow generated by the project. It is anticipated that the loan will be partially subordinated in terms of payment to the senior loan, which will be provided by IFF. The loan will be in a complete subordinated position in terms of security. Additionally, it is anticipated that Develop Michigan, Inc. (DMI) will be providing financing to bridge the historic tax credit equity. The MCRP's security position will be subordinated to the loan from DMI as well. The financing structure for the MCRP loan is detailed below along with a summary of other permanent financing sources:

SUMMARY OF DEVELOPMENT SOURCES:

IFF Loan	$	1,500,000	7.6%
Historic Tax Credit Equity	$	3,323,931	16.9%
MCRP Direct Loan	$	4,500,000	22.9%
Previous Investment – City of Pontiac	$	7,673,123	39.0%
Deferred Developer Fees	$	2,091,431	10.6%
Developer Equity	$	598,698	3.0%
TOTAL	**$**	**19,687,183**	**100.0%**

As mentioned above, the City of Pontiac investment approximately $7.7M in the Strand between 2002 and 2005. This previous investment will not be counted towards the MCRP "Eligible Investment", but can be counted towards the Historic Tax Credit calculation. Below is a summary of the sources for the anticipated costs to be incurred to complete the project:

IFF Loan	$	1,500,000	12.5%
Historic Tax Credit Equity	$	3,323,931	27.7%
MCRP Direct Loan	$	4,500,000	37.4%
Deferred Developer Fees	$	2,091,431	17.4%
Developer Equity	$	598,698	5.0%
TOTAL	**$**	**12,014,060**	**100.0%**

<u>LOAN FACILITY</u>

MSF Facility MCRP Performance-Based Direct Loan

Borrower: Strand Theater Manager, LLC or Other Related Entities

MSF Loan:	Up to the lesser of 50% of "Eligible Investment" or $4,500,000. Up to the lesser of $1,500,000 or 34% of the loan amount to be forgiven following construction completion. It is anticipated that the $1,500,000 forgivable piece will be disbursed to a separate but related entity.
Term:	240 months
Interest Rate:	1.00% per annum
Repayment Terms:	60% of available distributable cash flow, and 60% of "Developer Fees" paid to the development team following payment of taxes associated with the fee.
Collateral:	A security interest in the real estate and all other tangible assets of the borrower, and assignment of leases and rents. The MSF's security interest will be subordinated to that of the senior lender and the bridge financing.
Guarantee:	The corporate guarantee of Encore Performing Arts Center and the limited personal guarantees of the owners of the Borrower.
MSF Fees:	The MSF shall be paid a one-time fee equal to one percent of the MSF's award.
Funding:	The MSF will fund up to $4,500,000, to be disbursed following execution of all necessary financing documentation for the project as determined by the MSF's Fund Manager and of completion other performance criteria.
Other Conditions:	The MSF's investment will be contingent upon the following: - A minimum owner equity contribution of $598,000 to the project. - Evidence of $500,000 cash on the cash on the balance sheet of Encore at closing. - Establishment of an "Operating Reserve" at a minimum equal to 6 mos. of principal and interest payments due to IFF. - Receipt and review of the lease with Encore Performing Arts Center, must be acceptable to MEDC staff. - 100% of lease payments received from Slows BBQ must flow through to the Borrower (excludes revenues related to concessions). - 100% of funds generated from the "Naming Rights Agreement" must flow through to the Borrower.

APPENDIX B – Programmatic Requirements & Screening Guidelines

MCRP Program and its Guidelines

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

Source of Information

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

As required under the MCRP, the following statutory criteria is being considered by the MSF:

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

The redevelopment of the Strand Theater is a high priority for the City of Pontiac. The City attempted to serve as the developer of the Strand starting in 2002, but unfortunately the staff involved were not capable of completing or managing the development appropriately. Staff that were previously involved in the development are no longer with the City. The City has contributed more than $7 million to the renovations thus far and have approved a tax abatement to support the development going forward. The property is located on Saginaw Street, which is downtown's "Main Street." This section of downtown was heavily populated with bars and nightclubs during the 2000s, which were active at nights and on the weekends, but otherwise did not contribute to promoting day-time foot traffic. Many of those bars and nightclubs have since closed and this section of downtown is in great need of a development that will draw in patrons both day and night.

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

The theater is anticipated to welcome more than 150,000 visitors per year, which will add significant foot traffic to the downtown. There are several investors purchasing properties in the downtown area, and it is anticipated that the activation of the Strand Theater will entice investors to redevelop and activate their properties at a quicker pace.

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

The City completed $7.6 million in renovations to the Theater between 2002 and 2005, but failed to produce a functional building. Strand Theater Manager is a co-owner of the project with the City of Pontiac (who owns 2%) which will allow the $7.6 million to contribute to the Qualified Redevelopment Expenditures of the federal historic tax credit and will thus increase the contribution to the project. In addition, the City is providing a 12 year Obsolete Property Rehabilitation Tax Abatement.

D. The applicant's financial need for a community revitalization incentive:
The development team is in the process of securing $1.5M in senior financing from the Illinois Facilities Fund (IFF). It is also anticipated that Enhanced Capital will be providing approximately $3.3M in historic tax credit equity to the property and the owners will be contributing nearly $600,000 of equity to the project. Additionally, the development team has been able to secure a Naming Rights Contract that should, at a minimum, generate $720,000 over the term of the agreement. The remaining gap is being filled by a $4.5 million MCRP Performance-Based Direct Loan award. The senior debt on the project has been intentionally kept low due to the inherent risks associated with operating a performing arts theater. The MCRP award will be structured as a "Cash Flow" loan which will minimize risk and allow for financial flexibility. It is anticipated that if the Strand performs as anticipated, the MCRP loan will be paid back within 15 years.

E. The extent of reuse of vacant buildings, reuse of historical buildings, and redevelopment of blighted property:
The project will activate vacant historic buildings in Downtown Pontiac that have been boarded up for more than a decade.

