

**MICHIGAN STRATEGIC FUND BOARD
FINAL MEETING AGENDA
MARCH 27, 2018
10:00 am**

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

Communications

A. Consent Agenda

Proposed Meeting Minutes – February 27, 2018

CDBG Loan Program Amendment – Continuing Activity – Christine Whitz

Looney Moon, LLC – MCRP Re-approval – Mary Kramer

Brush Park Development Company Phase I LLC and City Modern 440 Alfred Street LLC – MCRP Re-approval – Julius Edwards

213 Development, LLC - MCRP Re-approval – Julius Edwards

Montgomery Ward Redevelopment Project – MBT Amendment – Rob Garza

Offsite Lake Drive, L.L.C. – MCRP Amendment – Lynda Franke

FEV North America, Inc. – MBDP Amendment – Jeremy Webb

iSource Worldwide, LLC – Forbearance Request – Erik Wilford/Jeremy Webb

B. Business Investment

a. Business Growth

Nexient, LLC – MBDP Grant – Trevor Friedeberg

b. Capital Access

Hillcorp Properties, LLC – Bond Authorization – Chris Cook

MICHIGAN STRATEGIC FUND

RESOLUTION 2018-

**APPROVAL OF MARCH 2018 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.

Consent Agenda Items:

Proposed Meeting Minutes – February 27, 2018

CDBG Loan Program Amendment – Continuing Activity

Looney Moon, LLC – MCRP Re-approval

Brush Park Development Company Phase I LLC and City Modern 440 Alfred Street LLC – MCRP Re-approval

213 Development, LLC - MCRP Re-approval

Montgomery Ward Redevelopment Project – MBT Amendment

Offsite Lake Drive, L.L.C. – MCRP Amendment

FEV North America, Inc. – MBDP Amendment

iSource Worldwide, LLC – Forbearance Request

Ayes:

Nays:

Recused:

Lansing, Michigan
March 27, 2018

**MICHIGAN STRATEGIC FUND
PROPOSED MEETING MINUTES
February 27, 2018**

Members Present

Roger Curtis
Paul Gentilozzi
Andrew Lockwood (on behalf of Treasurer Khouri)
Jeff Mason
Terrence J.L. Reeves

Members joined by phone

Stephen Hicks
Terri Jo Umlor
Wayne Wood

Members Absent

Paul Anderson
Larry Koops
Shaun Wilson

Mr. Mason called the meeting to order at 10:00 am. He welcomed new board member, Terrence J.L. Reeves, Managing Attorney, Taft Stettinius & Hollister LLP in Ann Arbor, replacing Jody DePree Vanderwel.

Mr. Mason introduced the following legislative staff member: Bryanna McGarry, attending on behalf of Senator Jim Ananich in support of the BC Leasing, LLC (Buick City Industrial Park) project in Flint.

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

Stephen Hicks, recused from the next item, placed his phone on mute; a recusal letter is attached to the minutes.

A. CONSENT AGENDA

Resolution 2018-019 Approval of Consent Agenda Items

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

Proposed Meeting Minutes – January 23, 2018

National Carbon Technologies, LLC – Geographic Renaissance Zone Time Extension Transfer Amendment – **2018-020**

Airgas Carbonic, Inc. – Agricultural Renaissance Zone Transfer/Name Change Amendment – **2018-021**

WMU Foundation Grants – Assignment – **2018-022**

Fuel Cell Systems Manufacturing, LLC – MBDP Reauthorization – **2018-023**

Amazon – MBDP Reauthorization – **2018-024**

Southwest Michigan First – MBDP Amendment – **2018-025**

Detroit Diesel Corporation – MBDP Amendment – **2018-026**

Trickl-EEZ Irrigation, Inc. – SSBCI Collateral Support – **2018-027**

Lofts on 820, LLC – MCRP Amendment – **2018-028**

Andrew Lockwood seconded the motion. **The motion carried: 7 ayes; 0 nays; 1 recused.**

Stephen Hicks rejoined the meeting.

B. BUSINESS INVESTMENT

B1. Business Growth

Resolution 2018-029 United Shore Financial Services LLC /Oakland County Brownfield Redevelopment Authority (United Shore Development Project) – Act 381 Work Plan

Jeremy Webb, Senior Business Development Project Manager, provided the Board with information regarding this action item. Following brief discussion, Wayne Wood motioned for the approval of Resolution 2018-029. Andrew Lockwood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2018-030 Antolin Shelby, Inc., Shelby Township – MBDP Grant Amendment

Julia Veale, Business Development Project Manager, provided the Board with information regarding this action item. Following brief discussion, Paul Gentilozzi motioned for the approval of Resolution 2018-030. Roger Curtis seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

B2. Access to Capital

Resolution 2018-031 Greenville Venture Partners, LLC (Foremost Farms USA Cooperative) – Bond Inducement

Chris Cook, Director Capital Access, provided the Board with information regarding this action item. Following brief discussion, Paul Gentilozzi motioned for the approval of Resolution 2018-031. Andrew Lockwood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2018-032 Liquid Webb, LLC – Bond Inducement

Chris Cook, Director Capital Access, provided the Board with information regarding this action item. Following brief discussion, Roger Curtis motioned for the approval of Resolution 2018-032. Andrew Lockwood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

C. Community Vitality

Resolutions 2018-033, 2018-034 & 2018-035 – Y Site LLC/City of Lansing Brownfield Redevelopment Authority (Metro Place Project) – MCRP Other Economic Assistance, Act 381 Work Plan Amendment & MBT Brownfield Credit Amendment

Nate Scramlin, Senior Community Assistance Team Specialist, provided the Board with information regarding these action items. A project rendering was provided to the Board at the table; the document is attached to the minutes. Following brief discussion, Roger Curtis motioned for the approval of Resolutions 2018-033, 2018-034 & 2018-035. Paul Gentilozzi seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2018-036 – Grand Rapids Downtown Market Holdings – MCRP Amendment

Julius Edwards, Commercial Real Estate Investment Manager, provided the Board with information regarding this action item. Following brief discussion, Andrew Lockwood motioned for the approval of Resolution 2018-036. Terrence J.L. Reeves seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2018-037 – BC Leasing, LLC and Related Entities (Buick City Industrial Park Project, Flint) – MSF Grant and Equity Investments

Charles Donaldson, Community Assistance Team Specialist, provided the Board with information regarding this action item. Following brief discussion, Roger Curtis motioned for the approval of Resolution 2018-037. Paul Gentilozzi seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Mr. Mason adjourned the meeting at 10:40 am.



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

January 18, 2018

Ms. Jennifer Tebedo
Board Relations Liaison
Michigan Strategic Fund Office
300 N. Washington Square
Lansing, MI 48913

Dear Ms. Tebedo:

I hereby designate Andrew Lockwood to represent me at Michigan Strategic Fund Meeting, I am unable to attend.

Sincerely,

A handwritten signature in black ink, appearing to be "N.A. Khouri", with a long horizontal stroke extending to the right.

N.A. Khouri
State Treasurer

Cc: Andrew Lockwood



February 22, 2018

Ms. Jennifer Tebedo
Michigan Strategic Fund Administrator
Michigan Economic Development Corporation
300 N. Washington Square
Lansing, MI 48913

Dear Jennifer:

Please consider this communication as a letter of recusal for the National Carbon Technologies agenda items listed for the Tuesday, February 27, 2018, Michigan Strategic Fund board meeting.

I will be recusing myself because J.M. Longyear has a indirect financial interest in National Carbon Technologies.

Sincerely,

Stephen J. Hicks
President, CEO



Existing YMCA Before Demolition

**Project After Redevelopment
"Metro Place Apartments"**



MEMORANDUM

Date: March 27, 2018

To: Michigan Strategic Fund Board

From: Greg West, Program Manager, Community Development Block Grant
Shawne Haddad, Program Specialist, Community Development Block Grant

Subject: *Community Development Block Grant (CDBG) Program
CDBG Loan Program Extensions and Modification*

Request

The Michigan Economic Development Corporation (MEDC) staff is asking to extend the date by which a Community Development Block Grant (CDBG) Loan Fund must meet the definition of “Continuing Activity” and revise that definition.

