

## **MICHIGAN STRATEGIC FUND BOARD MEMBERS**

### **Paul Ajegba**

*Director, Michigan Department of  
Transportation*

### **Ronald W. Beebe**

*Principal Owner & CEO  
Euclid Industries, Inc.*

### **Britany Affolter - Caine, Ph.D.**

*Executive Director  
Michigan's University Research  
Corridor*

### **Jeff Donofrio**

*Director, Department of Labor  
& Economic Opportunity*

### **Rachael Eubanks**

*State Treasurer, Department of  
Treasury*

### **Paul Gentilozzi**

*President, Gentilozzi Real Estate*

### **September Hargrove**

*Vice President, Global  
Philanthropy, JP Morgan Chase*

### **Mark Burton**

*President and Chairman; CEO:  
Michigan Economic Development  
Corporation*

### **Charles Rothstein**

*Founder & Senior Managing Director  
Beringea, LLC*

### **Susan Tellier**

*President  
JetCo Packaging Solutions*

### **Cindy Warner**

*Technology Executive  
Consultant Founder &  
Chairperson 360ofme, Inc.*

# **MICHIGAN STRATEGIC FUND (MSF) BOARD**

## **Special Meeting Packet**

## **MARCH 2020**



# **SPECIAL BOARD MEETING**

## **MICHIGAN STRATEGIC FUND**

Thursday, March 19, 2020  
10:30 AM

Due to public health concerns, this meeting will be conducted via conference line **ONLY**

The public accessed this meeting through a toll-free number, which was posted on the Michigan Economic Development Corporation (MEDC) website prior to the meeting.

**MICHIGAN STRATEGIC FUND BOARD  
SPECIAL MEETING AGENDA  
MARCH 19, 2020  
10:30 am**

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

***Communications***

**A. Consent Agenda**

Proposed Meeting Minutes – February 25, 2020

**B. Business Investment**

**1. Business Growth**

Michigan Small Business Loan Relief Program – Approval of Program Guidelines and Delegation of Authority – Joshua Hundt

**C. Community Vitality**

Red Cedar Development Project – Brownfield Act 381 Work Plan – Michele Wildman

Lofts on Alabama – MCRP Amendment – Lori Mullins

**MICHIGAN STRATEGIC FUND  
FINAL MEETING MINUTES  
February 25, 2020**

**Members Present**

Britany L. Affolter-Caine  
Ronald W. Beebe  
Susan Corbin (on behalf of Director Donofrio)  
Paul Gentilozzi  
Michael B. Kapp (on behalf of Director Ajegba)  
Andrew Lockwood (on behalf of Treasurer Eubanks)  
Jeff Mason  
Susan Tellier

**Members joined by phone**

Charles P. Rothstein  
Cindy Warner

**Member Absent**

September Hargrove

Mr. Mason called the meeting to order at 10:04 am.

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

Mr. Mason introduced the following legislator and legislative staff: Representative Jim Haadsma speaking in support of the Brick Street Lofts LLC project in Albion and Josh Przygocki on behalf of Senator Aric Nesbitt speaking in support of the Papermill Demo Phase 2 project in Plainwell.

**Communications:** Rhonda Bishop, Board Liaison, advised the Board that updated organizational charts for Bridge and Stocking L.L.C., Bridge and Turner, LLC and Exchange Building LLC were provided to them at the table.

**A. CONSENT AGENDA**

**Resolution 2020-012 Approval of Consent Agenda Item**

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

Proposed Meeting Minutes – January 22, 2020

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

**B. BUSINESS INVESTMENT**

**B1. Entrepreneurship**

**Resolution 2020-013 Flint Ferris Wheel 100K Ideas – Innovation Center Grant Amendment**

*Fredrick Molnar, Vice President of Entrepreneurship & Innovation, provided the Board with information regarding this action item.* Following discussion, Britany L. Affolter-Caine motioned for the approval of Resolution 2020-013. Andrew Lockwood seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused.**

### **Resolution 2020-014 Invent@NMU – Business Incubator Grant Amendment**

*Fredrick Molnar, Vice President of Entrepreneurship & Innovation, provided the Board with information regarding this action item.* Following discussion, Ronald W. Beebe motioned for the approval of Resolution 2020-014. Britany L. Affolter-Caine seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused.**

### **Resolutions 2020-015, 2020-016, 2020-017 & 2020-018 Business Incubators – Grants Amendments**

*Fredrick Molnar, Vice President of Entrepreneurship & Innovation, provided the Board with information regarding these action items.* Following discussion, Ronald W. Beebe motioned for the approval of Resolution 2020-015. Andrew Lockwood seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused.** Andrew Lockwood motioned for the approval of Resolution 2020-016. Susan Tellier seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused.** Andrew Lockwood then motioned for the approval of Resolution 2020-017. Ronald W. Beebe seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused.** Finally, Michael B. Kapp motioned for the approval of Resolution 2020-018. Susan Corbin seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused.**

*Britany L. Affolter-Caine, recused from the next item, leaves the room; a recusal letter is attached to the minutes.*

### **Resolution 2020-019 MSU Proof of Concept Fund – Grant Amendment**

*Fredrick Molnar, Vice President of Entrepreneurship & Innovation, provided the Board with information regarding this action item.* Following discussion, Paul Gentilozzi motioned for the approval of Resolution 2020-019. Andrew Lockwood seconded the motion. **The motion carried: 9 ayes; 0 nays; 1 recused.**

*Britany L. Affolter-Caine rejoined the meeting.*

## **B2. Capital Access**

### **Resolution 2020-020 Jedco, Inc. – SSBCI Collateral Support Program**

*Aileen Cohen, Capital Project and Portfolio Manager, provided the Board with information regarding this action item.* Following discussion, Susan Tellier motioned for the approval of Resolution 2020-020. Andrew Lockwood seconded the motion. **The motion carried: 9 ayes; 1 nay; 0 recused.**

## **B3. Business Growth**

### **Resolution 2020-021 Cherry Growers, Inc. – MBDP Grant Write-Off Request**

*Colleen Horton, Director of Business Compliance, provided the Board with information regarding this action item.* Following discussion, Paul Gentilozzi motioned for the approval of Resolution 2020-021. Andrew Lockwood seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused.**

**The Board took a brief recess at 11:44 am and resumed at 11:52 am.**

## **C. COMMUNITY VITALITY**

### **Resolution 2020-022 City of Jordan “Joining Jordan Project” – CDBG Grant**

*Dan Leonard, Senior Community Assistance Team Specialist, provided the Board with information regarding this action item.* Following discussion, Paul Gentilozzi motioned for the approval of Resolution 2020-022. Michael B. Kapp seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused.**

### **Resolutions 2020-023 & 2020-024 Brick Street Lofts LLC / City of Albion Brownfield Redevelopment Authority – MCRP Grant and Brownfield Act 381 Work Plan**

*Michelle Audette-Bauman, Community Assistance Team Specialist, provided the Board with information regarding these action items.* Following discussion, Paul Gentilozzi motioned for the approval of Resolution 2020-023. Britany L. Affolter-Caine seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused.** Britany L. Affolter-Caine then motioned for the approval of Resolution 2020-024. Susan Corbin seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused.**

**Resolution 2020-025 City of Ironwood “Downtown City Square Project” – CDBG Grant**

*Jennifer Tucker, Senior Community Assistance Team Specialist, provided the Board with information regarding this action item.* Following discussion, Paul Gentilozzi motioned for the approval of Resolution 2020-025. Ronald W. Beebe seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused.**