F. Creation of jobs:
The theater will create 41 full-time equivalent (FTE) jobs, the restaurant will create 42 FTEs, the education and community event venue will create 2 FTEs and the office/administration will create 5 FTEs for a total of 90 new FTEs. The average hourly wage is estimated to be $18.00.

G. The level of private sector and other contributions, including, but not limited to, federal funds and federal tax credits:
Federal historic tax credits will provide $3.3 million, Develop Michigan is providing construction financing of $2.6 million, and the developer/owner is contributing approximately $600,000 in cash equity and deferring the developer fee of $2 million. The developer fee is a qualified expenditure of the federal historic tax credits.

H. Whether the project is financially and economically sound:
The project has intentionally been structured with a minimal level of senior debt. Following completion of the project, the development will only have $1.5 million of debt on the project. This debt will be the only debt on the project with scheduled debt service payments. MEDC is comfortable that the Strand should be able to comfortably support this level of debt given the Slows BBQ lease and the "Naming Rights" contract. Additionally, it is anticipated that the property, upon completion, will have a value that far exceeds the outstanding debt on the property. Lastly, the Encore will be operating the project and their leadership team has a tremendous amount of experience in the area of entertainment programming.

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

Physically, the density of the downtown will not increase as a result of this project, however 45,000 square feet of commercial space will be activated.

J. Whether the project promotes mixed-use development and walkable communities:
Once complete, the space will provide a full restaurant, a performance arts venue with food and beverage services, and space dedicated to education and community gathering. The project will add to the walkability of downtown by activating nearly half of block of “Main Street” frontage and by adding a regional destination that will attract new pedestrians.

K. Whether the project converts abandoned public buildings to private use:
This property is not an abandoned public building. It was a City-owned building and the City sold 98% of their ownership stake.

L. Whether the project promotes sustainable development:
The building envelop will be secured, energy efficient windows and energy efficient systems will be installed.

M. Whether the project involves the rehabilitation of a historic resource:
The buildings included in this project are historic and are contributing buildings in the locally designated historic district.

N. Whether the project addresses area-wide redevelopment:
The City of Pontiac has identified the redevelopment of the downtown as one of its top priorities, reflected in its Master Plan and the recently created Economic Recovery Strategy.

O. Whether the project addresses underserved markets of commerce:
This project will add a destination restaurant and performance center to downtown Pontiac. Downtown has very limited restaurant options and none that can be considered “destination” establishments. The performance art center and concert venue will be a unique destination for downtown Pontiac providing a venue that will host popular artists and performances that otherwise are not large enough to book at other regional venues – Palace of Auburn Hills, DTE Music Theater and Meadowbrook Music Hall.

P. The level and extent of environmental contamination:
Soil contamination has been identified in 8 North Saginaw and will be abated and the ground vapors will be capped by installing a new concrete floor.

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 will follow the federal Secretary of Interior’s standards for rehabilitation.

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

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

S. Any other additional criteria approved by the board that are specific to each individual project and are consistent with the findings and intent of this chapter:
No additional criteria needs to be considered.

APPENDIX C – Project Map and Renderings

EXISTING CONDITIONS

MICHIGAN STRATEGIC FUND
RESOLUTION 2015-

APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM PERFORMANCE-BASED DIRECT LOAN AWARD TO STRAND THEATER MANAGER, LLC OR OTHER RELATE ENTITIES (THE STRAND 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 2090-1(3), the MSF approved the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate awards and decisions approved under the MCRP ("Transaction Documents");

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

WHEREAS, Strand Theater Manager, LLC or such entities formed or to be formed in the furtherance of the Strand Project ("Applicant" or "Borrower") have requested a Performance-Based Direct Loan award from the MSF under the MCRP for the Project in an amount not to exceed up to $4,500,000 ("Award Request"), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A ("Term Sheet");

WHEREAS, the request is for 50% of eligible investment costs, as this project is a historic preservation project, MCRP legislation allows that annually the MSF may consider support up to three single projects that shall not exceed 50% of the eligible investment up to $10,000,000 for the specific purpose of historic preservation. This project is the first project being considered for up to 50% of eligible investment;

WHEREAS, the MEDC has recommended that the MSF approve the Award Request in accordance with the Term Sheet and Guidelines, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents for the Award Request within 240 days of the date of this Resolution ("Time Period"), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 120 days (the foregoing, collectively, the "MCRP Award Recommendation").

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

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan
October 27, 2015

PURE MICHIGAN®

MEMORANDUM

Date: **October 27, 2015**

To: **Michigan Strategic Fund Board**

From: **Stacy Esbrook, Senior Community Assistance Team Specialist**
Julius L. Edwards, Capital Access Specialist
Mary Kramer, Brownfield and MCRP Program Specialist

Subject: **The Plaza Midtown, LLC - Request for Approval of Michigan Community Revitalization Program Other Economic Assistance Performance-Based Equity Investment**
Midtown Project LLC - Request for Approval of MBT Brownfield Credit Amendment #2

Request
The proposed project will historically redevelop a former office tower on Woodward Avenue into a mixed-use retail and residential building. The proposed development will be undertaken by The Plaza Midtown, LLC (Roxbury Group). The project will redevelop 0.90 acres of property located at 3800 Woodward in the City of Detroit. The project is located in a downtown and qualifies for a Michigan Community Revitalization Program (MCRP) award and the MBT Amendment because it is functionally obsolete.

The Plaza Midtown, LLC (Applicant) is requesting approval of a MCRP incentive in the amount of $3,500,000 in the form of Performance-Based Equity Investment under Other Economic Assistance.

Midtown Project LLC requests the following amendments be made to the Brownfield MBT credit for the 3800 Woodward Avenue Project, originally approved by the MEGA Board on December 14, 2010 and amended by the MSF Board on July 22, 2014 to change the qualified taxpayer, add time to complete the project and to convert the credit into a multiphase project. The new amendment requests to add The Plaza Midtown, LLC as a qualified taxpayer and to change the scope of Phase II from the demolition of the office tower and construction of a new retail building to the redevelopment of the existing tower.

