

**MICHIGAN STRATEGIC FUND BOARD
SPECIAL SESSION
FINAL MEETING AGENDA
August 9, 2018
10:00 am**

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

Communications

A. Business Investment

1. Business Growth

Spartan Michigan LLC – Agricultural Renaissance Zone – Jeremy Webb

MEMORANDUM

Date: August 9, 2018

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

From: Jeremy Webb, Sr. Business Development Project Manager

Subject: Spartan Michigan, LLC (“Company” or “Applicant”)
Renaissance Zone Program – New Agricultural Processing Renaissance Zone Request

Summary

This is a request from the City of St. Johns for a new 15-year Agricultural Processing Renaissance Zone designation for a project involving the Company and Proliant Dairy Michigan, LLC (“Proliant”), beginning on January 1, 2019 and ending December 31, 2033. This project involves the creation of 231 Qualified New Jobs, with the potential for up to 259 new jobs as a result of the project, and a capital investment of up to \$425 million in the City of St. Johns, Clinton County from the Company. Proliant will be locating within the proposed Renaissance Zone boundaries and anticipates creating 30 Qualified New Jobs, with the potential for up to 38 new jobs as a result of the project, and a capital investment of up to \$85 million. In addition, staff anticipates bringing a CDBG request forward for MSF approval in the coming months.

The Applicant has demonstrated a need for the funding. The Company is considering expanding the business in other countries or the U.S. State and local incentives are needed in order to help make the investment in Michigan financially feasible in comparison with other locations nationally and globally. As this project is very capital intensive and requires substantial wastewater treatment improvements, the Company needs state assistance to help offset some of those up-front costs. Proliant has also demonstrated a need for the funding. Proliant is evaluating potential locations for its facility. With the high cost of capital and the low value of permeate in the market, the availability of both raw materials and incentives will be key factors in a decision to proceed with the project in Michigan.

Background

The Applicant’s parent, Glanbia plc, has its origins in the Irish co-operative movement that evolved over the last century. Glanbia plc was formed in 1997 out of the merger of Avonmore Foods plc and Waterford Foods plc. Glanbia plc is a global nutrition group comprised of Glanbia Performance Nutrition, Glanbia Nutritionals (“GN”), and various joint ventures and associates. GN includes Nutritional Solutions and US Cheese businesses, and it has a portfolio focused on both dairy and non-dairy nutritional ingredients.

GN delivers functional ingredient solutions, aseptic bottling services, and precision premixes for use in the food and beverage, infant/clinical nutrition, and functional nutrition markets. GN is also a large-scale manufacturer and marketer of American-style cheddar cheese. GN has customers in 21 countries worldwide, for products from state of the art facilities in the U.S., Germany and China and with international sales and technical offices located across five continents.

GN will ultimately form a new Michigan entity for the ownership and operation of the proposed project. The entity will be a joint venture (the "JV") that will be owned 50% by GN and 50% by a dairy joint venture. The dairy joint venture will be owned by Dairy Farmers of America, Inc. ("DFA") and by Select Milk Producers, Inc. ("Select"). The dairy cooperatives have members throughout Michigan and the surrounding states.

Proliant's parent company, Proliant Dairy, LLC, is a dairy ingredient manufacturer headquartered in Ankeny, Iowa. Proliant is part of the Lauridsen Group, Inc., a privately-owned holding company founded in 1975. From 1991-2004, Proliant was in a joint venture partnership with Hilmar Cheese Company, in which Proliant focused on the sales, marketing, R&D and applications of whey proteins and lactose. In 2008, Proliant re-entered the dairy ingredient business with its commissioning of a dairy plant in Melrose, Minnesota. The Melrose operation processes liquid milk permeate & whey permeate pumped via a pipeline from the adjoining cheese and whey processing plant, along with liquid permeate shipped in from nearby cheese operations. The permeate is pasteurized, concentrated, dried, and packaged for sale for food and feed applications.