**Resolution 2020-026 City of Plainwell “Papermill Demo Phase 2 Project” – CDBG Grant**

*Sue DeVries, Community Assistance Team Specialist, provided the Board with information regarding this action item.* Following discussion, Britany L. Affolter-Caine motioned for the approval of Resolution 2020-026. Paul Gentilozzi seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused.**

*Britany L. Affolter-Caine left the meeting temporarily.*

**Resolution 2020-027 Bridge and Stocking L.L.C. – MCRP Loan Participation Amendment**

Ronald W. Beebe motioned for the approval of Resolution 2020-027. Paul Gentilozzi seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused.**

**Resolution 2020-028 Bridge and Turner LLC – MCRP Loan Participation Amendment**

Paul Gentilozzi motioned for the approval of Resolution 2020-028. Ronald W. Beebe seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused.**

*Britany L. Affolter-Caine rejoined the meeting.*

**Resolutions 2020-029 & 2020-030 The Exchange Building LLC – MCRP Loan Participation Amendment and Brownfield Redevelopment MBT Credit Amendment**

Andrew Lockwood motioned for the approval of Resolution 2020-029. Paul Gentilozzi seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused.** Paul Gentilozzi then motioned for the approval of Resolution 2020-030. Andrew Lockwood seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused.**

**D. IMAGE BRANDING**

**Resolution 2020-031 McCann-Erickson USA, Inc. – Business Marketing Contract Amendment**

*Doug Kuiper, Senior Vice President of Marketing & Communications, provided the Board with information regarding this action item.* Following discussion, Andrew Lockwood motioned for the approval of Resolution 2020-031. Susan Tellier seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused.**

**CONTINUING EDUCATION**

The ongoing educational series on community development was postponed to March due to time constraints.

**Mr. Mason adjourned the meeting at 1:04 pm.**



GRETCHEN WHITMER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF LABOR AND ECONOMIC OPPORTUNITY  
LANSING

JEFF DONOFRIO  
DIRECTOR

November 13, 2019

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

Re: Michigan Strategic Fund Board Meeting Designee

Dear Ms. Bishop:

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

If you need anything additional, please contact Monica Chrzaszcz at (517) 897-6108.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Donofrio".

Jeff Donofrio  
Director

Cc: Susan Corbin



STATE OF MICHIGAN  
DEPARTMENT OF TRANSPORTATION  
LANSING

GRETCHEN WHITMER  
GOVERNOR

PAUL AJEGBA  
DIRECTOR

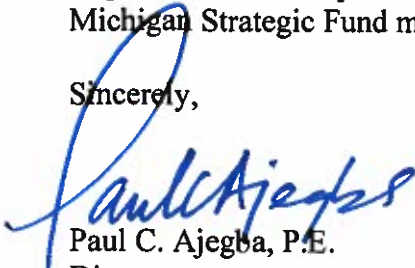
February 3, 2020

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

Dear Ms. Bishop:

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

Sincerely,



Paul C. Ajegba, P.E.  
Director

cc: M. Kapp  
Executive File





STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

January 16, 2020

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

Re: Michigan Strategic Fund Board Meeting Designee for Treasurer Eubanks

Dear Ms. Bishop:

I hereby designate Andrew Lockwood to attend all Michigan Strategic Fund meetings that I am unable to attend in 2020.

If you need anything additional, please contact Kara Kabia at (517) 241-2624.

Sincerely,

A handwritten signature in blue ink that reads "Rachael Eubanks".

Rachael Eubanks  
State Treasurer

Cc: Eric Bussis  
Andrew Lockwood



February 21, 2020

MSF Fund Manager  
MEDC  
300 N. Washington Square  
Lansing, Michigan

Dear Fund Manager,

This is to advise that I am recusing myself from voting and excuse myself during the discussion of the following items on the Michigan Strategic Fund Board Meeting Agenda on Tuesday, February 25, 2020.

- Entrepreneurship: University Proof-of-Concept Fund – Grant Amendment

The reason for my recusal is that I have a potential conflict of interest with respect to grantee, MSU.

Sincerely,

A handwritten signature in cursive script that reads "Britany Affolter-Caine".

Britany Affolter-Caine  
Executive Director  
Michigan's University Research Corridor

## MEMORANDUM

**Date:** March 19, 2020

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

**From:** Josh Hundt, Executive Vice President and Chief Business Development Officer  
Stacy Bowerman, Senior Vice President, Business Development Projects

**Subject:** Approval of the Michigan Small Business Relief Program Guidelines

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### Request

The MEDC requests the MSF Board establish the Michigan Small Business Relief Program (the “Program”) and formally adopt the supporting program documents to reduce the economic impact of COVID-19 on small businesses and their employees in Michigan.

### Background

In order to mitigate the spread of COVID-19, on March 16, 2020, Governor Whitmer signed Executive Order [2020-9](#) to temporarily close theaters, bars, coffee houses, performance venues, casinos and other related businesses as well as limit restaurants to carry-out and delivery orders only. The Governor also signed Executive Order [2020-10](#) to provide temporary expansions in unemployment insurance eligibility. With the outbreak of COVID-19 and the critical measures ordered by Governor Whitmer in response to this public health emergency in Michigan, many small businesses are faced with significant economic impacts, including potential issues with available working capital and liquidity.

As a result, stakeholders across the state are working to understand the needs of small businesses that are impacted by efforts to mitigate the spread of COVID-19 and are implementing tools through state, federal and local initiatives.

According to the Small Business Administration, small businesses in Michigan totaled more than 870,000 in 2019. Of those, approximately 170,000 are small firms with fewer than 500 employees, 148,000 are commercial/downtown main street businesses and 703,000 are self-employed, across a broad spectrum of industries from construction and healthcare to retail and manufacturing.

Based on data from March 2020, approximately 117,000 businesses fall into the category of direct impact from the Executive Order 2020-9 – in the food service, gym and recreational services, retail and related personal services industries. These businesses employ over 593,000 Michiganders.

It is critical for those tools currently available through the Michigan Strategic Fund, including the Michigan Supplier Diversification Fund’s Collateral Support and Loan Participation Programs, and Capital Access Programs, as well as support through the Small Business Administration and traditional commercial lenders be augmented with additional resources to specifically address impacts from COVID- 19.

The MEDC is recommending the creation of the Program to provide grants and low interest loans to provide emergency relief to businesses directly impacted by the COVID-19 outbreak. Through this program, in combination with other programs and services, the state will ensure economic support is available to Michigan's small businesses to overcome anticipated loss of revenue as a result of the COVID-19 virus through both grant and loan opportunities.

### **Program Summary**

The Program will authorize the MEDC to provide up to an aggregate amount of \$10 million in grant funding to one or more local Economic Development Organizations or non-profit economic development organizations, as outlined in the attached Program Guidelines, to provide grants up to \$10,000 to support certain small businesses that have realized a significant financial hardship as a result of the COVID-19 pandemic. In order to qualify for grant support, businesses must meet the following criteria:

- The company is in an industry outlined in Executive Order 2020-9, or any subsequent Executive Order of similar intent ("EO"), or demonstrates it is otherwise affected by the COVID-19 outbreak, that meets one or more of the following: provides support to impacted employees, is located in a downtown district or high impact corridor or has 50 employees or less, or is a company that provides services to companies outlined in the EO and requires additional employees to support to companies or employees impacted by EO;
- The company has 50 employees or less;
- The company needs working capital to support payroll expenses, rent, mortgage payments, utility expenses, or other similar expenses that occur in the ordinary course of business;
- The company can demonstrate an income loss as a result of Executive Order 2020-9; and
- The company can demonstrate that it is unable to access credit through alternative sources.

