

Michigan Magnet Fund
300 North Washington Square
Lansing, MI 48913

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INVESTMENT COMMITTEE

Ted Rozeboom Chair
* = Investment Comm. members

July 15, 2005

Dear Potential Developer:

The Michigan Magnet Fund is looking to make highly effective New Markets Tax Credit investments in low-income census tracts located in the State of Michigan. The projects must either need a financial incentive to occur or have a gap in its financing to be eligible for NMTC financing. For planning purposes, we project that the new markets tax credit investment will represent approximately 20 to 30% of our investment with the 70 to 80% coming from a pass-through of debt.

If you are interested in the Michigan Magnet Fund funding for all or part of your project, please submit the attached Pre-application and return it to us to the address on the form by no later than the last day of each month. If you have any questions, please call me at 517 373-1420 or 313 445-1843 or e-mail me at bogdanaa@aabds.com. I will answer you promptly. Pre-applications will be reviewed by the Investment Committee each month and the best projects invited to submit a full application.

The Michigan Magnet Fund Board members include representatives of the Michigan State Housing Development Authority (MSHDA), Michigan Economic Development Corporation (MEDC), Great Lakes Capital Fund, several key economic development leaders around the state, and its primary investors. The final decision as to whom the New Markets Tax Credits are allocated to will be made by this board of directors upon the recommendation of the Investment Committee.

The Michigan Magnet Fund follows a two step process in determining which projects to invest. First, a Pre-application is submitted to the Investment Committee by the end of each month for consideration. Then, based on the Investment Committee review, the best projects meeting the basic guidelines of the Fund will be invited to submit a full application. The exact nature of the MMF investment will be determined by the Investment Committee based on its determination of need.

Sincerely yours,


Albert A. Bogdan
Consultant

Attachments:

Investment Committee Guidelines
Pre-application
MMF Investors List
Regulatio

Michigan Magnet Fund

New Markets Tax Credit Pre-application

Project Information

Type: Industrial ☐, Shopping Center ☐, Office Building ☐, Mixed Use ☐, # of Housing units ☐ Other ☐

Census Tract Identification: _____ City: _____

Project Description: *(Please provide location map and Site Plan, if available)*

Project Area Description *(include intersecting streets or address):*

Total Site Acreage:

Building(s) Size:

Projected Total New Permanent Jobs:

Projected Jobs Retained:

Projected Temporary Jobs:

% leased up:

Name of Primary Tenants, if known:

Developer Information

Name of Developer:

Address

e-mail

Phone Number

Name of Contact

Address

e-mail

Phone Number

Project Financing *(if you have more detailed pro forma. Pls attach)*

Projected Annual Net Operating Income = \$

Estimated CAP Rate =

Total Project Cost

- Acquisition

\$

- Site Improvement

\$

- Construction Soft Costs

\$

- Construction Hard Cost

\$

- Other

\$

- Other

\$

Total

\$

Total Project Source of Financing (Detailed)

- Equity

\$

- Bank Debt (Name of Bank)

\$

- Other

\$

- Other

\$

- Other

\$

- Other

\$

- New Markets Tax Credit Required

\$

Total Source

\$

Financing Commitments Already Received: _____

Does Project Have Municipal Support As Shown By Brownfield Plan, Economic Development Corporation Project Plan, DDA Plan, MEGA, Land Assembly, Etc.? Describe: _____

Indicate Earliest Possible & Most Likely Closing Dates: _____

Describe financial commitments you have received _____

Provide a letter of interest from one of MMF's investors with your pre-application

Signature of

Applicant

Date:

Pls return to Al Bogdan, Michigan Magnet Fund, 300 North Washington Square, Lansing, MI 48913

MICHIGAN MAGNET FUND INVESTMENT COMMITTEE GUIDELINES

June 15, 2005

FUND OBJECTIVES

The objective of the Michigan Magnet Fund (MMF) is to contribute to the economic development of Michigan's low-income communities by: 1) stimulating new capital investment; 2) attracting new sources of equity to underserved markets; 3) creating long-term employment opportunities for residents of low-income communities; 4) leveraging State economic development programs with the New Markets Tax Credit (NMTC) program; and 5) providing a market rate of return to MMF investors.

PROJECT FOCUS

In order to effectively leverage its limited tax credit capacity, the MMF will focus its efforts on qualified real estate oriented projects in targeted cities, as well as in rural Michigan. Particular emphasis will be given to projects:

- Creating job opportunities for residents of low-income communities,
- Located in traditional downtowns and/or significant development "nodes",
- Needed to support low-income community and neighborhood development initiatives supported by the Michigan State Housing Development Authority (MSHDA), the Great Lakes Capital Fund (GLCF) and located in areas where they or other significant/established economic development entities or investors have made significant investments.

In addition, 90% of the projects must either be on state or federally approved brownfield sites, or must be located in census tracts with poverty levels greater than 30%, or family household incomes less than 60% of the MSA or state, or in areas having particular program qualification such as Empowerment Zones, HUB Zones, HOPE VI neighborhoods, Renewal Communities, or in a community approved revitalization area.