Background

On September 22, 2015 the MSF board approved, by resolution 2015-139, the definition of “Continuing Activity” to be the twelve month period from July 1st to June 30th. “Continuing Activity” is defined as the successful funding of an eligible CDBG loan or extension of commercial credit in the preceding 12 months or, in the cases in which the Fund had insufficient funds to advance on a proper loan request, a request for assistance was made of the State CDBG program and a loan/grant was approved, with a loan/grant agreement having been signed.

MEDC staff has received requests from multiple Fund Managers requesting an extension to the Continuing Activity deadline and staff has agreed it would be to the benefit of the regions to extend the deadline by 12 months from June 30, 2018 to June 30, 2019.

MEDC staff and Fund Managers support redefining the successful funding of an eligible CDBG loan or extension of commercial credit from a 12-month period to a 24-month period as it would:

1. Provide additional time to market the program effectively and build relationships with local communities that have entrusted the funds to the regional fund manager;
2. Provide additional time to work with regional economic development partners and commercial lenders to market the program;
3. Alleviate some of the market challenges due to the state of economic activities, population, rural communities with significantly fewer businesses and job losses which undermine economic vitality;
4. Provide ample time needed to properly support the growth of businesses and communities; and

5. Allow businesses to meet with accountants during tax season to discuss their financial position for the coming year prior to committing to expansions or "hiring". Additionally, many businesses submit their tax returns in March (some file extensions on a regular basis).

Recommendation

The MEDC Staff recommends:

- Extension of the current date of June 30, 2018 to June 30, 2019 by which a CDBG Loan Fund must meet the definition of “Continuing Activity”; and
- Modifying the CDBG Application Guide to redefine the 12 month period to a 24-month period in which a CDBG loan or extension of commercial credit must be funded as currently specified in the definition of “Continuing Activity” to begin on July 1st and end on June 30th each year.



MICHIGAN STRATEGIC FUND

RESOLUTION 2018-

**THE CDBG LOAN PROGRAM AMENDMENT OF THE DEFINITION OF CONTINUING
ACTIVITY**

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 ("MSF");

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

WHEREAS, the CDBG program has policies, criteria, and parameters that are enumerated in the 2017 Program Guidelines, as amended (the "Criteria");

WHEREAS, the Criteria are contained in the Michigan Annual and Five Year Consolidated Plan for Housing and Community Development ("Consolidated Plan") and Application Guide which the MSF, by Resolution 2015-039, authorized and approved and by Resolution 2015-139 approved the modification to the CDBG Application Guide to revise the definition of "Continuing Activity" to the twelve month period from July 1st to June 30th;

WHEREAS, the MSF, by Resolution 2017-086, authorized and approved the 2017 CDBG Application Guide;

WHEREAS, the CDBG program staff recommend that the CDBG Application Guide be modified to adjust the "Continuing Activity" deadline from "June 30, 2018" to "June 30, 2019" and then to revise the definition of "Continuing Activity" to a 24-month period from July 1st to June 30th; and

BE IT FURTHER RESOLVED, that the MSF Board authorizes and approves the modification to the CDBG Application Guide to adjust the "Continuing Activity" deadline from "June 30, 2018" to "June 30, 2019" and to revise the definition of "Continuing Activity" to a 24-month period from July 1st to June 30th;

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

Ayes:

Nays:

Recused:

Lansing, Michigan
March 27, 2018

MEMORANDUM

Date: March 27, 2018
To: Michigan Strategic Fund Board
From: Mary Kramer, Manager, MCRP and Brownfield Programs
Subject: Looney Moon, LLC
Michigan Community Revitalization Program
Request for Re-Approval of a Performance-Based Grant

Request

Looney Moon, LLC (“Company”) is requesting re-approval of a \$300,000 Michigan Community Revitalization Program (“MCRP”) Performance-Based Grant award in order to execute a MCRP agreement.

Background

On August 22, 2017, the Michigan Strategic Fund Board approved a \$300,000 performance-based grant for the Company for the purpose of rehabilitation of a building located at 204 E. Grand River in the City of Lansing. When completed, the three-story building will include commercial space on the lower level, commercial/retail space on the first floor and residential on the second and third floors.

The MCRP approval required that an agreement be entered into within 120 days of the date of the approval, but allowed for a 30 day extension with approval from the MSF Fund Manager.

The parties have been unable to enter into the agreement because the documents required as a condition to close were not finalized. Those documents which included executed subcontracts and bank loan approval have since been submitted and the agreement can be executed following re-approval of the grant.

Recommendation

The MEDC staff recommends re-approval of the MCRP Performance-Based Grant in the amount of \$300,000.

**MICHIGAN STRATEGIC FUND
RESOLUTION 2018-**

**RE-APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM
GRANT AWARD TO
LOONEY MOON, LLC**

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

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

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

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

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

WHEREAS, by Resolution 2017-140 on August 22, 2017 the MSF Board awarded an MCRP Performance-Based Grant to Looney Moon, LLC (“Applicant”), in furtherance of the Project of up to \$300,000 (“Award”);

WHEREAS, by the terms of Resolution 2017-140, on December 8, 2017, the MSF Fund Manager approved an extension of the Award to January 19, 2018 (“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 that the MSF re-approve the Award, with all other requirements remaining in place from the original approval.

WHEREAS, the MEDC is recommending the MSF re-approve the Company’s Award Request subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents within 30 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”); and

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

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan
March 27, 2018

MEMORANDUM

Date: March 27, 2018

To: Michigan Strategic Fund Board

From: Julius L. Edwards, Community Development

Subject: City Modern 440 Alfred Street LLC and
Brush Park Development Company Phase I, LLC
Michigan Community Revitalization Program
Request for Re-Approval of a Performance-Based Loan

Request

City Modern 440 Alfred Street LLC and Brush Park Development Company Phase I LLC (“Company”) is requesting re-approval of a \$7,500,000 Michigan Community Revitalization Program (“MCRP”) Performance-Based Loan award in order to allow additional time to finalize and execute a MCRP agreement.

Background

On March 28, 2017, the Michigan Strategic Fund Board approved a \$7,500,000 performance-based loan for the Company for the purpose of developing a building that will contain approximately 69 residential units above approximately 7,874 square feet of retail space and two levels of sub-grade parking consisting of approximately 136 parking spaces in total. The project will be undertaken on the Southeast corner of the overall “City Modern” development. The overall City Modern project will infill an 8.4 acre site that is mostly vacant, while also renovating the four existing historic homes that currently sit on the site. It will include construction of 24 buildings resulting in over 420,000 gross square feet of new or rehabilitated housing consisting of 408 units, both for sale and for rent. Residential building typologies range from two to six stories and include approximately 25,000 square feet of ground floor retail. There will be public green space throughout the project area. The project is located within the Brush Park Historic District between John R Street, Edmund Place, Brush Street, and along both sides of Alfred Street within a primarily residential part of the neighborhood in the City of Detroit.

The MCRP approval required that an 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.

Development of the overall City Modern project is well underway. The parties have been unable to finalize and execute the MCRP agreement. The development team and MEDC staff are working to close the transaction and anticipate finalizing the agreement within the next 120 days.

Recommendation

The MEDC staff recommends re-approval of the MCRP Performance-Based Loan in the amount of \$7,500,000.