Additionally, the program will authorize the MEDC to provide up to \$10 million in loan funding to one or more Certified Development Financial Institutions ("CDFI") or a licensed SBA not-for-profit institutions ("Eligible SBA Non-Profit"), or directly from the MSF to Eligible Borrowers (as described below), as outlined in the attached Program Guidelines, to be used to provide low-interest loans to support certain small businesses that have realized a significant financial hardship as a result of the COVID-19 pandemic. Loans to eligible borrowers must be \$50,000 or more and are capped at \$200,000.

Loans provided under the program may include the following terms:

- Interest Rate: .25% per annum
- Draw Period: 24 months following loan closing.
- Term: Interest only for 60 months following loan closing followed by a fully amortizing 60 month term.
- Repayment Terms: Anticipated to be monthly interest only payments for the first 60 months following closing. Payments made in excess of interest due will be applied to principal. Payments of principal and interest will begin at 61 months following closing and will be paid monthly with all principal due to be repaid no later than 120 months following closing. Provided repayment to the MSF by CDFI or Eligible SBA Non-Profit is subject to repayment to the applicable CDFI or Eligible SBA Non-Profit by the Eligible Borrowers.

In order to qualify for loan support, businesses must meet the following criteria:

- The company is in an industry outlined in Executive Order 2020-9, or any subsequent Executive Order of similar intent ("EO"), or demonstrates it is otherwise affected by the COVID-19 outbreak, or is a company that provides goods and services to companies to the aforementioned;
- The company has fewer than 100 employees;
- The company needs working capital to support payroll expenses, rent, mortgage payments, utility expenses, or other similar expenses that occur in the ordinary course of business;
- The company can demonstrate that it is unable to access credit through alternative sources;
- The company can demonstrate an income loss of as a result of Executive Order 2020-9.

Loan and Grant proceeds under this program may be used for working capital to support payroll expenses, rent, mortgage payments, utility expenses, or other similar expenses that occur in the ordinary course of business.

### **Request**

Due to the dire impacts that the COVID-19 outbreak has imposed on the small businesses located in the State of Michigan, the MEDC is requesting the creation of the Program, as outlined in the attached guidelines, to assist those businesses facing drastic reductions in cash flow and the continued support of their workforce. We anticipate at least 1,100 businesses across the state will benefit from this program. Utilization of this program to address immediate needs, combined with other MSF programs and services, as well as local and federal economic development support will enable small businesses throughout the state to reasonably address the short and long-term impacts of the COVID-19 outbreak. The following chart outlines the suite of services we will have available to support these businesses:

<i>Small Business Strategic Financial Support</i>				
<b>Recipient</b>	<b>Program</b>	<b>Potential Use</b>	<b>Funding Amount</b>	<b>Need Addressed</b>
< 50 Employees	*Small Business Relief Program - Grants	Provide grants to small businesses that have realized a significant financial hardship as a result of the COVID-19 pandemic. Funding will target on businesses impacted by EO 2020-9 that fewer than 50 employees.	Up to \$10,000 per business	Short-Term
< 100 Employees	*Small Business Relief Program - Loans	Provide low-interest loans to small businesses that have realized a significant financial hardship as a result of the COVID-19 pandemic. Funding target on businesses impacted by EO 2020-9 that fewer than 100 employees.	Up to \$200,000 per business	Short-Term
< 500 Employees	*Small Business Administration's Disaster Relief Loans	Provide low-interest federal disaster loans for working capital to small businesses and/or non-profits suffering substantial economic injury as a result of the Coronavirus (COVID-19).	Up to \$2,000,000 per business	Short-Long Term
< 500 Employees	Capital Access Program	Create a reserve fund to expand credit offered by the local financial institutions. Typically companies supported under this program have annual revenue of less than \$3 million.	Typically \$200,000 per business	Short - Long Term
< 500 Employees	Michigan Supplier Diversification Program - Collateral Support / Loan Participation	Provides up to 49.9% of new financing provided by qualified financial institution per business designed to address collateral or cash flow short flows to increase the loans available to businesses.	Typically \$1,000,000 - \$5,000,000 per business	Short - Long Term

\*Indicates New Program

### **Recommendation**

The MEDC recommends the MSF Board:

- Authorize the Program, as outlined in the attached resolution; and
- Authorize Delegation of Authority for the Program, as outlined in the attached resolution.

## MICHIGAN STRATEGIC FUND

### RESOLUTION 2020-032

#### APPROVAL OF THE MICHIGAN SMALL BUSINESS RELIEF PROGRAM, FUNDING ALLOCATION AND GUIDELINES

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

**WHEREAS**, the Michigan legislature appropriated certain funds for use by the MSF for business and community development programs and activities;

**WHEREAS**, as part of the 21<sup>st</sup> Century Jobs Trust Fund initiative, and pursuant to MCL125.2088h(1), the Jobs for Michigan investment fund was created as a permanent fund authorized by the state constitution (“Investment Fund”);

**WHEREAS**, pursuant to MCL 125.2088(h)(3), the Investment Fund shall be invested as authorized under Chapter 8A for the purpose of creating incentives for activities arising out of retaining or creating jobs, or increasing capital investment activity, or increasing commercial lending activity or encouraging the development and commercialization of competitive edge technologies, or revitalizing Michigan communities;

**WHEREAS**, pursuant to the MSF Act, specifically MCL 125.2088(b)(2)(c), funds appropriated to the MSF for business and community development programs and activities and Investment Fund monies are authorized to be expended for programs or activities authorized under the MSF Act, so long as the programs or activities provide for repayment for breach of the written agreement or the failure to meet measurable milestones;

**WHEREAS**, in response to the presence of the novel coronavirus (COVID-19) respiratory disease in Michigan, pursuant to Executive Order 2020-4, Governor Whitmer declared a state of emergency across Michigan under Section 1 of Article 5 of the Michigan Constitution of 1963, the Emergency Management Act, 1976 PA 390, as amended, MCL 30.401-421, and the Emergency Powers of the Governor Act of 1945, 1945 PA 302, as amended, MCL 10.31-.33;

**WHEREAS**, under Section 1 of Michigan Strategic Fund Act (“MSF Act”), MCL.125.2001, the Michigan legislature declared, among other things, it is necessary to alleviate and prevent conditions of unemployment and to preserve existing jobs and create new jobs, and to make available public and private development finance opportunities to businesses and communities within Michigan;

**WHEREAS**, under Section 2 of the MSF Act, MCL 125.2002, the purposes of the MSF Act and the MSF, among other things, is to assist businesses in obtaining additional sources of financing to aid Michigan in achieving the goal of long-term economic growth and full employment, to preserve existing jobs, to create new jobs, to reduce the cost of business and production, to alleviate and prevent unemployment through the retention, promotion, and development of facilities, activities, and industry, and otherwise assist in the achievement of foregoing findings and declarations of the Michigan legislature under the MSF Act;

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

**WHEREAS**, in this state of emergency, the purposes of the MSF Act and the MSF are suited to the prompt delivery of economic development services and funds in furtherance of preserving the health, safety and welfare of businesses, communities and the citizens of Michigan;

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

**WHEREAS**, the MEDC recommends the MSF create and operate the Michigan Small Business Relief Program to award grants and loans to certain eligible entities in Michigan (the “MSBRP”);

**WHEREAS**, the MEDC recommends the MSF approve the guidelines for the MSBRP, a copy of which is attached as Exhibit A (“MSBRP Guidelines”);

**WHEREAS**, the MEDC recommends that \$10 million from business and community development programs and activities be used to fund grant activities under the MSBRP and \$10 million from the Investment Fund be used to fund loan activities under the MSBRP (the “MSBRP Funding Allocation”); and

**WHEREAS**, the MEDC recommends that the MSF approve the MSBRP, the MSBRP Guidelines, and the MSBRP Funding Allocation (collectively, the “MSBRP Requests”).