Though neither the Company nor Proliant has received incentives in the past, members of the JV have. DFA received a Job Training Assistance Program grant in 2014 and a BDP grant in 2013. DFA has completed both grants successfully. Additionally, DFA received a 15-year APRZ in 2013 and is in good standing.

Members of Select, Continental Dairy and fairlife, have also received incentives in the past. Continental Dairy received a 10-year 100% Standard MEGA in 2010 and is in good standing. Additionally, Continental was approved for a Private Activity Bond which was completed successfully and a CDBG in 2010 that was never collected. Fairlife received two BDP grants for its Coopersville site. The first was approved in 2013 and the second was approved in 2017, which was a joint project with Continental Dairy. Both grants are in good standing. Lastly, fairlife received a three mill SET in 2014.

The Applicant plans to construct an approximately 360,000 square foot cheese and whey processing facility that will ultimately process eight million pounds of milk per day and manufacture cheese and whey protein powder. Major project components and equipment purchases will include, but are not limited to: milk receiving bays, milk storage silos, milk processing equipment, cheese processing equipment, packaging solutions, lab and hygiene areas, utility equipment, office and break room areas, a full wastewater treatment facility, inter-site roadways and parking or truck staging areas, and storm water solutions.

Proliant's project would process approximately 400,000 pounds of permeate solids per day, which would be the world's largest permeate drying facility. Proliant plans to construct an 85,000 square foot facility with the highest point of the building reaching 120 feet to accommodate the dryer. Major components and equipment purchases will include, but are not limited to: liquid storage silos, processing and drying systems, packaging solutions, lab and hygiene areas, office and break room areas, and parking or truck staging areas.

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

Considerations

Under Section 8c(1) of the Michigan Renaissance Zone Act, the State Administrative Board ("SAB") may designate an Agricultural Processing Renaissance Zone upon the recommendation of the MSF Board and the Michigan Commission of Agriculture and Rural Development ("MCARD"), which is housed within the

Michigan Department of Agriculture and Rural Development (the “MDARD”) with the consent of the applicable city, village, and/or township.

To support the Company’s project, Bingham Township and the City of St. Johns have passed resolutions agreeing to an Agricultural Processing Renaissance Zone for a 15-year term. However, through a statutory intergovernmental conditional transfer of property by contract, the portion of the project within Bingham Township will come under the jurisdiction of the City of St. Johns prior to the SAB’s consideration of the Agricultural Processing Renaissance Zone. The MCARD anticipates reviewing the Renaissance Zone request at its August 2018 meeting, also prior to SAB consideration of the incentive.

In exchange for the benefits of a Renaissance Zone, the Company shall enter in to a development agreement with the MSF agreeing to the creation of up to 231 new full-time jobs and up to \$425 million in capital investment at the new facility by December 31, 2022. In addition, Proliant shall enter in to a development agreement with the MSF agreeing to the creation of up to 30 new full-time jobs and up to \$85 million in capital investment at the new facility by December 31, 2022.

Recommendation

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

- a) Approval of the recommendation to the SAB for the designation of an Agricultural Processing Renaissance Zone for the Company and Proliant at the project site the City of St. Johns and Bingham Township for a term of 15 years, beginning January 1, 2019 and ending on December 31, 2033;
- b) Approval is subject to the execution of an Agricultural Processing Renaissance Zone Development Agreement between the MSF and the Company, and project commencement by the Company within one year;
- c) Proliant’s eligibility for receiving Renaissance Zone benefits will be subject to the execution of a Agricultural Processing Renaissance Zone Development Agreement between the MSF and Proliant, and project commencement within one year of approval; and
- d) 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
2018-115**

**AGRICULTURAL PROCESSING RENAISSANCE ZONE
SPARTAN MICHIGAN, LLC and PROLIANT DAIRY MICHIGAN, LLC**

WHEREAS, Section 8c of the Michigan Renaissance Zone Act, 1996 PA 376, as amended (the “Act”), authorizes the State Administrative Board to designate up to 30 renaissance zones for agriculture processing facilities (an “Agricultural Processing Renaissance Zone”) upon the recommendations of the Michigan Strategic Fund (“MSF”) and the Michigan Commission of Agriculture and Rural Development (“MCARD”) and the consent of the local unit of government in which the proposed renaissance zone will be located;