ORIGINAL APPROVAL



MEMORANDUM

Date: March 28, 2017

To: Michigan Strategic Fund Board

From: Brittney Hoszkiw, Community Assistance Team Specialist
Julius Edwards, Manager, Incentive Structuring and Underwriting
Mary Kramer, Senior Brownfield and MCRP Program Specialist

Subject: City of Detroit Brownfield Redevelopment Authority
Request for Approval of an Act 381 Work Plan

**City Modern 440 Alfred Street LLC and Brush Park Development Company
Phase I LLC - Request for Approval Michigan Community Revitalization
Program Performance-Based Loan**

Request

The proposed City Modern project includes the infill development of an approximately 8.4 acre site located within the Brush Park Historic District between John R Street, Edmund Place, Brush Street, and along both sides of Alfred Street in the City of Detroit. The Act 381 Work Plan includes the entire 8.4 acre site. The proposed MCRP Award would be utilized to fund one phase of the overall project which is the redevelopment of the "440 Alfred Street" site. The 440 Alfred Street site is comprised of seven parcels that total nearly one acre, located on the southeast corner of the overall City Modern project site. The overall project will include the restoration of three existing historic residential structures and the construction of approximately 24 new buildings. The proposed project will be undertaken by City Modern 440 Alfred Street LLC and Brush Park Development Company Phase I LLC, whose parent company is Bedrock Real Estate Services. The project qualifies for a Michigan Community Revitalization Program (MCRP) award and Act 381 Work Plan because it is a facility and blighted.

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 \$15,796,867.

City Modern 440 Alfred Street LLC and Brush Park Development Company Phase I LLC (Applicants) are requesting approval of a MCRP incentive in the amount of \$7.5 million in the form of a Performance-Based Loan. As part of the MCRP request, staff is requesting two deviations from the MCRP Incentive Parameters. Staff is requesting to waive the requirements that the project meet a 1.20 to 1.00 debt service coverage and inclusion of federally-insured senior lender on the project. It is projected that the project may not be able to meet the 1.20 to 1.00 service coverage ratio requirement in the first couple years of operation, but is expected to meet this requirement by at least the third year of operations. The project is not utilizing a senior lender for construction of the project and is utilizing an affiliate for construction financing. To mitigate the risk associated with not having a senior lender in place to handle normal construction due diligence, MEDC staff is recommending to disburse the MCRP Award following construction completion. It is anticipated that the project will pursue traditional senior financing upon the project reaching stabilization.

The development team is providing approximately 82.6% or \$35.6 million of the total development cost to finance construction of the 440 Alfred Street project. It is anticipated upon the project reaching stabilization the project will be able to support approximately \$19 million in traditional senior debt. The remaining financing gap will be filled by a \$7.5 million MCRP Performance Based Loan Award. The MCRP Award will allow the development team to achieve an acceptable level of return and assist in jumpstarting what is anticipated to be over a \$100 million real estate investment in the Brush Park area of Detroit.

The City Modern development is a particular economic challenge due to its large sub-grade parking components and costs related to Brownfield conditions. The eligible activities will alleviate Brownfield conditions across the site and make it suitable for redevelopment, and protect human health and the environment. Without Brownfield tax increment reimbursement, the cost burden related to Brownfield conditions would make the project financially unfeasible. MCRP detailed structure is provided in **Appendix A.**

The Applicants anticipate that the overall City Modern project will result in total capital investment of over \$100 million and the creation of approximately 83 permanent full-time equivalent jobs with an average hourly wage of \$16.83. Of that total, the MCRP portion of the project will result in total capital investment of \$43,067,728, along with the creation of approximately 26 permanent full-time equivalent jobs with an average hourly wage of \$16.83.

Background

The overall City Modern project will infill an 8.4 acre site that is mostly vacant, while also renovating the four existing historic homes that currently sit on the site. It will include construction of 24 buildings resulting in over 420,000 gross square feet of new or rehabilitated housing consisting of 408 units, both for sale and for rent. Residential building typologies ranging from two to six stories and include approximately 25,000 square feet of ground floor retail. There will be public green space throughout the project area. The project is located in a primarily residential part of the neighborhood, although it is just one block from Woodward Avenue, the commercial center.

The 440 Alfred Street site is the subject of the MCRP application and is a portion of the overall project that consists of an apartment building that will sit on the southeast corner of the overall City Modern site.

The building will contain approximately 69 residential units above approximately 7,874 square feet of retail space and two levels of sub-grade parking consisting of approximately 136 parking spaces in total. The sub-grade parking will support much of the overall City Modern project's residential and transient parking needs.

Lead and asbestos abatement will be necessary prior to demolition activities in order to protect human health. Demolition activities will be necessary to locate, empty, excavate, and dispose of underground storage tanks. Site preparation activities include geotechnical evaluation and engineering, staking, temporary construction roads and traffic controls, clearing and grubbing, grading, and more. Infrastructure improvements including right of way improvements, underground parking, and storm water management are necessary to support the new development.

City Modern 440 Alfred Street LLC and Brush Park Development Company Phase I LLC are owned by Brush Park Development Company, whose parent company is Bedrock Real Estate Services. Bedrock Real Estate Services LLC is a full service, Detroit-based real estate firm with over 300 team members specializing in leasing, financing, developing and managing commercial and residential space. Since its founding in 2011, Bedrock and its affiliates have invested more than \$2.2 billion in acquiring, renovating and developing 90 properties in downtown Detroit totaling more than 14 million square feet. Bedrock's investment in the Capitol Park neighborhood in particular serves as a tangible example of Bedrock's experience tackling challenging, mixed-use redevelopment projects with a focus on multi-family residential. Bedrock has invested in several key properties in the district including 1215 Griswold. Bedrock and its' affiliates have utilized Brownfield Tax Credits, Brownfield Tax Increment Financing and MCRP for various projects in the past including 1215 Griswold LLC and The Madison. **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 \$15,796,867. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$6,091,902.
- B) Approval of funds 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 MCL 125.2088b(2) as long as the program provides for repayment for breach of the written agreement or the failure to meet measurable outcomes.
- C) A MCRP performance-based loan in the amount of \$7.5 million for City Modern 440 Alfred Street LLC and Brush Park Development Company Phase I LLC.
- D) Approval to waive the MCRP Incentive Parameters debt service coverage and senior lender requirements.

**MICHIGAN STRATEGIC FUND
RESOLUTION 2018-**

**RE-APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM
LOAN AWARD TO
CITY MODERN 440 ALFRED STREET LLC AND
BRUSH PARK DEVELOPMENT COMPANY PHASE I LLC OR RELATED ENTITY
(440 ALFRED STREET PROJECT)**

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

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

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

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

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

WHEREAS, by Resolution 2017-045 on March 28, 2017 the MSF Board awarded an MCRP Performance-Based Loan award to City Modern 440 Alfred Street LLC and Brush Park Development Company Phase I LLC or such entities formed or to be formed in the furtherance of the 440 Alfred Street Project (“Applicant” or “Co-Applicants”) for up to a \$7,500,000 Performance Based Loan award (“Award”);

WHEREAS, by the terms of Resolution 2017-045, on November 17, 2017, the MSF Fund Manager approved an extension of the Award to March 23, 2018 (“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 along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC is recommending that the MSF re-approve the Award, with all other requirements remaining in place from the original approval.

WHEREAS, the MEDC is recommending the MSF re-approve the Applicant’s Award Request subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents within 120 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 90 days (the foregoing, collectively, the “MCRP Award Recommendation”); and

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

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan
March 27, 2018

EXHIBIT A

“Term Sheet”

LOAN FACILITY

MSF Facility:

MCRP Performance-Based Loan

Borrower:

City Modern 440 Alfred Street LLC and Brush Park Development Company Phase I LLC or a Related Entity

Loan Amount:

Up to the lesser of \$7,500,000 or 20% of “Eligible Investment”

Term:

Anticipated to be 120 months

Amortization:

Anticipated to be 300 months

Interest Rate:

Anticipated to be 2% per annum

Repayment Terms:

Anticipated to 12 monthly interest only payments, followed by 108 equal principal and interest payments with the remaining principal balance due at maturity.

Collateral:

Anticipated to be lien interest in the property and the corresponding TIF reimbursements. Allowance for the MSF’s lien interest to be subordinated to a third-party senior lender.

Guarantee:

Guarantees acceptable to the MSF Fund Manager limited to statutory defaults under the MCRP Agreement

MSF Fees:

A one-time fee equal to one percent of the MSF Loan Award.

Funding:

The MSF will fund up to \$7,500,000 to be disbursed following completion of construction of the 440 Alfred Street project and other performance criteria.