**NOW THEREFORE, BE IT RESOLVED**, the MSF Board approves the MSBRP Requests.

Ayes: Britany L. Affolter-Caine, Ronald W. Beebe, Mark A. Burton, Jeff Donofrio, Paul Gentilozzi, September Hargrove, Michael B. Kapp (on behalf of Director Ajegba, designation attached), Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner

Nays: None

Recused: None

Lansing, Michigan  
March 19, 2020

## **EXHIBIT A**

### **SMALL BUSINESS RELIEF PROGRAM GUIDELINES**

#### **Michigan Small Business Relief Program Guidelines**

##### **PURPOSE**

The Michigan Small Business Relief Program is intended to meet the urgent needs of Michigan companies directly impacted by COVID-19 (the "Program"). Due to the dire impacts that the COVID-19 outbreak has imposed on the small businesses located in the State of Michigan, it is necessary to assist these businesses with drastic reductions in cash flow and the continued support of their workforce. Utilization of this program to address immediate needs will enable small businesses throughout the state to reasonably address the short and long term impacts of the COVID-19 outbreak.

The Michigan Economic Development Corporation ("MEDC") provides administrative services for the Michigan Strategic Fund ("MSF") for the Program.

##### **LOAN PROGRAM OVERVIEW**

The MSF seeks to award one or more non-revolving loans to one or more Certified Development Financial Institutions ("CDFI") or a licensed SBA not-for-profit institutions ("Eligible SBA Non-Profit"), or directly from the MSF to Eligible Borrowers (as described below) up to an aggregate amount of \$10 million, to be used to support certain small businesses that have realized a significant financial hardship as a result of the COVID-19 outbreak.

##### **Eligibility Requirements for CDFI or Eligible SBA Non-Profit**

- Applicants must be a CDFI or Eligible SBA Non-Profit that have a demonstrated ability to issue loans to distressed small businesses.
- Applicants must demonstrate the ability to administer the loans.
- Applicant must provide an Application outlining their capacity to provide assistance to small businesses as described in the guidelines.

##### **Loan Terms for MSF Loans to CDFI or Eligible SBA Non-Profit**

The loan(s) awarded by the MSF to an eligible CDFI or Eligible SBA Non-Profit will include the following terms, which similar terms will also be included in the underlying loans to the Eligible Borrowers:

- Interest Rate: .25% per annum
- Draw Period: 24 months following loan closing.
- Term: Interest only for 60 months following loan closing followed by a fully amortizing 60 month term
- Repayment Terms: Anticipated to be monthly interest only payments for the first 60 months following closing. Payments made in excess of interest due will be applied to principal. Payments of principal and interest will begin at 61 months following closing and will be paid monthly with all principal due to be repaid no later than 120 months following closing. Provided repayment to the MSF by CDFI or Eligible SBA Non-Profit is subject to repayment to the applicable CDFI or Eligible SBA Non-Profit by the Eligible Borrowers.



### **Investment Criteria**

- Selected CDFIs and/or Eligible SBA Non-Profits may use the loan proceeds to support the following small businesses (the “Eligible Borrowers”):
  - o The company is in an industry outlined in Executive Order 2020-9, or any subsequent Executive Order of similar intent (“EO”), or demonstrates it is otherwise affected by the COVID-19 outbreak, or is a company that provides goods and services to companies to the aforementioned;
  - o The company has 100 or less employees;
  - o The company needs working capital to support payroll expenses, rent, mortgage payments, utility expenses, or other similar expenses that occur in the ordinary course of business;
  - o The company is able to demonstrate that it is unable to access credit through alternative sources;
  - o The company is able to demonstrate an income loss of as a result of the EO, or the COVID-19 outbreak.
- Loans issued to Eligible Borrowers by the MSF or by a CDFI or Eligible SBA Non-Profit shall also include:
  - o Maximum interest rate to be charged to any Eligible Borrower may not exceed .25%.
  - o Loans to Eligible Borrower must be \$50,000 or more and are capped at \$200,000
  - o Loans may be used for working capital to support payroll expenses, rent, mortgage payments, utility expenses, or other similar expenses that occur in the ordinary course of business.

### **GRANT PROGRAM OVERVIEW**

The MSF seeks to award one or more grants to one or more local Economic Development Organization (“Local EDO”) or non-profit economic development organization (“Non-Profit EDO”), up to an aggregate amount of \$10 million, to be used to support certain small businesses that have realized a significant financial hardship as a result of the COVID-19 outbreak.

### **Eligibility Requirements**

- Applicants must be a Local EDO or a Non-Profit EDC that have a demonstrated ability to issue grants to distressed small businesses.
- Applicants must demonstrate the ability to administer the loans.
- Applicant must provide an Application outlining their capacity to provide assistance to small businesses as described in the guidelines.

### **Grant Criteria**

- Selected Local EDOs or a Non-Profit EDOs may use the grant proceeds to support the following small businesses (the “Eligible Businesses”):
  - o The company is in an industry outlined in Executive Order 2020-9, or any subsequent Executive Order of similar intent (“EO”), or demonstrates it is otherwise affected by the

COVID-19 outbreak, that meets one or more of the following: provides support to impacted employees, is located in a downtown district or high impact corridor or has 50 employees or less, or is a company that provides services to companies outlined in the EO and requires additional employees to support to companies or employees impacted by EO;

- The company has 50 employees or less;
  - The company needs working capital to support payroll expenses, rent, mortgage payments, utility expenses, or other similar expenses that occur in the ordinary course of business;
  - The company is able to demonstrate an income loss as a result of the EO, or the COVID-19 outbreak;
  - The company is able to demonstrate that it is unable to readily access credit through alternative sources to meet its then current needs;
- Grant issued to Eligible Businesses:
- Grants to Eligible Businesses capped at \$10,000
  - Grants may be used for working capital to support payroll expenses, rent, mortgage payments, utility expenses, or other similar expenses that occur in the ordinary course of business.

All MSF support shall be memorialized by final written grant or loan agreements, with terms and conditions in accordance with state law, these guidelines and otherwise satisfactory to the MSF, including, without limitation, requiring performance-based milestones which shall govern disbursements; and requiring periodic reporting of data, financial information, and any other information required to facilitate reporting to the MSF and the Michigan legislature, including periodic reporting after completion of a project.



STATE OF MICHIGAN  
DEPARTMENT OF TRANSPORTATION  
LANSING

GRETCHEN WHITMER  
GOVERNOR

PAUL AJEGBA  
DIRECTOR

February 3, 2020

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

Dear Ms. Bishop:

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

Sincerely,

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

Paul C. Ajegba, P.E.  
Director

cc: M. Kapp  
Executive File



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

January 16, 2020

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

Re: Michigan Strategic Fund Board Meeting Designee for Treasurer Eubanks

Dear Ms. Bishop:

I hereby designate Andrew Lockwood to attend all Michigan Strategic Fund meetings that I am unable to attend in 2020.

If you need anything additional, please contact Kara Kabia at (517) 241-2624.