The development team has been able to secure approximately $12.2 million in senior financing from Capital Impact Partners, which is greater than 82% of the appraised value and well above traditional lending limits. Additionally, the development team has identified a Historic Tax Credit Investor which we anticipate will generate $3.2 million in equity for the project and another $1.7 million that the private owner is anticipated to contribute to the project. This will result in a combined $4.8 million equity investment in the project or nearly 23% of the total development costs. The remaining gap will be filled by a Michigan Brownfield Tax Credit and $3,500,000 MCRP Performance-Based Equity Investment with a preferred return of 3%. It is anticipated that the MSF's total investment in the project will be approximately 21% of the total development costs. A detailed structure for the MCRP incentive is provided in **Appendix A.**

The Applicant anticipates that the project will result in eligible investment of $16,909,300 and total capital investment in the amount of $21,107,860, along with the creation of approximately 25 permanent full-time equivalent jobs with an average hourly wage of $22.

Background

The Plaza project will redevelop a currently vacant mid-rise medical office tower in Midtown Detroit into 72 apartments and 2,000 square feet of first floor retail. Once complete, the building will feature 51 one-bedroom, 19 two-bedroom, and 2 three-bedroom units. Due to the age and condition of the building, a full update of the building's mechanical, electrical and plumbing systems are necessary. The project will also complete a full restoration of the building's historic exterior to its original mid-century modern design. The building has been closed since 2013.

The Plaza Midtown, LLC is a commercial real estate development company formed for the purpose of redeveloping 3800 Woodward in Detroit. The entity is led by the Detroit-based Roxbury Group, LLC, who recently completed the renovation of the David Whitney Building, the Auburn, and the Milliken State Park Outdoor Adventure Center, formerly known as the Globe Building. Each of those projects are "complete" and open for business and were also supported with either MSF or MEGA Board incentives.

In addition, the Roxbury Group gained MSF support for the Griswold Lofts development, which is constructing five stories of residential density atop the Westin Book Cadillac parking deck. That project received an MSF approval for $4,798,000 (equity investment) on September 17, 2014 and a time extension approval on September 22, 2015. The project is expected to close on financing within the next 30 days and begin construction in late November or early December.

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

Recommendation

MEDC staff recommends approval of the following:

a) The Brownfield MBT credit amendment to add The Plaza Midtown, LLC as a qualified taxpayer; and change the scope of Phase II of the project to reflect the redevelopment plans for 3800 Woodward Avenue, Detroit.
b) Approval of money to be transferred for the specific purpose of this project through MCL 125.2088b(2) to the MCRP Program for the purpose of the program authorized under MCL125.2088b(2) as long as the program provides for repayment for breach of the written agreement or the failure to meet measurable outcomes.
c) A MCRP Performance-Based Equity Investment under Other Economic Assistance in the amount of $3,500,000 for The Plaza Midtown, LLC.

APPENDIX A

FINANCING OPPORTUNITY – MCRP EQUITY INVESTMENT

Deal Structure

As market conditions within Downtown and Midtown Detroit continue to improve, rental rates have continued to increase. MEDC is recommending the MCRP incentive for the project be structured as an equity investment in the project to allow financial flexibility for the development team in an evolving economy and to maximize the potential financial returns on the MSF's investment.

It is anticipated that the project will be utilizing construction and permanent financing from Capital Impact Partners. Enhanced Capital will be investing approximately $3,175,739 in historic tax credit equity in the project. The development has raised additional private equity for the project, which at minimum is expected to be equal to $1,656,121. The remaining gap will be filled by a MCRP incentive not to exceed the lesser of 25% of eligible investment or $3,500,000 and a Brownfield Tax Credit. It is anticipated that the historic and brownfield tax credit equity will be bridged by Invest Detroit under its Chase Invest Fund.

Summary of Development Sources:

Capital Impact Partners	$	11,849,000	56.13%
Historic Tax Credit Equity Investor	$	3,175,739	15.05%
Owner Equity Investment	$	1,656,121	7.85%
Brownfield Tax Credit	$	927,000	4.39%
MSF Equity Investment	$	3,500,000	16.58%
TOTAL	**$**	**21,107,860**	**100.00%**

MCRP EQUITY INVESTMENT

Applicant(s): The Plaza Midtown, LLC or a Related Entity ("Company" or "Applicant")

Investor Investment Amount: Cash contributions of not less than $1,656,000 ("Investor Equity").

MSF Investment Amount: Up to the lesser of 25% of eligible investment or $3,500,000. The structure of the MSF Investment will be subject to the historic tax credit structure. ("MSF Equity")

Interest Purchased: MSF will acquire an equity interest into The Plaza Midtown, LLC or an entity to be determined. The MSF will provide no guarantees on debt or accept any recourse obligation.

"Put" Right: The MSF will receive a "Put" right for among other things failure to adhere to MSF statutory requirements. If exercised, The Plaza Midtown, LLC or another entity to be determined shall repay in full the entire contribution provided to the partnership and any earned but unpaid profits available at the time of the notice to exercise the Put on terms and conditions acceptable to the MSF. The owners of the project will be required to guarantee the "Put" right obligation.

"Exit" Right: The MSF will have the option to exit the project after 240 months following disbursement of its proceeds. At time of exit the MSF will be due any remaining unpaid returns and the remaining balance of its equity investment.

Split of Net Cash Flows:

1. MSF to receive 100% of available distributable cash flow until a 3% annual cash-on-cash return has been received on its original investment. This return will be cumulative but non-compounding.
2. Investors to receive 100% of remaining available cash flow until a 15% annual cash-on-cash return has been received on its original investment.
3. Thereafter, a 30/70 split of remaining available cash flow with 30% going to the MSF and 70% going to the Investors. Proceeds to be applied towards repayment of MSF and Investor's equity investments.