Other Conditions:

Milestones or closing conditions anticipated to include:

- Receipt of a Guaranteed Maximum Price contract
- Final Development Budget
- Receipt of State approval of the tax abatement

MEMORANDUM

Date: March 27, 2018

To: Michigan Strategic Fund Board

From: Julius L. Edwards, Community Development

Subject: 213 Development, LLC or a Related Entity
Michigan Community Revitalization Program
Request for Re-Approval of a Performance-Based Loan and Grant

Request

213 Development, LLC (“Company”) is requesting re-approval of a \$1,400,000 Michigan Community Revitalization Program (“MCRP”) Performance-Based Loan and \$1,000,000 MCRP Performance-Based Grant awards in order to allow additional time to finalize and execute a MCRP agreement.

Background

On June 27, 2017, the Michigan Strategic Fund Board approved a \$1,400,000 performance-based loan and \$1,000,000 performance-based grant for the Company for the purpose of renovating and repurposing the historic Crapo building located in downtown Bay City from vacant and blighted into a vibrant mixed-use development. The lower two levels are to consist of three commercial spaces, one earmarked for restaurant use. The upper stories will be converted into 26 residential market rate rental units. The property will have 30 surface parking spaces located at 807 Washington Avenue. This historic structure built in 1890 has a Romanesque Revival facade that has been covered with a midcentury modern paneled exterior. The panels will be removed, the masonry will be repaired, and the lower levels will be redesigned to complement the historic facade.

The MCRP approval required that an agreement be entered into within 180 days of the date of the approval, but allowed for a 90 day extension with approval from the MSF Fund Manager.

Renovation of the Crapo building is well underway. The parties have been unable to finalize and execute the MCRP agreement. The development team and MEDC staff are working to close the transaction and anticipate finalizing the agreement within the next 120 days.

Recommendation

The MEDC staff recommends re-approval of the MCRP Performance-Based Loan in the amount of \$1,400,000 and the MCRP Performance-Based Grant in the amount of \$1,000,000.

ORIGINAL APPROVAL



MEMORANDUM

Date: June 27, 2017

To: Michigan Strategic Fund Board

From: Charles Donaldson, Community Assistance Team Specialist
Julius Edwards, Manager, Underwriter and Incentive Structuring
Lori LaPerriere Brownfield and MCRP Program Specialist

Subject: City of Bay City Brownfield Redevelopment Authority
Request for Approval of an Act 381 Work Plan
213 Development, LLC or a Related Entity - Request for Approval Michigan
Community Revitalization Program Grant and Loan

Request

213 Development is a rehabilitation of the historic Crapo building located on a 0.24 acre lot in downtown Bay City. This adaptive reuse project will transform a prominent 49,476 square foot, 5-story building from a vacant, blighted, commercial property into a mixed-use iconic downtown asset. The proposed project will be undertaken by 213 Development, LLC. The project is located in a downtown and qualifies for a Michigan Community Revitalization Program (MCRP) award and an Act 381 work plan because it is functionally obsolete and a historic resource.

In order to alleviate brownfield conditions and prepare the proposed project site for redevelopment, the City of Bay City Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of \$1,561,866.

213 Development, LLC (Applicant) is requesting approval of MCRP awards in the total amount of \$2,400,000 in the form of a \$1,400,000 Performance-Based Direct Loan and a \$1,000,000 Performance-Based Grant.

The total cost to complete the proposed renovation is estimated at \$11.7 million which is more than double the current appraised value for the building following completion (estimated at \$5.5 million). The low appraised value can be directly linked to the relatively low rental rates available in the area and the non-value added work required at the site, which limits the level of traditional debt the project can secure. The development team is in the process of securing permanent term debt of approximately \$4.7 million. To bridge the significant gap between the appraised value and the cost to develop the project, the development team is contributing private equity of over 32% of the total development cost. As part of this equity investment, the development team is planning to utilize the benefit associated with the Federal Historic Tax Credits (HTCs) themselves. MEDC staff has determined that the capital being contributed to the project related to the HTCs is above what could have been raised in the traditional private market. To bridge the remaining gap the development team is deferring 100% of its "Developer Fees" and requesting consideration for \$2,400,000 in MCRP award. The MCRP award will allow the development team to achieve an anticipated return of less than 6 percent.

The eligible activities will alleviate Brownfield conditions across the site and make it suitable for redevelopment, and protect human health and the environment. Without brownfield tax increment reimbursement, the cost burden related to Brownfield conditions would make the project financially unfeasible. The MCRP detailed structure is provided in **Appendix A**.

The Applicant anticipates that the project will result in total capital investment in the amount of \$11,723,004, along with the creation of approximately 44 permanent full-time equivalent jobs with an average hourly wage of \$16.64.

Background

The existing building is currently vacant and has been deemed functionally obsolete and is listed on the Federal National Registry as a Historic Resource. The proposed historic renovation project will transform the building from vacant and blighted into a mixed-use development. The lower two levels will consist of three commercial spaces, one earmarked for restaurant use. The upper stories will be converted into 26 residential market rate rental units. The property has 30 surface parking spaces located at 807 Washington Avenue. This historic structure built in 1890 has a Romanesque Revival facade that has been covered with a midcentury modern paneled exterior. The panels will be removed, the masonry will be repaired, and the lower levels will be redesigned to complement the historic facade.

All floors of the building were determined to have asbestos and lead and abatement will be necessary prior to demolition activities in order to protect human health. Demolition activities include the demolition of the interior, exterior facade demolition, removal of basement slab, and removal of site improvements as necessary to prepare the building for renovation. Site preparation activities include foundation work to address site soil conditions. Other activities include walks, drives, landscaping, fencing, and lighting. Infrastructure improvements including repair and installation of main public utilities up to the building including water, sanitary, gas and electric are necessary to support the new development. In addition, there will be public infrastructure improvements to be installed and financed by the city. These include improving and paving the alley, street restoration, and infrastructure replacement.

213 Development, LLC, is a single purpose entity created for this project with two members including Jenifer Acosta and Rod Hildebrant. Jenifer Acosta founded The Neighborhood Development Co. in August

of 2015, and recently completed the redevelopment of the Bay City Times Building, a \$6.5 million Federal Historic Tax Credit project, into 31 modern industrial-style residential rental units known as the Times Lofts. As a LEED accredited professional in Neighborhood Development Jenifer volunteers on the downtown management board, strategic planning initiatives, county roadmap to the future, and is a regional ambassador through the Great Lakes Bay Regional Alliance.

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 \$1,561,866 Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$812,568;
- b) a MCRP Performance-Based Direct Loan Award in the amount of \$1,400,000 for 213 Development, LLC;
- c) a MCRP Performance-Based Grant Award in the amount of \$1,000,000 for 213 Development, LLC or a Related Entity;
- d) waiver of the MCRP Developer Fee limit, which limits Developer Fees to 4% of the total development cost. The estimated Developer Fee is just over 7% of the total development cost. Staff is requesting waiver because the higher Developer Fee allows the project to maximize the value of the HTCs, and 100% of the fee is being deferred; and
- e) waiver of the MCRP debt service coverage ratio requirement of 1.20 to 1.00. The cash flow for the project displays a debt service coverage ratio (DSCR) of 1.19 to 1.00. Additionally, following expiration of the property's tax abatement it is anticipated that the project's DSCR will fall below 1.20 to 1.00. Staff is comfortable because of the financial strength and support of the ownership team. See Appendix B for additional information.

**MICHIGAN STRATEGIC FUND
RESOLUTION 2018-**

**RE-APPROVAL OF MICHIGAN COMMUNITY REVITALIZATION PROGRAM
PERFORMANCE-BASED LOAN AND GRANT AWARDS TO
213 DEVELOPMENT, LLC OR A RELATED ENTITY
(THE LEGACY PROJECT)**

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

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

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

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

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

WHEREAS, by Resolution 2017-099 on June 27, 2017 the MSF Board awarded a \$1,400,000 MCRP Performance-Based Loan and \$1,000,000 MCRP Performance-Based Grant awards (“Award”) to 213 Development, LLC or an entity formed or to be formed in the furtherance of The Legacy Project (“Applicant”);

WHEREAS, by the terms of Resolution 2017-099, on December 19, 2017, the MSF Fund Manager approved an extension of the Award to March 26, 2018 (“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 along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC is recommending that the MSF re-approve the Award, with all other requirements remaining in place from the original approval.