Sincerely,

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Rachael Eubanks  
State Treasurer

Cc: Eric Bussis  
Andrew Lockwood

## MICHIGAN STRATEGIC FUND

### RESOLUTION 2020-033

#### STRATEGIC FUND DELEGATION OF AUTHORITY

**WHEREAS**, under Section 125.2005(7) of the Michigan Strategic Fund Act, the Michigan Strategic Fund (“MSF”) Board may delegate to its president, vice-president, staff or others those functions and authority the MSF Board deems necessary or appropriate;

**WHEREAS**, under Article II, Section 1 of the Amended and Restated Bylaws adopted by the MSF Board on April 22, 2014, the MSF Board may delegate by resolution those functions and authority it deems necessary or appropriate to the President, Vice-President, Staff, the MEDC, or others, unless otherwise prohibited by law;

**WHEREAS**, under Article III, Section 1 of the Bylaws, the MSF President will provide for compilations of all general delegated authority; standard processes; and standard policies, in force (the "Strategic Fund Compiled Resolutions" or "SFCR");

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

**WHEREAS**, on March 19, 2020, the MSF Board adopted the Michigan Small Business Relief Program (the “Program”) to provide grants and loans to certain eligible entities to support small businesses that have realized a significant financial hardship as a result of the COVID-19 crisis;

**WHEREAS**, the MEDC recommends that the MSF Board amend the Strategic Fund Compiled Resolutions to delegate authority to the MSF President, the MSF Fund Manager, and the State Treasurer, with two required to act, the authority to make decisions under the Program; and

**WHEREAS**, the MSF Board wishes to approve revisions to the Strategic Fund Compiled Resolutions in accordance with the terms and conditions of this Resolution.

**NOW, THEREFORE, BE IT HEREBY RESOLVED**, that the MSF Board delegates the following authority effective March 19, 2020 through March 19, 2021:

#### **125.2088b-3 Michigan Small Business Relief Program**

(1) The MSF President or the MSF Fund Manager may make all decisions to develop, finalize, and revise a Michigan Small Business Relief Program application and overall process to operate the Michigan Small Business Relief Program, each in accordance with the Michigan Small Business Relief Program guidelines adopted by the MSF Board.

(2) The MSF President, the MSF Fund Manager, and the State Treasurer, with any two required to act, may approve loans of up to \$10,000,000 to Certified Development Financial Institutions or licensed Small Business Administration not-for-profit institutions in accordance with the Michigan Small Business Relief Program.

(3) The MSF President, the MSF Fund Manager, and the State Treasurer, with any two required to act, may approve loans of up to \$200,000 to Eligible Borrowers in accordance with the Michigan Small Business Relief Program.

(4) The MSF President, the MSF Fund Manager, and the State Treasurer, with any two required to act, may approve grants of up to \$10,000,000 to local economic development organizations or non-profit economic development organizations in accordance with the Michigan Small Business Relief Program.

(5) The MSF President or the MSF Fund Manager may negotiate the terms and conditions and execute all final documents necessary to effectuate awards and decisions approved under the Michigan Small Business Relief Program.

(6) The MSF President or the MSF Fund Manager may make all decisions that are necessary and appropriate to administer the Michigan Small Business Relief Program in accordance with the Michigan Small Business Relief Program guidelines adopted by the MSF Board.

**BE IT FURTHER RESOLVED**, the MSF President shall compile and publish the above delegated authority as required under Article III of the Bylaws.

Ayes: Britany L. Affolter-Caine, Ronald W. Beebe, Mark A. Burton, Jeff Donofrio, Paul Gentilozzi, September Hargrove, Michael B. Kapp (on behalf of Director Ajegba, designation attached), Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner

Nays: None

Recused: None

Lansing, Michigan  
March 19, 2020



STATE OF MICHIGAN  
DEPARTMENT OF TRANSPORTATION  
LANSING

GRETCHEN WHITMER  
GOVERNOR

PAUL AJEGBA  
DIRECTOR

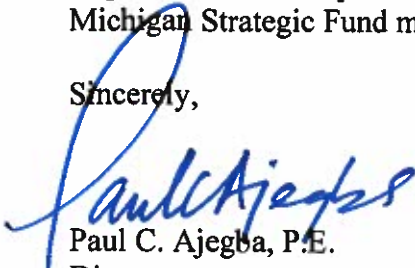
February 3, 2020

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

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Sincerely,



Paul C. Ajegba, P.E.  
Director

cc: M. Kapp  
Executive File



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

January 16, 2020

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

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Dear Ms. Bishop:

I hereby designate Andrew Lockwood to attend all Michigan Strategic Fund meetings that I am unable to attend in 2020.

If you need anything additional, please contact Kara Kabia at (517) 241-2624.

Sincerely,

A handwritten signature in blue ink that reads "Rachael Eubanks".

Rachael Eubanks  
State Treasurer

Cc: Eric Bussis  
Andrew Lockwood



**MEMORANDUM**

**Date:** March 19, 2020

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

**From:** Michele Wildman, Senior Vice President, Community Development  
Lori Mullins, Director, Community Development Incentives

**Subject:** Recommendation to Deny Request for Approval of an Act 381 Work Plan  
Red Cedar Development Project

---

**REQUEST**

The City of Lansing Brownfield Redevelopment Authority is requesting approval of a Brownfield Act 381 Work Plan including state tax capture in the amount of \$32,453,324 to reimburse for MSF eligible activities that are estimated to total \$97,361,337. The request would support the preparation of a site to accommodate future mixed-use in-fill development, including student housing, two hotels, an assisted living facility, multi-family housing, retail, restaurants, integrated parking and public infrastructure. The site is located on the former Red Cedar Golf Course site at 203 S. Clippert Street, Lansing, Michigan. The development team anticipates that the project will result in a future capital investment in the amount of \$274,301,125.

**RECOMMENDATION TO DENY REQUEST**

Based on the submission provided by the Lansing Economic Area Partnership on February 11, 2020, we are recommending that the MSF Board deny the request. Action on this request is statutorily required by April 11, or the request is automatically approved. The Work Plan request, as submitted, does not include enough information to define either the final scope of the project or the resulting financial gap. The Work Plan, as submitted, does not comport with MSF guidelines on allowable costs nor is it consistent with the state economic development priorities. And the Work Plan does not result in overall increased economic opportunity for the region. More detail on each of these considerations is included below.

***Place Considerations***

The project developer is building a variety of pads to sell to related entities leaving some ambiguity as to the future development to occur on the site. Additionally, the delineation between public and privately owned space has not yet been finalized. With these unknowns it is difficult to evaluate the ability of this project to attract talent, provide greater access to necessary housing, or create long-term, net economic benefits that are key elements of the state's economic development priorities. The locally approved Brownfield Plan, attached to the Work Plan states, "With prior written approval of the Authority, any change in the proposed developer or proposed use of the Eligible Property shall not necessitate an amendment to the Plan, affect the application of the Plan to the Eligible Property or impair the rights available to the Authority under this

Plan.” This also means that the MSF would not have any approval authority if there are any future changes in use of the eligible property.

### ***Financial Considerations***

Although building uses are subject to change, the Work Plan anticipates 1,100 student housing “beds” in 325 apartment units and a 120 unit assisted living/memory care senior facility. These proposed uses will occupy over 664,000 square feet or about 62% of the total vertical construction. These uses do not typically have a financing gap. The incomplete proforma lacks financial information for the end uses, which makes it impossible to determine developer’s return on investment and the project’s financial need. While the site technically qualifies as a “brownfield,” environmental activities and demolition and lead/asbestos abatement costs are less than \$2,000,000 on a \$274,000,000 project. Additionally, a large portion of MSF eligible activity costs are related to the integrated parking structures being constructed in a designated Special Flood Hazard Area and Regulatory Floodway, which must comply with National Flood Insurance Program design standards and significantly increases the costs associated with brownfield eligible activities. Without this information, the Work Plan does not allow for the level of evaluation and continued assurance of compliance with board approved parameters necessary to ensure transparency and accountability for the use of state tax capture funds.

### ***Local and Regional Impact***

The Anderson Economic Group study, provided by the development team, focused on the benefit to the City of Lansing and referenced those benefits being pulled from other jurisdictions. State support considers the impact on both the City and the region and a compelling case has not been made to demonstrate a regional benefit.