Split of Proceeds from Sale or Refinance:

1. Pro Rata split of proceeds until the remaining original principal equity investments have been repaid to the MSF and the Investors.
2. 100% of remaining proceeds to the MSF until any accumulated unpaid returns have been paid.
3. 100% of remaining proceeds to the Investors until any accumulated unpaid returns have been paid.
4. Thereafter, a 30/70 split of remaining available cash flow with 30% going to the MSF and 70% going to the Investors.

Membership Change: The MSF will have certain rights to block or consent to any material change in the membership of the project owner entity.

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

Timing of Funding: The MSF investment would be made after (a) all of the Investors' equity has been contributed to and used to fund approved and budgeted for Project expenses and (b) the Senior Lender has waived all conditions precedent to funding (but for any conditions or obligations required of the Fund to make the Investment). For the avoidance of doubt, the MSF investment will be funded prior to the Senior Lender advancing any amounts under its loan.

Other Conditions: The MSF's investment will be contingent upon a minimum owner equity contribution being made to the project equal to $1,656,000.

APPENDIX B – Programmatic Requirements & Screening Guidelines

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

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

As required under the MCRP, the following statutory criteria is being considered by the MSF:

A. **The importance of the project to the community in which it is located:**
The City of Detroit is very excited to see the former medical office tower rehabilitated, as it represents the reuse of the last major vacant property in lower Midtown. The full reactivation of this property supports the planned medical office building development immediately adjacent to the site. The combined redevelopment plan of these two projects represents the redeployment of nearly five acres in the heart of Midtown that as recently as last year sat entirely vacant, with a total investment across the two sites of over $100 million. The reactivation of this site also creates an important node and linkage to the further development of Woodward Avenue to the South, by creating higher demand for the few remaining developable parcels between Mack Avenue and the Arena district development currently underway.

B. **If the project will act as a catalyst for additional revitalization of the community in which it is located:**
This project will further assist the growing Midtown, Detroit market by adding residents who will support the local restaurants and retailers in the neighborhood and by adding to the availability of amenities needed to support the growing residential density. In addition, this project will assist in attracting additional investment to the area by demonstrating the strength of the market.

C. **The amount of local community and financial support for the project:**
The City of Detroit is supporting this project with a 12-year Obsolete Property Rehabilitation Act abatement. The value of the abatement is estimated to be $4,200,000.

D. **The applicant's financial need for a community revitalization incentive:**
The development team has been able to secure approximately $12.2 million in senior financing from Capital Impact Partners, which is greater than 82% of the appraised value and well above traditional lending limits. Additionally, the development team has identified a Historic Tax Credit Investor which we anticipate will generate $3.2 million in equity for the project and another $1.7 million that the private owner is anticipated to contribute to the project. This will result in combined $4.8 million equity investment in the project or nearly 23% of the total development

costs. The remaining gap will be filled by a Michigan Brownfield Tax Credit with maximum value of $927,000 and $3,500,000 MCRP Performance-Based Equity Investment with a preferred return of 3%. It is anticipated that the MSF's total investment in the project will be approximately 21% of the total development costs.

E. The extent of reuse of vacant buildings, reuse of historical buildings, and redevelopment of blighted property:
The property has been 100% vacant for more than three years, but was significantly underutilized prior to the full vacation. The building is in the process of being added to the National Register of Historic Places.

F. Creation of jobs:
The project is expected to result in the creation of 25 full-time jobs with average hourly wages expected to be $22.00.

G. The level of private sector and other contributions, including, but not limited to, federal funds and federal tax credits:
Senior financing is being provided by Capital Impact Partners (up to $12.2 million), the development sponsor is providing $1.7 million in cash equity and the federal historic tax credits are providing just over $3.1 million.

H. Whether the project is financially and economically sound:
Upon reaching a stabilized occupancy level it is anticipated that the project will generate adequate cash flow to meet its debt service by a ratio of greater than 1.20 times. Additionally, the project will be supported financially by the development team.

Staff has determined that the proposed rental rates and occupancy levels are acceptable based on a review of like developments and an appraisal performed by Terzo & Bologna Inc. Market conditions in Midtown Detroit continue to improve, with occupancy levels and rental rates for both commercial and residential strengthening, but still far from its potential peak.

I. Whether the project increases the density of the area:
Physically the density of the area will not change. However, the activation of the tower into a mixed-use residential development will significantly add to the residential capacity of the neighborhood, as well as add available retail space.

J. Whether the project promotes mixed-use development and walkable communities:
The project will provide both residential density, as well as 2,000 square feet of retail space. The project promotes walkability by activating a vacant space, improving the appearance of the building and sidewalk with landscaping and lighting, and by providing significant residential density along the M-1 streetcar line.

K. Whether the project converts abandoned public buildings to private use:
The vacant building is not an abandoned public building.

L. Whether the project promotes sustainable development:
The project supports sustainability given that it involves adaptive reuse of the existing building and the use of sustainable materials and high efficiency mechanical systems, as well as promotes walkability, which reduces the need for automobile use through linkage to mass transit.

M. Whether the project involves the rehabilitation of a historic resource:
The building is in the process of being added to the National Register of Historic Places.

N. Whether the project addresses area-wide redevelopment:
The project adds to significant area-wide development centered at the Woodward and Mack Avenue intersection, which includes a mix of historic rehabilitation, new construction, arts and entertainment resources and an M-1 rail station.

O. Whether the project addresses underserved markets of commerce:
Residential demand in Midtown Detroit is still very high, as the number of quality residential units is very limited relative to the number of people seeking to live in the area. Occupancy rates remain near 100% in this district, with all major properties having substantial wait-lists.

P. The level and extent of environmental contamination:
Lead and asbestos abatement is necessary for the redevelopment of the building. Appropriate abatement activities will be conducted.

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 will follow the federal Secretary of the Interior’s standards for rehabilitation.