WHEREAS, the MEDC is recommending the MSF re-approve the Applicant’s Award subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents within 120 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 90 days (the foregoing, collectively, the “MCRP Award Recommendation”); and

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

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan
March 27, 2018

EXHIBIT A

“Term Sheet”

LOAN FACILITY

| | |
|--------------------------|---|
| MSF Facility: | MCRP Performance-Based Loan |
| Borrower: | 213 Development, LLC or a Related Entity |
| Loan Amount: | Up to \$1,400,000 |
| Term: | Up to 60 months |
| Amortization: | Up to 300 months |
| Interest Rate: | 2% per annum |
| Repayment Terms: | Interest only for 12 months, followed by up to 48 equal monthly payments of principal and interest with the remaining principal balance due at maturity. |
| Collateral: | Anticipated to be a security interest in the property and the corresponding TIF reimbursements, subordinated only to the senior financing. |
| Guarantee(s): | Anticipated to be the guarantees of the project owners. |
| MSF Fees: | One-time fee equal to one percent of the MSF Loan award. |
| Funding: | The MSF will fund up to \$1,400,000 to be disbursed following completion of construction and achievement of other performance criteria. |
| Other Conditions: | Milestones or closing conditions anticipated to include: <ul style="list-style-type: none">• Receipt of a Guaranteed Maximum Price contract• Final Development Budget• Receipt of State approval of the tax abatement |

PERFORMANCE-BASED GRANT

- Applicant:** 213 Development, LLC or a Related Entity
- Grant Amount:** Not to exceed the lesser of \$1,000,000 or 9% of the total development cost.
- MSF Fees:** One-time fee equal to one percent of the MSF Grant award.
- Funding:** The MSF will fund up to \$1,000,000 to be disbursed following completion of construction and achievement of other performance criteria.
- Other Conditions:** Milestones or closing conditions anticipated to include:
- Receipt of a Guaranteed Maximum Price contract
 - Final Development Budget
 - Receipt of State approval of the tax abatement
 - Total of MCRP Loan and Grant awards not to exceed the lesser of 25% of “Eligible Investment” or \$2,400,000

MEMORANDUM

Date: March 27, 2018

To: Michigan Strategic Fund Board

From: Rob Garza, Brownfield and MCRP Senior Program Specialist

Subject: REDICO Holdings, LLC - Request for Approval of MBT Brownfield Credit Amendment #3
Montgomery Ward Redevelopment Project

Request

The proposed project will be undertaken by REDICO Holdings, LLC. The project will redevelop one parcel of property located at 13551 Michigan Avenue in the city of Dearborn. The project qualifies for an MBT Amendment because it is a facility.

REDICO Holdings, LLC requests the following amendments be made to the Brownfield MBT credit for the Montgomery Ward Redevelopment Project, originally approved by the MEGA Board on August 19, 2008, amended on August 18, 2009, and amended again on December 28, 2010: addition of the qualified taxpayer, Dearborn Town Center Senior Limited Dividend Housing Association LLC, a reduction of the scope of phase two, and the removal of phase three.

Phase two of this project was anticipated to be the construction of a 100,000 square foot senior living facility containing 96 units and phase three was a two-story standalone office building. The market currently reflects the need for a slightly reduced scope for the senior living facility, while an overabundance of office space has led to the city exploring a sculpture park in lieu of the currently approved office building. The sculpture park will not be a part of the proposed amendment. The component completion certificate for phase one was issued in 2010, with a value of \$5,828,845.

REDICO Holdings, LLC anticipates that the project will result in the creation of four full-time equivalent jobs in phase two and total capital investment in the amount of \$40,784,265.

Background

Phase one of the project, a three-story medical building and parking deck, was completed in 2010. The proposed 77 unit, 81,762 square foot senior living facility is currently under construction and is anticipated to be complete by December 2018.

Neither REDICO Holdings, LLC, Dearborn Town Center Senior Limited Housing Association LLC nor its principals, have been awarded additional incentives by the MEGA or MSF Boards.

The MEDC has completed civil and criminal background checks in accordance with the MSF Background Review Policy. No issues were identified.

Appendix A addresses the Brownfield MBT tax credit structure.

Recommendation

MEDC staff recommends approval of the Brownfield MBT credit amendment request to add the qualified taxpayer, Dearborn Town Center Senior Limited Dividend Housing Association LLC, reduce the scope of phase two, and remove phase three.

APPENDIX A – MBT Tax Credit Structure

Brownfield MBT Credit Amendment Request By:

REDICO Holdings, LLC
One Town Square, Suite 1600
Southfield, Michigan 48076

Contact: Ms. Samantha Eckhout, Senior Vice President of Development

| | Previous Approval | Amendment |
|------------------------------|-------------------|--------------|
| Project Eligible Investment: | \$48,000,000 | \$40,784,265 |
| Requested Credit Amount: | \$9,600,000 | \$8,156,853 |
| Requested Credit Percentage: | 20% | 20% |

The project is a multi-phase project and was originally approved for three (3) phases, as described below:

Phase I – Construction of a 168,000 square foot, three-level, Class A, state-of-the-art medical facility and six-level parking deck.

Phase II – Construction of a new senior living facility residence of approximately 100,000 square feet composed of 96 units and 50 dedicated surface level parking spots.

Phase III – Construction of a two-story, stand-alone retail space and office building with approximately 22,000 square feet.

The proposed amended project will be completed in two (2) phases, and is described below:

Phase I (COMPLETED) – Construction of a 168,000 square foot, three-level, Class A, state-of-the-art medical facility and six-level parking deck, and;

Phase II – Construction of a new senior living facility residence of approximately 81,762 square feet composed of 77 units.

PROPOSED COST OF ELIGIBLE INVESTMENTS BY PHASE

| Phase I | |
|----------------------|----------------------|
| New Construction | \$ 29,144,226 |
| Phase I Total | \$ 29,144,226 |

Phase II

| | | |
|-----------------------|-----------|-------------------|
| New Construction | \$ | 11,026,639 |
| Site Improvements | + | <u>613,400</u> |
| Phase II Total | \$ | 11,640,039 |

TOTAL COST OF ELIGIBLE INVESTMENTS

| | | |
|-------------------|-----------|-------------------|
| New Construction | \$ | 40,170,865 |
| Site Improvements | + | <u>613,400</u> |
| Total | \$ | 40,784,265 |

MICHIGAN STRATEGIC FUND

RESOLUTION 2018 -

**MONTGOMERY WARD REDEVELOPMENT PROJECT
REDICO HOLDINGS, LLC
BROWNFIELD REDEVELOPMENT MBT CREDIT – AMENDMENT #3
CITY OF DEARBORN**

At the meeting of the Michigan Strategic Fund (“MSF”) held on March 27, 2018 in Lansing, Michigan;

WHEREAS, the Michigan Economic Growth Authority (“MEGA”) is authorized by 1995 PA 24, as amended, to 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 2008-098 on August 19, 2008, the MEGA Board awarded a Brownfield MBT Tax Credit to REDICO Holdings, LLC (the “Applicant”) to make eligible investment up to \$48,000,000 at an eligible property in the City of Dearborn (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, and MSF policy requires that the amendment be requested within 10 years of the Pre-Approval Letter issue date;

WHEREAS, a request has been submitted to amend the Project to add Dearborn Town Center Senior Limited Dividend Housing Association LLC as a qualified taxpayer, reduce the scope of the phase two, and remove the phase three;

WHEREAS, a component completion certificate was issued in 2010;

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) 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 \$8,156,853;

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board amends the Project by modifying the scope of the Project by reducing the number of senior housing units from 96 to 77 and square footage from 100,000 square feet to approximately 81,762 square feet in phase two, and removing the phase three.