### **LOCAL SUPPORT**

Local support for the project includes \$64,908,013 in local Brownfield TIF for the implementation of necessary eligible activities to facilitate the redevelopment of the subject property. Local support also comes from the Lansing Board of Water and Light, which will be investing \$278,965 to remove an electrical substation. The City of Lansing is certified with the MEDC’s Redevelopment Ready Communities (RRC) program. The project is not located in a Michigan Geographically Disadvantaged Business Location.

### **TAX CAPTURE SUMMARY**

In order to alleviate brownfield conditions and prepare the site for redevelopment, the City of Lansing, a Qualified Local Governmental Unit, has duly approved a brownfield plan for this property on April 22, 2019. The property has been determined to be a facility as verified by the Michigan Department of Environment, Great Lakes, and Energy (EGLE) on March 12, 2020.

There are 71.3386 non-homestead mills available for capture, with State mills from school operating and SET millages equaling 23.7792 mills (33.33%) and local millage equaling 47.5594 mills (66.67%). Tax increment capture will begin in 2021 and is estimated to continue for 27 years. The state tax capture is not recommended for this project; however, the Lansing Brownfield Redevelopment Authority is requesting the following:

State tax capture	(33.33%) for 27 years	\$	\$32,453,324
Local tax capture	(66.67%) for up to 30 years	\$	\$64,908,013
<b>TOTAL</b>		\$	<b>\$97,361,337</b>

**COST OF MSF ELIGIBLE ACTIVITIES AS REQUESTED IN THE WORK PLAN**

Demolition	\$	\$108,433
Lead, Asbestos, or Mold Abatement		\$25,500
Infrastructure Improvements		\$26,932,415
Site Preparation	+	\$16,309,066
Sub-Total	\$	\$43,375,414
Contingency (15%)	+	\$6,506,312
Sub-Total	\$	\$49,881,726
Interest (5%-6.5%)	+	\$47,464,610
Sub-Total	\$	<b>\$97,346,336</b>
Brownfield/Work Plan Preparation	+	\$15,000
<b>TOTAL</b>	\$	<b>97,361,337</b>

In addition, the project is requesting \$581,405 in state TIF from EGLE to assist with \$1,744,239 in environmental eligible activities.

**PROJECT BACKGROUND**

The proposed project has been contemplated in various configurations by the City and the Developer for several years. It will be located on a currently vacant 35.57 acre portion of a 60 acre riverfront site that was previously used as a city-owned golf course. The overall redevelopment of this site will include asbestos abatement, demolition and infrastructure improvements. The project developer is building a variety of pads to sell to related entities, who will develop the vertical construction. The vertical construction/buildings described in the Work Plan are as follows:

- Five Story Full Service Hotel (152 Keys) 98,330 square feet
- Five Story Select Service Hotel (128 Keys) 89,000 square feet
- Restaurants and In-Line Retail 35,550 square feet
- Multifamily Housing with First Floor Retail (150 Market Rate Units) 175,275 square feet
- Student Housing (325 units, 1,100 beds) 530,451 square feet
- 2 to 4 Story Senior Village (120 units Assisted Living/Memory Care) 133,812 square feet
- Public Space Improvements (sidewalks, roads, trails, and utilities) 543,629 square feet

**APPLICANT HISTORY**

Continental/Ferguson Lansing, LLC is a single-purpose Master Developer company led by Joel Ferguson, Franklin Kass and John Lucks Jr. The company was formed to acquire land, finance land and infrastructure improvements, permit and develop land and infrastructure improvements, construct infrastructure improvements, and manage and dispose of building pads for the Red Cedar Development Project. This single purpose entity and its owners have not received previous incentives from MSF. A

background check has been completed in accordance with the MSF Background Review Policy, and the project may proceed for MSF consideration.

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

**RECOMMENDATION**

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

- a) Denial of State tax capture for the requested Act 381 eligible activities; and
- b) Direct the MSF Fund Manager to provide the Lansing Brownfield Redevelopment Authority with a letter stating with specificity the reason for the denial, as described in the Recommendation section of this memo.

**APPENDIX A – Project Map and Renderings of Proposed Future Development**





## **APPENDIX B – Programmatic Requirements**

### **Key Statutory Criteria**

Per section 15 of Act 381, the Michigan Strategic Fund shall consider the following criteria to the extent reasonably applicable to the type of activities proposed as part of that Brownfield Work Plan when approving or denying a work plan:

- a) Overall Benefit to the Public:**  
Based on documents submitted by the applicant, the project does not appear to positively impact the long-term economic sustainability of the region overall.
- b) Jobs Created (Excluding Construction and other Indirect Jobs):**  
According to documentation submitted by the applicant, this project is expected to create approximately 397 new, full-time jobs in the managerial, professional, and service industry sectors.
- c) Area of High Unemployment:**  
The city of Lansing unadjusted jobless rate was 3.7% in November 2019.
- d) Level and Extent of Contamination Alleviated:**  
The subject property is considered “Eligible Property” as defined by Act 381, Section 2 because: (a) the subject property was previously utilized or is currently utilized for public and commercial purpose; (b) the parcel comprised by the subject property has been determined to be a “facility”; and, (c) the subject property is located within the City of Lansing, a qualified local governmental unit, or “Core Community” under Act 381. The environmental eligible activities related to this project are estimated to cost \$1,744,239.
- e) Reuse of Functionally Obsolete Buildings and/or Redevelopment of Blighted Property:**  
The project is not qualifying as functionally obsolete or blighted.
- f) Whether Project will Create a New Brownfield Property in the State:**  
No new Brownfields will be created by this project.
- g) Whether the Project is Financially and Economically Sound:**  
Due to the submission of an incomplete proforma, MEDC is unable to determine the financial feasibility and economic impact of the proposed project.
- h) Other Factors Considered:**  
Factors considered are detailed throughout the memo.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2020-034**

**DENIAL OF A BROWNFIELD ACT 381 WORK PLAN  
CITY OF LANSING BROWNFIELD REDEVELOPMENT AUTHORITY  
RED CEDAR DEVELOPMENT PROJECT**

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

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

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

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

**WHEREAS**, the City of Lansing Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 203 South Clippert within the City of Lansing, known as the Red Cedar Development Project (the “Project”);

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

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

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF, and has reviewed the application, considering the evaluation criteria under MCL 125.2665(12) and recommends denial of the Brownfield Work Plan by the MSF Board.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board after considering the evaluation criteria under MCL 125.2665(12) denies the Brownfield Work Plan and does not authorize the Authority to capture taxes levied for school operating purposes related to the Project and directs the MSF Fund Manager to send the Authority a denial letter as required by statute.

Ayes: Mark A. Burton, Jeff Donofrio, September Hargrove, Michael B. Kapp (on behalf of Director Ajegba, designation attached), Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Charles P. Rothstein, Susan Tellier, Cindy Warner

Nays: Ronald W. Beebe, Paul Gentilozzi

Recused: None

Abstained: Britany L. Affolter-Caine





STATE OF MICHIGAN  
DEPARTMENT OF TRANSPORTATION  
LANSING

GRETCHEN WHITMER  
GOVERNOR

PAUL AJEGBA  
DIRECTOR

February 3, 2020

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Board Relations Liaison  
Michigan Strategic Fund Office  
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Sincerely,

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Paul C. Ajegba, P.E.  
Director

cc: M. Kapp  
Executive File



STATE OF MICHIGAN  
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If you need anything additional, please contact Kara Kabia at (517) 241-2624.