R. Whether the project will compete with or affect existing Michigan businesses within the same industry:
This project is not expected to negatively affect any 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 additional criteria needs to be considered.

Brownfield MBT Credit Amendment Request By:

Midtown Project LLC
2000 Town Center, Suite 2370
Southfield, Michigan 48075
Contact: Gary Novara, Principal

	Previous Approval	Amendment
Project Eligible Investment:	$50,000,000	$67,628,907
Requested Credit Amount-Phase 1:	$8,970,000	$8,970,000 capped
Requested Credit Amount-Phase II:	$1,030,000	$1,030,000 capped
Requested Credit Percentage:	20%	20%

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

Phase I – Construction of a five story medical office building, a parking ramp, and site improvements which is currently under construction and is expected to be completed by late 2017, and;

Phase II – Redevelopment of an existing 12-story building into mixed-use space including 2,000 square feet of first floor retail and 72 residential apartments on floors 2-12. The project is expected to be completed by summer 2016.

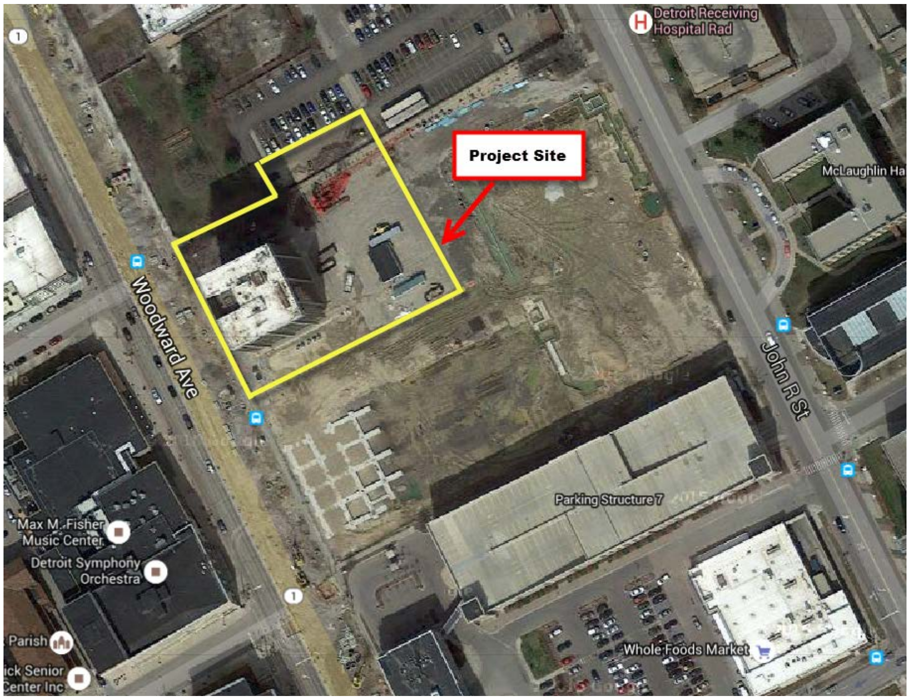
COST OF ELIGIBLE INVESTMENTS BY PHASE

Phase I		
Site Improvements	$	2,468,446
New Construction	+	46,873,446
Addition of Machinery and Equipment	+	384,689
Phase I Total	**$**	**49,726,581**
Phase II		
Demolition	$	1,000,326
Building Renovation	+	16,102,000
Site Improvements	+	800,000
Phase II Total	**$**	**17,902,326**

TOTAL COST OF ELIGIBLE INVESTMENTS

Site Improvements	$	3,268,446
Demolition	+	1,000,326
New Construction	+	46,873,446
Building Renovation	+	16,102,000
Addition of Machinery and Equipment	+	384,689
Total	**$**	**67,628,907**

APPENDIX C – Project Map and Renderings



MICHIGAN STRATEGIC FUND

RESOLUTION 2015-

ALLOCATION OF FUNDS AND APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM OTHER ECONOMIC ASSISTANCE PERFORMANCE-BASED EQUITY INVESTMENT AWARD TO THE PLAZA MIDTOWN, LLC OR A RELATED ENTITY (THE PLAZA PROJECT)

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

WHEREAS, 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 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 and activities, and the MRCP;

WHEREAS, as part of the 21st 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 21st 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 loan and investments;

WHEREAS, The Plaza Midtown, LLC or such entities formed or to be formed in the furtherance of the Plaza Project ("Applicant" or "Co-Applicants") have requested an Other Economic Assistance Performance-Based Equity Investment Award from the MSF under the MCRP for the project in an amount not to exceed up to $3,500,000 ("Award Request"), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A ("Term Sheet");

WHEREAS, the MEDC recommends that the MSF approve the MCRP Award Request through the Investment Fund in accordance with the Term Sheet, subject to: (i) available Funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of transaction documents within 240 days of the date of this Resolution ("Time Period"), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 120 days (the foregoing, collectively, the "MCRP Award Recommendation");

WHEREAS, the MEDC recommends that the MSF approve funding of up to $3,500,000 from the Investment Fund to fund the MCRP Award Recommendation (the "Funding");

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

BE IT FURTHER RESOLVED, the MSF approves the Funding.

Ayes:

Nays:

Recused:

Lansing, Michigan
October 27, 2015

EXHIBIT A

MCRP EQUITY INVESTMENT

Applicant(s): The Plaza Midtown, LLC or a Related Entity (“Company” or “Applicant”)

Investor Investment Amount: Cash contributions of not less than $1,656,000 (“Investor Equity”).

MSF Investment Amount: Up to the lesser of 25% of eligible investment or $3,500,000. The structure of the MSF Investment will be subject to the historic tax credit structure. (“MSF Equity”)

Interest Purchased: MSF will acquire an equity interest into The Plaza Midtown, LLC or an entity to be determined. The MSF will provide no guarantees on debt or accept any recourse obligation.