BE IT FURTHER RESOLVED, that the Project is amended to add Dearborn Town Center Senior Limited Dividend Housing Association LLC as a qualified taxpayer.

BE IT FURTHER RESOLVED, that the Project is required to submit a Certificate of Completion request for the final phase within one year of project completion.

Ayes:

Nays:

Recused:

Lansing, Michigan
March 27, 2018

MEMORANDUM

Date: March 27, 2018

To: Michigan Strategic Fund Board

From: Lynda Franke, Underwriting and Incentive Structuring Specialist

Subject: Offsite Lake Drive, L.L.C.
Michigan Community Revitalization Program
Request for Approval of a MCRP Loan Participation and Servicing
Agreement Amendment

Request

Offsite Lake Drive L.L.C. (“Company”) and Lake Michigan Credit Union (“Lender”) are requesting approval of an amendment to the Michigan Community Revitalization Program (MCRP) Loan Participation and Servicing Agreement (“Agreement”), the Construction Loan Agreement and any related ancillary agreements. The amendment request dated February 23, 2018, is to extend the construction loan “Maturity Date” from April 21, 2018 to July 21, 2018, and extend the “Completion Date” from March 1, 2018 to July 21, 2018. These changes will require a change to the MCRP Milestone Two, Project Completion, and Loan Conversion Certification deadlines from June 21, 2018 to July 21, 2018. The start date of principal and interest repayments to the Lender will be delayed. They will not be delayed for the MSF, however, because the MCRP Agreement includes a 24 month interest-only period for the MSF Share of the Loan Participation that ends in December of 2018.

Background

The Michigan Strategic Fund Board (“MSF Board”) approved up to a \$1,773,700 Other Economic Assistance-Loan Participation on December 15, 2015 to the Company and an Act 381 Work Plan for the purpose of rehabilitating the Kingsley Building to accommodate the creation of 41 new market rate residential units and 7,500 square feet of office space on floors two through five of the building. The project also includes the construction of a multi-level parking deck and conversion of an existing basement to parking.

The MCRP approval required that the Agreement be entered into within 120 days, but allowed for a 90 day extension with approval from the MSF Fund Manager. The MSF Fund Manager approved an extension, however all parties were unable to execute the Agreement prior to expiration due to the Lender requiring additional support from the development team. On October 25, 2016, the Michigan Strategic Fund Board (“MSF Board”) approved a re-approval request from the Company. All terms remained the same except that the interest rate on the MSF Share was increased to 3%, and the Exit Fee was removed.

Project construction is nearing completion, with a Certificate of Occupancy anticipated in April. The Company is current with reporting requirements. The request is primarily due to construction schedule delays of several weeks, leading to a missed March 1, 2018 Completion Date. Lease-up is currently

progressing well with a majority of both the residential and commercial spaces leased. Residential move-ins are anticipated to begin in April.

The July 21, 2018 date will allow for the Certificate of Occupancy to be issued, the final draw from the construction loan to be made, and the loan conversion to occur. The maturity date of the Term Loan Note will remain the same. The Lender and MSF staff are comfortable with the proposed change.

Recommendation

The MEDC staff recommends approval of an amendment to the MCRP Agreement, the Construction Loan Agreement and any related ancillary agreements to 1) extend the Completion Date and the Construction Loan Maturity Date to July 21, 2018, and 2) extend the MCRP Milestone Two Project Completion and Loan Conversion Certification deadlines to July 21, 2018, per the Company's request dated February 23, 2018.

MICHIGAN STRATEGIC FUND

RESOLUTION 2018 -

APPROVAL OF AN AMENDMENT TO A MICHIGAN COMMUNITY REVITALIZATION PROGRAM OTHER ECONOMIC ASSISTANCE LOAN PARTICIPATION AWARD FOR OFFSITE LAKE DRIVE, L.L.C.

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

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

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

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

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

WHEREAS, by Resolution 2015-198 on December 15, 2015 the MSF Board awarded a MCRP Other Economic Assistance Loan Participation Award to Offsite Lake Drive, LLC (“Borrower”), in furtherance of the Project of up to \$1,773,700 (“Award”);

WHEREAS, by Resolution 2016-208 on October 25, 2016, the MSF Board authorized a Re-approval of the Award, on the same terms except that the interest rate for the MSF Share increased to three percent and the Exit Fee was removed;

WHEREAS, the MEDC is recommending that the MSF approve the amendment recommendation to extend to July 21, 2018, the Construction Loan Completion Date, the Construction Loan Maturity Date, the MCRP Milestone Two Project Completion date, and the Loan Conversion Certification deadline, with all other requirements remaining in place from the original approval.

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

Ayes:

Nays:

Recused:

Lansing, Michigan
March 27, 2018

MEMORANDUM

Date: March 27, 2018

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

From: Jeremy Webb, Sr. Business Development Project Manager

Subject: FEV North America, Inc. (“Company” or “Applicant”)
Michigan Business Development Program Grant Agreement Amendment

Request

This is a request to amend the Company’s existing Michigan Business Development Program (“MBDP”) Grant Agreement to extend all milestone due dates by two years. As a result, the term of the grant will also be extended.

Background

On June 28, 2016, the Michigan Strategic Fund approved a \$1,200,000 grant award for the Company under the MBDP. The Company proposed to create 246 Qualified New Jobs and make a capital investment of up to \$27,350,000. The proposed project would construct a new facility that would allow the Company to grow and expand its services to customers as well as accommodate a growth in customer demand for its automotive engineering services.

The Company, a California corporation, was formed in 1985 and moved its headquarters to Auburn Hills in 1988. The Company is a recognized leader in the design and development of internal combustion engines and supplier of advanced test and instrumentation systems. The Company offers a complete range of engineering services, including the design, prototyping and development of advanced gasoline, diesel and alternative propulsion systems. In addition, the Company provides engine integration and vehicle calibration services.

On September 27, 2016, the MSF approved an amendment to the MBDP Grant Agreement to add a fourth disbursement milestone and to extend its performance milestones by one year due to what they believed at the time to be the extent of the construction delay.

The Company has now dealt with the full extent of construction delays which pushed the project out by two years. The reason for delay was due to a change in sites and the architectural planning required more iterations than expected. The project is focused on automotive engineering services which yields a significant amount of high paying jobs. The Company is still committed to the project, but needs additional time due to the delays.

Recommendation

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

- a) Amend the June 28, 2016 approval, as amended on September 27, 2016, by changing the due date of Milestone One from November 1, 2017 to November 1, 2019, Milestone Two from November 1, 2018 to November 1, 2020, Milestone Three from November 1, 2019 to November 1, 2021, Milestone Four from November 1, 2020 to November 1, 2022, as well as extend the term of the Agreement from May 1, 2021 to May 1, 2023;
- b) All other aspects of the approval remain unchanged.

MICHIGAN STRATEGIC FUND

RESOLUTION 2018-

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM
GRANT AMENDMENT TO
FEV NORTH AMERICA, INC**

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

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

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

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

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

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

WHEREAS, the MSF Board approved a \$1,200,000 Michigan Business Development Program Performance based grant on June 28, 2016, as amended on September 27, 2016, for the construction of a new facility that would allow the Company to grow and expand its services to customers as well as accommodate a growth in customer demand for its automotive engineering services (the “Project”);

WHEREAS, the Company requests that the MSF Board approve an amendment to the Michigan Business Development Program performance-based grant to change the due date of Milestone One from November 1, 2017 to November 1, 2019, Milestone Two from November 1, 2018 to November 1, 2020, Milestone Three from November 1, 2019 to November 1, 2021, Milestone Four from November 1, 2020 to November 1, 2022, as well as extend the term of the Agreement from May 1, 2021 to May 1, 2023 (the “Grant Amendment Request”);

WHEREAS, the MEDC recommends approval of the Grant Amendment Request; and

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

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

BE IT FURTHER RESOLVED, the MSF authorizes the MSF Fund Manager to negotiate the final terms and conditions of the final documents necessary to effectuate the Grant Amendment Request.