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

WHEREAS, the MEDC and the MCARD received an application from the City of St. Johns (the “City”) for an Agricultural Processing Renaissance Zone designation for Spartan Michigan, LLC (the “Company”) for its project in the City (the “Spartan Michigan Application”);

WHEREAS, the MEDC and the MCARD received an application from the City requesting Proliant Dairy Michigan, LLC (“Proliant”) receive the benefits of the Agricultural Processing Renaissance Zone as they are locating within the boundaries of the Company’s project in the City (the “Proliant Application”);

WHEREAS, the Company and Proliant both qualify as an agricultural processing facility under the Act and the City has consented to the designation of an Agricultural Processing Renaissance Zone in its jurisdiction;

WHEREAS, a portion of the project is planned to occur on a parcel within Bingham Township, adjacent to the City; however, via an intergovernmental conditional transfer of property by contract (1984 PA 425), this parcel is expected to be within the jurisdiction of the City prior to consideration of approval by the State Administrative Board; and

WHEREAS, the MEDC recommends that the MSF Board approve for recommendation to the State Administrative Board for designation of an Agricultural Processing Renaissance Zone for the Company and Proliant on the property parcels 030-004-400-005-51, 300-004-300-093-50, 300-004-300-099-00, 300-004-300-101-00, and 300-004-300-100-00 for a period of fifteen (15) years, effective December 31, 2018 for property tax purposes and January 1, 2019 for all other purposes, subject to the following conditions:

1. A development agreement consistent with the terms of this Resolution is executed between the Michigan Strategic Fund, the real property owner(s), and the Company within 120 days of this Resolution, or within 180 days should the MSF Fund Manager authorize an extension not exceeding 60 additional days; and
2. On or before August 9, 2019, the Company shall have commenced the project outlined in the Spartan Michigan Application by having started construction on the facility.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves for recommendation to the State Administrative Board an Agricultural Processing Renaissance Zone for the Company and Proliant for the property parcels 030-004-400-005-51, 300-004-300-093-50, 300-004-300-099-00, 300-004-300-101-00, and 300-004-300-100-00 for a period of fifteen (15) years effective December 31, 2018 for property tax purposes and January 1, 2019 for all other purposes, subject to the following conditions:

1. A development agreement consistent with the terms of this Resolution is executed between the Michigan Strategic Fund, the real property owner(s), and the Company within 120 days of this Resolution, or within 180 days should the MSF Fund Manager authorize an extension not exceeding 60 additional days; and
2. On or before August 9, 2019, the Company shall have commenced the project outlined in the Spartan Michigan Application by having started construction on the facility;

BE IT FURTHER RESOLVED, to the extent Proliant is to receive the benefits Agricultural Processing Renaissance Zone, a development agreement consistent with the terms of this Resolution shall be executed between the Michigan Strategic Fund, the real property owner(s), and Proliant within 120 days of this Resolution, or within 180 days should the MSF Fund Manager authorize an extension not exceeding 60 additional days, and on or before August 9, 2019, Proliant shall have commenced the project outlined in the Proliant Application by having started construction on the facility;

BE IT FURTHER RESOLVED, that the MSF Board authorizes the Fund Manager to negotiate the final terms and conditions of and to execute the development agreement(s) and any other related documents necessary to effectuate the terms of this Resolution on behalf of the MSF; and

BE IT FURTHER RESOLVED, that the MSF Board authorizes the MSF President or Fund Manager to transmit the MSF's recommendation to the State Administrative Board.

Ayes: Paul Gentilozzi, Stephen Hicks, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Shaun Wilson

Nays: 0

Recused: 0

Lansing, Michigan
August 9, 2018