“Put” Right: The MSF will receive a “Put” right for among other things failure to adhere to MSF statutory requirements. If exercised, The Plaza Midtown, LLC or another entity to be determined shall repay in full the entire contribution provided to the partnership and any earned but unpaid profits available at the time of the notice to exercise the Put on terms and conditions acceptable to the MSF. The owners of the project will be required to guarantee the “Put” right obligation.

“Exit” Right: The MSF will have the option to exit the project after 240 months following disbursement of its proceeds. At time of exit the MSF will be due any remaining unpaid returns and the remaining balance of its equity investment.

Split of Net Cash Flows:

1. MSF to receive 100% of available distributable cash flow until a 3% annual cash-on-cash return has been received on its original investment. This return will be cumulative but non-compounding.
2. Investors to receive 100% of remaining available cash flow until a 15% annual cash-on-cash return has been received on its original investment.
3. Thereafter, a 30/70 split of remaining available cash flow with 30% going to the MSF and 70% going to the Investors. Proceeds to be applied towards repayment of MSF and Investor’s equity investments.

Split of Proceeds from Sale or Refinance:

1. Pro Rata split of proceeds until the remaining original principal equity investments have been repaid to the MSF and the Investors.
2. 100% of remaining proceeds to the MSF until any accumulated unpaid returns have been paid.
3. 100% of remaining proceeds to the Investors until any accumulated unpaid returns have been paid.
4. Thereafter, a 30/70 split of remaining available cash flow with 30% going to the MSF and 70% going to the Investors.

Membership Change:	The MSF will have certain rights to block or consent to any material change in the membership of the project owner entity.
Sale/Liquidation:	The MSF will have certain rights to block or consent to any material liquidation or sale event (e.g., sale to a non-qualified third party).
Timing of Funding:	The MSF investment would be made after (a) all of the Investors' equity has been contributed to and used to fund approved and budgeted for Project expenses and (b) the Senior Lender has waived all conditions precedent to funding (but for any conditions or obligations required of the Fund to make the Investment). For the avoidance of doubt, the MSF investment will be funded prior to the Senior Lender advancing any amounts under its loan.
Other Conditions:	The MSF's investment will be contingent upon a minimum owner equity contribution being made to the project equal to $1,656,000.

MICHIGAN STRATEGIC FUND

Resolution 2015 –

Midtown Project LLC
Brownfield Redevelopment MBT Credit – Amendment #2
City of Detroit

At the meeting of the Michigan Strategic Fund ("MSF") held on October 27, 2015 in Lansing, Michigan.

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

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

WHEREAS, by Resolution 2010-219 on December 14, 2010, the MEGA Board awarded a Brownfield MBT Tax Credit to Woodward Offices, LLC (the "Applicant") to make eligible investment up to $50,000,000 at an eligible property in the City of Detroit (the "Project");

WHEREAS, by Resolution 2014-115 on July 22, 2014, the MSF Board approved an amendment to the Brownfield MBT Tax Credit to add Midtown Project LLC as an additional qualified taxpayer; extend the completion date of the project by five years; and add a second phase to the project;

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

WHEREAS, a request has been submitted to amend the Project to add The Plaza Midtown, LLC as an additional qualified taxpayer and change the scope of Phase II of the Project as follows:

Phase I – Construction of a five story medical office building, a parking ramp, and site improvements;

Phase II – Renovation of an existing twelve story building into mixed use space including 2,000 square feet of first floor retail and 72 residential apartments on floors 2-12; and

WHEREAS, the Michigan Economic Development Corporation provides administrative services to the MSF, and recommends approval of the amendment by the MSF Board, provided that the maximum credit amount does not exceed $10,000,000 with the credit amount for Phase I capped at $8,970,000 and the credit amount for Phase II capped at $1,030,000.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board amends the Project by adding The Plaza Midtown, LLC as an additional qualified taxpayer, and amend the scope of Phase II of the project, provided that the maximum credit does not exceed $10,000,000 with the credit amount for Phase I capped at $8,970,000 and the credit amount for Phase II capped at $1,030,000:

Phase I – Construction of a five story medical office building, a parking ramp, and site improvements;

Phase II – Renovation of an existing twelve story building into mixed use space including 2,000 square feet of first floor retail and 72 residential apartments on floors 2-12.

BE IT FURTHER RESOLVED, that if all components of the Project are not completed, the qualified taxpayer(s) shall pay to the State, as a penalty, an amount equal to all the credits claimed and assigned for all components of the Project, including interest from the date the credit was claimed or assigned.

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2014-115 are reaffirmed and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
October 27, 2015

PURE MICHIGAN®

MSF DELEGATED AUTHORITY QUARTERLY UPDATE
FOR 21CJF LOAN PORTFOLIO
Board Meeting October 27, 2015

FOR QUARTER ENDED SEPTEMBER 30, 2015

BACKGROUND

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

APPROVALS BY AUTHORIZED DELEGATE

Between July 1, 2015 and September 30, 2015 the following actions were approved pursuant to the Delegation of Authority:

Organization	Action(s)	Award Amount (full award amount)	Disbursed Amount (actual amount disbursed)	Date
Armune BioScience, Inc.	Conversion	$100,000	$50,000	April 21, 2015
Armune BioScience, Inc.	Conversion	$500,000	$500,000	April 21, 2015
Armune BioScience, Inc.	Restructure	$100,000	$50,000	April 21, 2015
Inventure Enterprises, Inc.	Write Off Request	$50,000	$50,000	July 15, 2015
NanoBio, Inc.	Restructure	$2,377,526	$2,377,526	July 24, 2015
Evigia Systems, Inc.	Restructure	$1,736,300	$1,736,300	July 30, 2015
Translume, Inc.	Restructure	$1,650,310	$1,212,902	July 30, 2015
NanoRETE Inc.	Consent	$500,000	$500,000	August 28, 2015