Ayes:

Nays:

Recused:

Lansing, Michigan
March 27, 2018

MEMORANDUM

Date: March 27, 2018

To: Michigan Strategic Fund (“MSF”) Board

From: Erik Wilford, Senior Compliance Specialist

Subject: iSourceWorldwide, LLC (“Company” or “Applicant”)
Forbearance to the Approved Michigan Business Development Program
 (“MBDP”) Grant/Loan

Request

The Company requests that the Michigan Strategic Fund (“MSF”) forbear on exercising its rights to repayment of approximately \$2,840,000 until the earlier of 1) June 30, 2018 or 2) the Company’s cure of the underlying event of default (the “Forbearance Request”). In consideration for the Forbearance Request, the Company will pay a fee of \$30,000.

Background

On April 26, 2016 the Company was awarded a \$500,000 Performance-based Grant and a \$2,500,000 Performance-based Loan assistance incentive under the MBDP. This project involves the creation of 25 Qualified New Jobs (“QNJ”) and a capital investment of up to \$2,650,000 in the City of Flint in Genesee County. The Company is required to maintain 32 Base Jobs. A total of \$2,500,000 of the incentive is to be paid back to the MSF in annual payments beginning July 1, 2020 and continuing through July 1, 2024, however, there is a forgiveness component depending how many jobs the Company has at the time. In addition, SkyPoint Ventures issued a guaranty of the loan in favor of the MSF. The table below shows the Company’s milestone performance to date. The award is fully disbursed:

| Milestone | QNJ | Total Michigan Headcount Requirement | Milestone Deadline | Grant Award | Loan Award | Actual Milestone Achievement |
|-----------|-----|--------------------------------------|--------------------|-------------|-------------|------------------------------|
| M1 | 0 | 32 | 12/31/16 | 0 | \$1,500,000 | 8/10/16 |
| M2 | 25 | 57 | 12/31/17 | \$500,000 | \$1,000,000 | 1/17/17 |

After receiving notification from the Company that it had eliminated jobs and was below the incented level of 57, MEDC Staff issued a default notice and provided the Company a cure period of 60 days to re-meet the required headcount by September 11, 2017. A repayment default of the MBDP Grant triggers a partial repayment based upon a formula within the MBDP Agreement. A repayment default of the MBDP Loan triggers the ability of the MSF to reclaim the entire balance of the loan.

During the cure period it was determined the Company had eliminated 8 QNJs. The job losses were due to employee attrition and a restructure. Additionally, Skypoint Ventures is now the manager of the Company. The Company provides web application development with an expertise in eCommerce applications and has had difficulty recruiting and retaining software developers. The restructure caused additional losses and currently has eliminated 17 QNJs. The Company's revised business plan calls for headcount growth, however, the MBDP Grant's term ends June 30, 2018.

A Forbearance Agreement which would acknowledge the MSF forbearing taking action on the default/repayment until June 30, 2018 is recommended. This would cover the MSF forbearing taking action on both the MBDP Grant and Loan. As of June 30, 2018, the Company will have either re-met the required headcount or will be required to repay all or part of the MBDP Grant depending on its headcount and the repayment formula defined in the MBDP Agreement. At that time, the Company's headcount will be verified and MEDC Staff will confirm compliance. The MBDP Loan requires repayment in 5 annual installments beginning July 1, 2020. The forgiveness component provides a reduction of the overall amount owed depending how many new jobs the company has maintained by May 15, 2020.

Recommendation

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

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-**

**ISOURCEWORLDWIDE, LLC
MICHIGAN BUSINESS DEVELOPMENT GRANT AND LOAN FORBEARANCE REQUEST**

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

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

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

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

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

WHEREAS, on April 26, 2016, the MSF Board authorized a performance-based MBDP grant incentive of up to \$500,000 and a performance-based, non-revolving MBDP loan of up to \$2,500,000 to iSourceWorldwide, LLC (the “Company”);

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

WHEREAS, the Company is in default under Section 5.2(b)(i) of the Grant Agreement and Section 5.5(d) of the Loan Agreement for eliminating Qualified New Jobs (the “Event of Default”);

WHEREAS, pursuant to Section 5.4 of the Grant Agreement and Section 5.7 of the Loan Agreement, the MSF may terminate the Grant Agreement and Loan Agreement and seek repayment of previously disbursed grant funds upon the occurrence of an Event of Default;

WHEREAS, the Company has requested that the MSF enter into a forbearance agreement with respect to the Event of Default with terms and conditions that shall include:

- (a) Forbearance by the MSF from exercising its rights to terminate and seek repayment under the Grant Agreement and Loan Agreement until the earlier to occur of 1) cure of the Event of Default by the Company or 2) June 30, 2018 (the “Forbearance Period”); and
- (b) Payment by the Company of a forbearance fee in the amount of \$30,000.

(the aforementioned, collectively the “Forbearance Request”);

WHEREAS, the MEDC has reviewed the Forbearance Request and has determined that the Forbearance Request would allow the Company sufficient time to eliminate the Event of Default while also providing satisfactory consideration to the MSF and recommends that the MSF Board approve the Forbearance Request; and

WHEREAS, the MSF wishes to approve the Forbearance Request.

NOW, THEREFORE, BE IT RESOLVED, the MSF approves the Forbearance Request and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
March 27, 2018

MEMORANDUM

Date: March 27, 2018

To: Michigan Strategic Fund (“MSF”) Board

From: Trevor Friedeberg, Senior Business Development Project Manager

Subject: Nexient, LLC (“Company” or “Applicant”)
Michigan Business Development Program Performance-based Grant Request

Summary

This is a request from the Applicant for a \$1,500,000 performance-based grant. This project involves the creation of 300 Qualified New Jobs and a capital investment of up to \$4,173,900 in the Charter Township of Pittsfield, Washtenaw County.

The Applicant has demonstrated a need for the funding. Most of the Company’s customers are outside of Michigan and the software development services offered by the Company can be sourced from anywhere, providing many alternative options for the project. Specifically, the Company is strongly considering expanding its existing facility in Kokomo, Indiana. Another option being considered would be to locate the developers onsite with its out of state customers. Providing incentive assistance will ensure the cost-structure for Michigan-based employees is nationally and globally competitive and more attractive than on-site (outstate) and off-shore labor.

Background

Since its inception in 2009, the Company has built a 300 person workforce that has successfully implemented its services at major companies across the country. Being the only 100% US tech firm listed among the top 100 outsourcers in the world (according to IAOP), the Company is now ready to accelerate growth and is making plans for major sales and marketing pushes. This large sales push to expand software engineering services to outstate companies will require the Company to hire a large number of high tech software engineers and testers.

The Applicant has received incentives from the MSF in the past. In 2009, the Company was awarded a 7 year 100% Standard MEGA Tax Credit that was subsequently amended in 2014 for the creation of up to 600 new jobs. The Company is in good standing.

The Company is making major sales and marketing pushes to accelerate business growth. As a result, a significant number of jobs will be needed to meet the projected increase in demand for services. The Company will be adding capacity at its Pittsfield Township, Washtenaw County location and add 300 new jobs with an estimated investment of \$4.17 million.

The MEDC has completed civil and criminal background checks in accordance with the MSF Background Review Policy. No issues were identified.

Considerations

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(7)(b), that is located and operates in Michigan.
- b) The project will be located in Pittsfield Charter Township. Ann Arbor SPARK has offered a “staff, financial, or economic commitment to the project”. Since this project is primarily investing in computers and IT, furniture and fixtures, and annual lease costs in addition to job creation, a tax abatement is not a suitable tool for this project. In lieu of a tax abatement, Ann Arbor SPARK is offering support in the form of Talent Mixers and job posting features in SPARK’s Talent Connection Job Seeker newsletter.
- c) The Applicant has demonstrated a need for the funding. The Company is considering expanding at its current facility in Kokomo, Indiana. Most of the Company’s customers are outside of Michigan and the software development services offered by the Company can be sourced from anywhere, providing many alternative options for the project. Another option being considered would be to locate the developers onsite with its outstate customers.
- d) The Applicant plans to create 300 Qualified New Jobs above a statewide base employment level of 198.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: the project is not a retail project; is not a retention project; involves out-of-state competition; has a net positive return to Michigan; will help diversify the economy; wage level for new jobs is very strong; and projected employer benefits offered to employees.