Sincerely,

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Rachael Eubanks  
State Treasurer

Cc: Eric Bussis  
Andrew Lockwood

## MEMORANDUM

**Date:** March 19, 2020

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

**From:** Lori Mullins, Director of Community Development Incentives

**Subject:** Request for Approval of an Amendment to a Michigan Community Revitalization Program Performance-Based Other Economic Assistance Award, Lofts on Alabama, LLC

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### Request

Lofts on Alabama, LLC (“Company”) and MEDC staff are requesting approval of an amendment to the Michigan Community Revitalization Program Other Economic Assistance – Loan Participation Agreement and any related ancillary agreements (“Agreement”) associated with the Lofts on Alabama project in downtown Grand Rapids, which rehabilitated an existing obsolete building, added a new building and resulted in the addition of 100 market rate residential units in the heart of the City. The current request is to replace the MSF’s Other Economic Assistance Loan Participation award with a Performance-Based Direct Loan. As part of the change in financing the MSF will require an approximately \$1,700,000 pay down on the MSF financing down to approximately \$1,100,000 and re-amortize the loan based on the new loan amount over the original amortization schedule, which is approximately 20 years. The actual amount of the final senior loan amount is interest rate dependent and the rate cannot be locked until MSF approval of this request. Based on current estimates of the senior loan amount and closing costs, the MSF would receive \$1,700,000 and the project ownership group would retain \$135,000 for project related expenses. Any significant variance in the senior loan amount will be accommodated by pro-rata adjustment of the MSF paydown and the amount retained by the ownership group.

The request will not require the MSF to advance any additional monies, nor will it increase the amortization period of the MCRP loan. Collateral will change from a shared first lien position, with the MSF portion subordinated to the senior lender, to an anticipated second lien position behind the new senior financing facility which will be a Fannie Mae product. As part of the amendment request the remaining MCRP loan balance will be paid down approximately \$1,700,000 to an estimated \$1,100,000 (amount subject to final Fannie Mae loan amount) and re-amortized based on the new loan balance over the remaining amortization length of the original loan, which is approximately 20 years.

### Background

The Michigan Strategic Fund Board approved a \$3,000,000 Other Economic Assistance-Loan Participation on June 8, 2015 to the Company for the purpose of selective interior and exterior site demolition of an existing structure, improvements and rehabilitation of an existing obsolete building and

construction of a new 65,000 square foot, three-story building on an adjacent site to the west. The project resulted in 100 market rate residential units and subgrade parking ramp.

An amendment to the project was approved on April 25, 2017 to extend the Draw Expiration Date from March 21, 2017 to May 21, 2017 to allow for the full disbursement of the construction proceeds. The amendment resulted in an expected start of principal and interest repayments to the Lender and to the MSF as of June 1, 2017. The reason for the request was that the final draw request was not received by the Lender until May 24, 2017. Further, the Lender was unable to process the final draw by the end of May because the General Contractor had not yet submitted a few final waivers.

A consent was approved on June 28, 2017 to allow the Lender to process the final draw request past the May 21, 2017 Draw Expiration Date and execute other adjustments that would make it as if the draw had been processed on time.

An amendment to the project was approved on November 27, 2018 to amend the Lender's loan covenants to create a Senior Lender Debt Service Coverage of 1.25, reduce the total DSC threshold for MSF repayments to 1.05 for the life of the loan, and correct an error in the definition of the Debt Service Coverage Ratio.

An amendment was approved on September 11, 2019 by the MSF Fund Manager to add clarifying language to provide for the accrual of interest on the MSF Share of the financing during any period of repayment reduction or suspension on the loan.

The current request is to replace the MSF's Other Economic Assistance Loan Participation award with a Performance-Based Direct Loan. As part of the change in financing the MSF will require an approximately \$1,700,000 pay down on the MSF financing down to approximately \$1,100,000 and re-amortize the loan based on the new loan amount over the original amortization schedule.

The owners are working with Berkadia to refinance the existing senior debt from Macatawa Bank into a Fannie Mae debt product. As part of the refinancing package, the project will be able to obtain an anticipated \$15,291,000 in lower cost capital (estimated at a 3.85% interest rate), obtain extended amortizing debt (30 years), and lock in financing for a period of 10 years. Additionally, the proposed new financing would include an interest only period of 24 months. The proceeds from the refinancing will be used to pay off the existing debt with Macatawa Bank and allow for a pay down on the MSF debt of approximately \$1,700,000 in principal plus an estimated \$60,000 in accrued interest, and a return of capital of approximately \$135,000 back to the owners while decreasing the debt service requirements by nearly \$200,000/yr. during the interest only period and \$150,000 per year thereafter. Following the refinancing, it anticipated that the overall debt service coverage for the property will be over 1.20 to 1.00. Without the proposed refinancing cash flow would be tight with a debt service coverage ratio of just over 1.00 to 1.00.

Lease up at the property was slower than anticipated and rental rates came in lower, but as of October 25, 2019, the development was 100% leased with an average rental rate of approximately \$1.82/sf. The project is also current on all reporting and payments are current. Lofts on Alabama, LLC is managed by

Michael R. VanGessel, CEO of Rockford Construction. MEDC has completed the background check in accordance with the MSF policy, and the project may proceed for MSF consideration.

Below is the structure of the original Other Economic Assistance Loan Participation Award with the proposed changes to the business terms detailed with ~~strike through~~ and **BOLD CAPITALIZED** fonts. Original approval documents are available upon request.

### LOAN FACILITY

<b>MSF Facility</b>	<b>MCRP PERFORMANCE-BASED DIRECT LOAN</b> <del>Participation and Servicing Agreement Under “other economic assistance”</del>
<b>Borrower:</b>	Lofts on Alabama, LLC
<b>Lender:</b>	<del>Macatawa Bank</del>
<del><b>Total Loan Amount:</b></del>	<del>Currently estimated at \$11,150,000</del>
<del><b>Lender Share:</b></del>	<del>Currently estimated at \$16,700,000</del>
<b>MSF Share:</b>	Up to \$3,000,000 ( <del>\$500,000 was forgiven at construction completion</del> )
<b>LOAN AMOUNT:</b>	<b>ESTIMATED TO BE \$1,100,000 (SUBJECT TO FINAL FANNIE MAE LOAN AMOUNT)</b>
<b>Term:</b>	<del>To match that of the Lender, not to exceed 84 months, with an interest only period of up to 30 months.</del> <b>TO MATCH THAT OF THE SENIOR LENDER, NOT TO EXCEED 120 MONTHS.</b>
<b>Amortization:</b>	<del>To match that of the Lender, not to exceed 288 months with an interest only period of up to 30 months.</del> <b>UP TO 240 MONTHS</b>
<b>Interest Rate:</b>	<del>On the MSF share anticipated to be 2.50% per annum</del>
<b>Repayment Terms:</b>	<del>On the MSF Share up to 30 months of monthly interest only payments followed by monthly principal and interest payments.</del>
<b>Collateral:</b>	<del>To match that of the Lender, currently</del> anticipated being a mortgage lien on the property, and assignments of leases/rents and Tax Increment Financing. MSF Share of <b>LIEN INTEREST IN THE</b> collateral will be subordinated to that of the <b>THIRD-PARTY SENIOR</b> Lender.

**Guarantee:** ~~To match that of the Lender, currently anticipated being the unsecured limited guarantees of the owners of Lofts on Alabama, LLC members during construction converting to limited proportional guarantees thereafter. The MSF Share of guarantee(s) will be subordinated to the Lender.~~ **GUARANTEES ACCEPTABLE TO THE MSF FUND MANAGER.**

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

Lofts on Alabama, LLC organizational chart is provided in **Appendix A**

**Recommendation**

The MEDC staff recommends approval to rescind the existing MCRP Other Economic Assistance Loan Participation and replace it with a new estimated approximately \$1,100,000 MCRP Direct Loan following an approximately \$1,700,000 principal pay down on the MCRP loan along with other payment of accrued interest and fees.