NanoRETE Inc.	Audit waiver	$500,000	$500,000	September 17, 2015
KTM Industries, Inc.	Restructure	$2,011,185	$2,011,185	September 21, 2015
Gema Diagnostics, Inc.	Write Off Request	250,000	250,000	September 23, 2015
Armune BioScience, Inc.	Audit waiver	$100,000	$50,000	September 29, 2015
Armune BioScience, Inc.	Audit waiver	$500,000	$500,000	September 29, 2015
SRI International	Budget reallocation	$5,000,000	$2,500,000	September 30, 2015

Additionally, on August 3, 2015, the MSF Fund Manager waived reporting requirements for some companies that received multiple incentives, while maintaining MSF reporting under one incentive to prevent duplicate information from being reported to the MSF. The companies, the waived report, and the report still required to be submitted to the MSF are as follows:

Company	**Requested Waived Report**	**Remaining Report(s)**
Kalexsyn, Inc.	January 29th (CFGF)	January 25th (CFGF)
Gema Diagnostics, Inc.	April 1st, September 30th and October 1st (MTTC)	October 15th (Pure Michigan Venture Match)
ProNAi Therapeutics Inc.	September 30th (2006 21st Century Jobs Fund Business Plan Competition and MTTC)	October 15th (CFGF)
Sonetics Ultrasound, Inc.	September 30th (MTTC 2004)	October 15th (MTTC 2006)
Vestaron Corporatation	September 30th (2008 21st Century Jobs Fund Business Plan Competition)	October 15th (CFGF)

CORRECTION:

The Quarterly Update for the 21CJF Loan/Grant Portfolio dated July 22, 2014 incorrectly stated that Molecular Imaging Research, Inc. requested the balance of their loan be paid off. The company that MEDC suggested be written off was MRx Therapeutics, Inc.

MSF DELEGATED AUTHORITY QUARTERLY UPDATE
MSDF AND SSBCI PROGRAMS
CAPITAL ACCESS TEAM
July 1 – September 30, 2015

APPROVALS BY AUTHORIZED DELEGATES

Between July 1 and September 30, 2015 the following actions were approved by the MSF Chairperson and MSF Fund Manager, subject to due diligence, and available funding:

SSBCI - MBGF:						
Organization	Request Type	MSF Support	Loan Amount	Action	Date Approved	Closed
Floyd Design LLC	MBGF-LPP	$ 162,175	$ 325,000	Approved by Chair and Fund Manager	July 27, 2015	Y
Industrial Inspection Company	MBGF-CSP	$ 805,860	$ 2,385,000	Approved by Chair and Fund Manager	August 11, 2015	N
Total		$ 968,035	$ 2,710,000			

MSDF:						
Organization	Request Type	MSF Support	Loan Amount	Action	Date Approved	Closed
Detroit Cutlery, Inc.	MSDF-CSP	$ 99,800	$ 200,000	Approved by Chair and Fund Manager	July 2, 2015	Y
Detroit Cutlery, Inc.	MSDF-CSP	$ 112,774	$ 226,000	Approved by Chair and Fund Manager	July 2, 2015	Y
Move Systems, Inc.	MSDF-CSP	$ 1,000,000	$ 2,500,000	Approved by Chair and Fund Manager	July 7, 2015	Y
Mark One Corporation	MSDF-CSP	$ 200,000	$ 1,500,000	Approved by Chair and Fund Manager	September 10, 2015	N
Mark One Properties	MSDF-CSP	$ 73,000	$ 832,000	Approved by Chair and Fund Manager	September 10, 2015	N
Total		$ 1,485,574	$ 5,258,000			

PURE MICHIGAN

MEMORANDUM

DATE: October 27, 2015

TO: Michigan Strategic Fund ("MSF") Board Members

FROM: Deborah Stuart, Director, Community Incentive Programs

SUBJECT: Quarterly Report of Delegated Approvals on Act 381 Work Plans

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On December 31, 2012, The Brownfield Redevelopment Financing Act (Act 381) was amended to allow the chairperson of the Michigan Strategic Fund delegated approval of work plans that consist of tax capture of less than $500,000. Listed below is a synopsis of the delegated work plans that were approved during the fourth quarter of the 2015 fiscal year.

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

Project Name	Approval Date	Location	Approved TIF Amount	Jobs	Investment
Country Squire Apartments	7/16/2015	Fremont	$101,198	5	$180,000
Mellema Apartments	7/16/2015	Fremont	$148,790	5	$255,000
Ross Apartments	7/16/2015	Fremont	$76,530	0	$265,000
Robart Apartments	7/16/2015	Fremont	$112,858	0	$375,000
Vander Mill, LLC	8/17/2015	Grand Rapids	$96,828	75	$3,700,000
		Total	**$536,204**	**85**	**$4,775,000**

MEMORANDUM

Date: **October 27, 2015**

To: **Michigan Strategic Fund Board**

From: **Christine Whitz, Manager, Community Development Block Grant Program**

Subject: ***Community Development Block Grant Program***
Quarterly Report of Delegated Approvals (July - September, 2015)

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

Grantee	Approval Date	CDBG Funds	Brief Summary of Project
City of Menominee	7/7/15 * 9/16/15	$870,000	The City requested $870,000 for blight elimination through historic preservation needed for the Lloyd House II redevelopment. The City expects that the project could result in private investment of $1,450,000. *On 9/16/15, this project was brought back for approval due to the time delay of the developer's loan closure. The developer has since finalized all private investment.
City of Harrison	7/7/15	$751,344	The City requested $751,344 for building rehabilitation and property improvements needed for their Community Market and Food Incubator. The City's total match is approximately 44% of the total project cost.
City of Marquette	7/16/15	$560,534	The City requested $560,534 for blight elimination through historic preservation needed for the 215 Front Street Restoration Project. The City expects that this project could result in private investment of $675,617 and the creation of five jobs.
City of Hancock	7/27/15	$176,390	The City requested $176,390 in redevelopment funds needed for the Vollwerth Expansion Project. The City expects that this project will result in private investment of $315,000 and the creation of ten jobs.