Recommendation

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

- a) Approval of the MBDP Proposal as outlined in the attached term sheet (collectively, “MBDP Proposal”);
- b) Closing the MBDP Proposal, subject to available funding under the MBDP at the time of closing (“Available Funding”), satisfactory completion of due diligence (collectively, “Due Diligence”), finalization of all MBDP transaction documents; and
- c) Commitment will remain valid for 120 days with approval for the MSF Fund Manager to extend the commitment an additional 60 days.

MICHIGAN STRATEGIC FUND

RESOLUTION 2018-

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
NEXIENT, LLC**

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

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

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

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

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

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

WHEREAS, Nexient, LLC (“Company”) has requested a performance based MBDP grant of up to \$1,500,000 (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”); and

WHEREAS, the MEDC recommends that the MSF approve the Company’s Grant Request in accordance with the Term Sheet, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents, within 120 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 60 days (“MBDP Award Recommendation”).

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

Ayes:

Nays:

Recused:

Lansing, Michigan
March 27, 2018

EXHIBIT A
MICHIGAN BUSINESS DEVELOPMENT PROGRAM
Performance Based Incentive - Term Sheet - Summary

The following is a summary of the highlights of the project and basic terms for which the Company desires grant support from the Michigan Strategic Fund ("MSF") under the Michigan Business Development Program ("MBDP").

Date: March 5, 2018

| | |
|--|---|
| Company Name: | Nexient, LLC and/or its affiliates and subsidiaries. |
| Project Location: | Pittsfield Township |
| MBDP Incentive Type: | Performance Based Grant |
| Maximum Amount of MBDP Incentive: | Up to \$1,500,000 |
| Base Employment Level: | At least 216 |
| Qualified New Jobs: | At least 300 in Michigan |
| Municipality Supporting Project: | Ann Arbor SPARK has agreed to provide staff, financial or economic assistance in support of the project. |
| Start Date for Measurement of Creation of Qualified New Jobs: | January 9, 2018 |
| Term of the Agreement: | October 31, 2021 |
| Milestone Based Incentive: | Disbursements will be made over a 3 year period and will be performance based on job creation as follows: Milestone 1: \$300,000 for the creation of 60 new jobs. Milestone 2: \$450,000 for the creation of 90 additional new jobs. Milestone 3: \$750,000 for the creation of 150 additional new jobs. |

The detailed numbers, and statutorily required repayment and reporting provisions, will be reflected in the subsequent transaction documents.

Acknowledged as received by:

Nexient, LLC

By:



Printed Name:

Tanmoy Chowdhury

Its:

CFO

Michigan Economic Development Corporation

By:



Printed Name:

Trevor Friedberg

Its:

Sr. Business Development Project Mgr.

MEMORANDUM

Date: March 27, 2018

To: Michigan Strategic Fund Board

From: Christopher Cook, Director, Capital Access

Subject: *Private Activity Bond – Bond Authorizing
Hillcorp Properties, LLC – NTE \$4,000,000
Taxable*

Request:

Hillcorp Properties, LLC (“Hillcorp”), a Delaware limited liability company, is requesting private activity taxable bond financing in an amount not to exceed \$4,000,000 (the “Bonds”) for the purpose of the acquisition and installation of energy efficiency improvements, including a new heating and air conditioning system (the “improvements”), located within its facility at 2703 Ena Drive, Charter Township of Delta, Eaton County, Michigan (the “Project”). Hillcorp will lease the Project in its entirety to Liquid Web, LLC (“Liquid Web”), a Delaware limited liability company, which is related to Hillcorp through common ownership.

Background:

Liquid Web has been in business in excess of 20 years and provides a full range of web hosting and services for both individual and large customers. Liquid Web utilizes the Project to host servers and also provide products to allow its customers to host their web sites, easily expand their web presence, provide internet security and solve other issues associated with the management of web sites. Liquid Web has over 32,000 customers located in over 132 separate countries and manages in excess of 500,000 sites.

Liquid Web has over 600 employees, the majority of which are located in the State of Michigan.

Description of Improvements:

The Improvements consists of the acquisition and installation of energy efficiency improvements to the Project, including a new heating and air conditioning system, duct work, fan cooling and electronic controls.

Plans of Finance:

The Bonds will be secured by and payable from a special assessment lien levied by Eaton County, Michigan against the Project pursuant to the Michigan Property Assessed Clean Energy Act, Act 270 of 2010 as amended.

KeyBanc Capital Markets Inc. will be providing placement services to support this bond issue. The Bonds will be purchased by an institutional investor.

If the Bonds remain at \$4,000,000, the MSF issuance fee will be \$5,000.00.

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 taxable financing, staff recommends the adoption of a Bond Authorizing resolution in an amount not to exceed \$4,000,000.

RESOLUTION TO AUTHORIZE THE ISSUANCE OF THE MICHIGAN STRATEGIC FUND LIMITED OBLIGATION REVENUE BONDS (HILLCORP PROPERTIES, LLC PROJECT), SERIES 2018 (FEDERALLY TAXABLE) (THE "BONDS")

Resolution 2018-__

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. Hillcorp Properties, LLC, a Delaware limited liability company (the "Borrower"), has requested a loan from the Fund to assist the Borrower in financing (1) the acquisition, construction and equipping of Energy Efficiency Improvements to its commercial facilities located at 2703 Ena Drive, Charter Township of Delta, Eaton County, Michigan (the "Project") and (2) paying all or a portion of the costs of issuance related to the Bonds. The Project will be owned by the Borrower, who will lease the Project in its entirety to Liquid Web, LLC, a Delaware limited liability company, which is related to the Borrower through common ownership and will use the facility to host web servers and operate web hosting services.

C. The Borrower has requested the Fund to issue the Bonds in a principal amount not to exceed \$4,000,000 pursuant to this resolution (the "Resolution") and a trust indenture (the "Indenture"), between the Fund and Wilmington Trust, N.A. as trustee (the "Trustee") dated as of April 1, 2018, relating to the Bonds to obtain funds which will be loaned to the Borrower pursuant to a financing agreement, dated as of April 1, 2018, between the Fund and the Borrower (the "Financing Agreement") to pay costs of the Project and certain costs of issuance of the Bonds.

D. The Bonds will be placed by KeyBanc Capital Markets Inc., as placement agent (the "Placement Agent"), pursuant to a bond placement agreement among the Placement Agent, the Fund, and the Borrower (the "Placement 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 Borrower, 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 Financing 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. Financing Agreement
- b. Indenture
- c. Placement Agreement

Any Member and Authorized Officer are authorized to execute and deliver the Placement 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 8% per annum, and the principal amount of the Bonds, which shall not be greater than \$4,000,000. Approval of those terms shall be evidenced by the Member's execution of the Placement Agreement.

SECTION 4. Acknowledgment of Collateral Documents. The form PACE Special Assessment Agreement (the "Assessment Agreement") between the Borrower, Trustee and Eaton County, Michigan 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 acknowledged with the changes made by the parties as are permitted by the Act or otherwise by law, and not materially adverse to the Fund.

SECTION 5. 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 Borrower and necessary certificates and representations of the Borrower 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 Trustee to be credited in accordance with the Indenture.

SECTION 6. Designation of Certain Parties. Wilmington Trust, N.A.'s acceptance of duties as Trustee shall be evidenced by its execution of the Indenture. KeyBanc Capital Markets Inc.'s acceptance of duties as Placement Agent shall be evidenced by its execution of the Placement Agreement.

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 April 30, 2018, the authority granted by this Resolution shall lapse.

Adopted.

Ayes:

Nays:

March 27, 2018 Meeting
Lansing, Michigan

2018-0211244-A/MSF Liquid Web/Resolution