## APPENDIX B – Organizational Chart

Lofts on Alabama Organizational Structure					
Lofts on Alabama Manager: Michael R. VanGessel					
Member			Lofts on Alabama LLC %	EIN	State of Organization
<b>Hyatt Building Associates, L.L.C. (Kurt D. Hassberger)</b>			<b>25.82%</b>	32-0435924	Michigan
42 North Investments, LLC (Micheal J Jandernoa)	43.55%				
DMDV, LLC (RDV Corporation)	43.55%				
Rockford Hyatt, LLC (Kurt D. Hassberger)	12.90%				
Brian Weirenga		33.33%			
The Michael R. VanGessel Trust		33.34%			
The Adam and Hillary Jones Trust		33.33%			
<b>GKD Alabama, LLC (Gary Genzink)</b>			<b>13.63%</b>	47-2955397	Michigan
Gary Genzink	83.34%				
Kenneth Long	8.33%				
Douglas Mileski	8.33%				
<b>CIOTW, LLC (David R. Durell)</b>			<b>40.64%</b>	46-5670764	Michigan
Manish Varma	27.44%				
Matthew and Vick Chung Family Trust	30.49%				
616 Holdings (Jeffrey L. Baker)	6.10%				
G3 Development (Goosens)	15.24%				
Bridge Hospitality (Norman Leslie)	18.29%				
DJL Holdings II (Dave Durel)	2.44%				
<b>Roll Tide Roll, LLC (Thomas Humphries)</b>			<b>9.09%</b>	46-4907930	Michigan
Thomas Humphries	100%				
<b>Sauer G.R. West Development, LLC</b>			<b>6.66%</b>	46-4829787	Michigan
Jeffery L. Sauer	100%				
<b>W3 Investments, LLC</b>			<b>4.16%</b>	47-3577926	Michigan
Harvey Westmaas	80%				
Scott Wastmaas	10%				
Julie Schwartz	10%				
<b>Key Principals/Carve Out Guarantors:</b>					
Michael R. VanGessel					
TBD					
TBD					

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2020-035**

**APPROVAL OF AN AMENDMENT TO A MICHIGAN COMMUNITY REVITALIZATION  
PROGRAM OTHER ECONOMIC ASSISTANCE AWARD FOR  
LOFTS ON ALABAMA, LLC  
(LOFTS ON ALABAMA 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 2015-164 on June 8, 2015 the MSF Board awarded a MCRP Other Economic Assistance Loan Participation Award to Lofts on Alabama, LLC, in furtherance of the Lofts on Alabama Project of up to \$3,000,000 (“Award”);

**WHEREAS**, by Resolution 2017-053 on April 25, 2017, the MSF Board approved an amendment request to extend the Draw Expiration Date by two months and reduce the permanent loan term by two months;

**WHEREAS**, on June 28, 2017, the MSF Fund Manager approved a consent request to allow the final draw to be processed after the Draw Expiration Date, provided Macatawa Bank (“Lender”) make adjustments to the Borrower’s account as if the draw had occurred on time;

**WHEREAS**, on November 27, 2018, the MSF Board approved an amendment request to amend the Lender’s loan covenants to create a Senior Debt Service Coverage (“DSC”) 1.25 to 1.00, reduce the total DSC threshold for MSF repayments to 1.05 to 1.00 for the life of the loan, and correct an error in the definition of Debt Service Coverage, with all other requirements remaining in place;

**WHEREAS**, on September 11, 2019, the MSF Fund Manager approved an amendment to add clarifying language to provide for the accrual of interest on the MSF Share during a repayment reduction or suspension period; and



**WHEREAS**, the MEDC recommends that the MSF approve an amendment to terminate the existing Agreement with Macatawa Bank and replace it with a new MCRP Performance Based Direct Loan in accordance with the Term Sheet and Guidelines, subject to: (i) repayment of an estimated approximately \$1,700,000 in principal and approximately \$60,000 in accrued interest (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents for the Award Request within 120 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 120 days (“MCRP Amendment Recommendation”).

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

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

Ayes: Britany L. Affolter-Caine, Ronald W. Beebe, Mark A. Burton, Jeff Donofrio, September Hargrove, Michael B. Kapp (on behalf of Director Ajegba, designation attached), Andrew Lockwood (on behalf of Treasurer Eubanks, designation attached), Susan Tellier, Cindy Warner

Nays: None

Recused: None

Lansing, Michigan  
March 19, 2020

**“EXHIBIT A”**

**LOAN FACILITY**

**MSF Facility** MCRP **PERFORMANCE-BASED DIRECT LOAN** ~~Participation and Servicing Agreement Under “other economic assistance”~~

**Borrower:** Lofts on Alabama, LLC

**Lender:** Macatawa Bank

**Total Loan Amount:** ~~Currently estimated at \$11,150,000~~

**Lender Share:** ~~Currently estimated at \$16,700,000~~

**MSF Share:** Up to \$3,000,000 (~~\$500,000 was forgiven at construction completion~~)

**LOAN AMOUNT:** **APPROXIMATELY \$1,100,000 (SUBJECT TO FINAL FANNIE MAE LOAN AMOUNT)**

**Term:** ~~To match that of the Lender, not to exceed 84 months, with an interest only period of up to 30 months.~~ **TO MATCH THAT OF THE SENIOR LENDER, NOT TO EXCEED 120 MONTHS.**

**Amortization:** ~~To match that of the Lender, not to exceed 288 months with an interest only period of up to 30 months.~~ **UP TO 240 MONTHS**

**Interest Rate:** ~~On the MSF share anticipated to be 2.50% per annum~~

**Repayment Terms:** ~~On the MSF Share up to 30 months of monthly interest only payments followed by monthly principal and interest payments.~~

**Collateral:** ~~To match that of the Lender, currently anticipated being a mortgage lien on the property, and assignments of leases/rents and Tax Increment Financing. MSF Share of LIEN INTERST IN THE collateral will be subordinated to that of the THIRD-PARTY SENIOR Lender.~~

**Guarantee:** ~~To match that of the Lender, currently anticipated being the unsecured limited guarantees of the owners of Lofts on Alabama, LLC members during construction converting to limited proportional guarantees thereafter. The MSF Share of guarantee(s) will be subordinated to the Lender.~~ **GUARANTEES ACCEPTABLE TO THE MSF FUND MANAGER.**

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



STATE OF MICHIGAN  
DEPARTMENT OF TRANSPORTATION  
LANSING

GRETCHEN WHITMER  
GOVERNOR

PAUL AJEGBA  
DIRECTOR

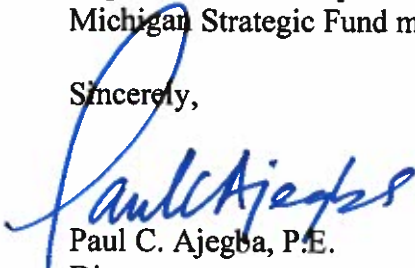
February 3, 2020

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

Dear Ms. Bishop:

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

Sincerely,



Paul C. Ajegba, P.E.  
Director

cc: M. Kapp  
Executive File



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

January 16, 2020

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

Re: Michigan Strategic Fund Board Meeting Designee for Treasurer Eubanks

Dear Ms. Bishop:

I hereby designate Andrew Lockwood to attend all Michigan Strategic Fund meetings that I am unable to attend in 2020.

If you need anything additional, please contact Kara Kabia at (517) 241-2624.

Sincerely,

A handwritten signature in blue ink that reads "Rachael Eubanks".

Rachael Eubanks  
State Treasurer

Cc: Eric Bussis  
Andrew Lockwood