Dickinson County	8/11/15	$242,305	The winter of 2013/2014 included extremely cold temperatures and deep frost levels causing widespread damage to water and sewer mains and many roads in the Upper Peninsula. This is now called the "Deep Freeze". These communities requested funds for their infrastructure repairs as a result of the "Deep Freeze" and received CDBG Urgent Need grant funds.
City of Menominee	8/11/15	$75,969	
City of Manistique	8/11/15	$59,152	
City of Hillsdale	8/27/15	$82,685	The City requested $82,685 for acquisition needed for the Mar-Vo Mineral Company development project. The City expects the project could result in private investment of $135,500 and the creation of four new jobs.
Village of Edmore	9/9/15	$625,875	The Village requested $625,875 for the Edmore Marketplace (Farmer's Market) project. The Village expects this project could result in total investment of $870,000 and the creation of 66 jobs.
City of Grand Haven	9/16/15	$209,000	The City requested $209,000 for public infrastructure improvements needed for the GLASSSOURCE project. The project includes complete street reconstruction. The City expects that this project could result in private investment of $1,596,000 and the creation of 21 jobs.
City of Munising	9/16/15	$459,050	The City requested $459,050 for a blight elimination through historic preservation grant for the Pictured Rocks Interpretive Center. The City expects that this project could result in private investment of $500,000.
City of Grand Haven	9/16/15	$152,119	The City requested $152,119 for façade improvements needed for three buildings located in their downtown. The City expects that this project could result in private investment of $69,835.
Total CDBG Funds for Quarter		**$4,264,423**	

MEMORANDUM

DATE: October 27, 2015

TO: Michigan Strategic Fund ("MSF") Board Members

FROM: Josh Hundt, Director, Business Incentives
Deborah Stuart, Director, Community Incentive Programs

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

On December 21, 2011, the MSF Board approved the Michigan Business Development Program ("MBDP") and the Michigan Community Revitalization Program ("MCRP"). Both programs allow for delegated approval of projects that have incentives of $1 million or less. Listed below is a synopsis of the delegated deals that were approved during the fourth quarter of the 2015 fiscal year.

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

MBDP APPROVALS

Project Name	Approval Date	Location	Incentive Approved	Jobs	Investment
Shift Digital	**7/15/2015**	**Birmingham**	**$465,000**	**93**	**$2,481,687**
Magna Dexsys (Norplas)	**8/26/2015**	**Delta Township**	**$640,000**	**192**	**$10,553,252**
Hearthside Food Solutions	**8/26/2015**	**Kentwood**	**$300,000**	**66**	**$15,687,894**

MCRP APPROVALS

Project Name	Approval Date	Location	Incentive Approved	Jobs	Investment
1215 Griswold LLC	7/7/2015	City of Detroit	$1,000,000	16	$10,317,618
Port Huron Citadel, LLC	9/17/2015	City of Port Huron	$200,000	4	$1,210,970

MSF DELEGATED AUTHORITY QUARTERLY UPDATE
MSF CONFIDENTIALITY MEMOS

Board Meeting – October 27, 2015

FOR QUARTER ENDED SEPTEMBER 30, 2015

BACKGROUND

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

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

APPROVALS BY AUTHORIZED DELEGATE

During the period between July 1, 2015 and September 30, 2015, the following confidentiality memos were approved by the MSF Fund Manager:

Company Name and Location	Overview of Confidential Information
Park District Investment Group 1427 W. Saginaw, Suite 150 East Lansing, MI 48823	1. Evaluation by National Development Council
CW Bearing USA, Inc. 28550 Cabot Drive Suite 700 Novi, MI 48377	Financial Statements for Fiscal Year ending 12/31/2012; Financial Statements for Fiscal Year ending 12/31/2013; Financial Statements for Fiscal Year ending 12/31/2014; Financial Statements for Fiscal Year ending 12/31/2015
Total Quality Logistics, LLC. 4289 Ivy Pointe Blvd. Cincinnati, OH 45245	Operating Agreement
Strand Theater Manager, LLC 12 N. Saginaw Street Pontiac, MI 48342	Lease by and between Encore Performing Arts Center as Landlord and Renis III, LLC d/b/a slows Barbq Pontiac as Tenant for leased premises located at Strand Theatre, Pontiac, Michigan dated October 8, 2014; Sponsorship Agreement by and between Strand .Theater Manager, LLC, Encore Performing Arts Center and Flagstar Bank, FSB with a September 28, 2015 Effective Date.

OMH, LLC 126 Ottawa Ave. Ste 500 Grand Rapids, MI 49503	A letter of intent, dated April 21, 2015, from OMH, LLC regarding leasing approximately 6,062 sq. ft. of the first floor retail space.
REO Development Group, LLC and REO Entertainment Group, LLC 2843 E. Grand River Ste. #114 East Lansing, MI 48823	The following portions of the Community Revitalization Program (CRP): a) The following portions of Section c. – i. "Projected Taxable Value at Completion" Field, ii. Anticipated Timeline Section, iii. "Site Control" Field; b. Section f.; c. Section g., except for Debt Service Coverage Ratio and terms of CRP funding; d. Section h., except for terms of CRP funding; e. Section i., except for terms of CRP funding; f. Section j.; g. Section k., except for terms of CRP funding; 2. Binding Letter of Intent to property owner, dated 8/22/2014, HusbyBLOIexecuted.pdf; 3. Letter of Understanding, dated 8/24/2014, HusbyLOUexecuted.pdf; 4. OPRA Timeline (revised), dated 7/16/2015 or later; 5. Architectural drawings; 6. Commercial Lease Agreement, dated August 10, 2015, by Reo Development Group; 7. Capitalization Table
Carhartt, Inc. 5800 Mercury Drive Dearborn, MI 48126	Carhartt Balance sheets for 2012, 2013, and 2014 (Carhartt Financials – 2012.pdf, Carhartt Financials – 2013.pdf, Carhartt Financials – 2014.pdf