BUSINESS REQUIREMENTS

Because demand for NMTC assistance is expected to greatly exceed the MMF's tax credit allocation, the following requirements must be met in order for the MMF to consider project assistance:

- The project must have in place sufficient financing commitments in a form acceptable to the CDE.
- The project must have site control and an acceptable environmental remediation plan.
- The minimum amount of MMF financing is \$2 million and the maximum is \$10 million.
- Other allocatees may be invited to partner with the MMF in order to increase the amount of NMTC involvement.
- The project must be located in a pre-designated geographic area of a community that has in place a long-term, comprehensive economic development strategy.
- The project plans must be able to demonstrate that project construction will be able to begin within six months of the MMF commitment.
- The project must meet one or more of the following "but for" tests: costs exceeding value; insufficient equity; inadequate cash flow to debt service coverage; or Low Income Community vs. non-Low Income Community location incentive.
- Preference will be given to financial institutions and investors which have previously committed to invest in the MMF as evidenced in its NMTC application.
- All other NMTC program requirements must be met.

New Market Tax Credit Rules

- ✓ MMF must make 85% of its investment in Real Estate Projects. A new building for a business is not considered as a real estate project, i.e., factory for a manufacturer, building for nonprofit to conduct its own business.
- ✓ MMF must make 85% of its investment in Michigan.
- ✓ At no time can the aggregate investment made to related entities exceed 15%.
- ✓ The CDE must receive at least 60% of its Qualified Equity Investment by 9/30/07.
- ✓ 95% of all MMF investment shall be flexible, non conventional, or nonconforming to the MMF's underwriting guidelines or standard practice in the marketplace.
- ✓ 90% of the MMF investments must be made in targeted distressed areas which have more than just 20% poverty or 80% median family income, i.e., Brownfield, redevelopment area, 30% poverty, 70% median family income, HOPE VI area, Empowerment Zone, etc.

A no answer to any of the following questions means that the organization is not eligible to receive a NMTC allocation.

1. Does or will the ownership entity maintain a complete set of books and records for the eligible site? ☐ Yes ☐ No
2. Will the ownership entity have revenue within three years of closing on the allocation ☐ Yes, submit letter, refer to schedule in the application ☐ No
3. Will at least 50% of the total gross income of the ownership entity will be derived from the active conduct of a qualified business within the low income area
4. Will 40% of the use of tangible property of the ownership entity be within the low income community described herein ☐ Yes ☐ No
5. Will at least 40% of the services performed for the ownership entity by its employees are performed in a low-income community. (% is determined based on a fraction the numerator of which is the total amount paid by the entity for employee services performed in the low income community and the denominator of which is paid b the entity for employee services ☐ Yes ☐ No
6. Does less than 5% of the average of the aggregate unadjusted basis of the property of such entity attributable to nonqualified financial property such as debt, stock, partnership interest, options, futures, forward contracts, warrants, annuities, etc. ☐ Yes ☐ No

Michigan Magnet Fund Investors

Name Business Address City, State, Zip Phone: Fax: e-mail address	Richard M. Buss National City Bank 333 Fort Street, 16th Floor Detroit, MI 48226 Phone: (313) 237-8320 Richard.Buss@nationalcity.com	William D. Johnston, President The Greenleaf Companies 100 W. Michigan Ave., Suite 100 Kalamazoo, MI 49007 Phone: (269) 553-6948 powers@greenleaftrust.com (Patti/Assistant)
Donna Kelce, Vice President Key Community Development Corp. 127 Public Square, 13th Floor Mailcode: OH-01-27-1319 Cleveland, OH 44114-1306 Phone: (216) 689-3787 Fax: (216) 689-3865 Donna kelce@keybank.com	K. Michael Skytta Community Bank President Wells Fargo Bank Michigan, N.A. 101 W. Washington Street Marquette, MI 49855 Phone: (906) 228-1211 Kenneth.m.skytta@wellsfargo.com	Vince Tilford Senior Vice President Charter One Community Development Corp. 1250 West 14 Mile Road Troy, MI 48083 Phone: (248) 733-4814 vtilford@charteronebank.com
Annette Williams, Vice President, Acquisitions Officer – Tax Credits Fifth Third Bank CDC 1000 Town Center, Suite 1300 Southfield, MI 48075 Phone: (248) 603-0707 Fax: (248) 603-0570 Annette.williams@53.com	Ashley Zwick Assistant Vice President Standard Federal Bank 2600 W. Big Beaver, M0900-680 Troy, MI 48084 Phone: (248) 816-4369 Fax: (248) 637-2701 Ashley.zwick@abnamro.com	Tim Shuffett Irwin Union Bank 500 Washington St., Box 929 Columbus, IN 47202 Phone: 812 376-1605 FAX: 812-376-1983 tim.shuffett@irwinunion.com
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