



MICHIGAN MAGNET FUND

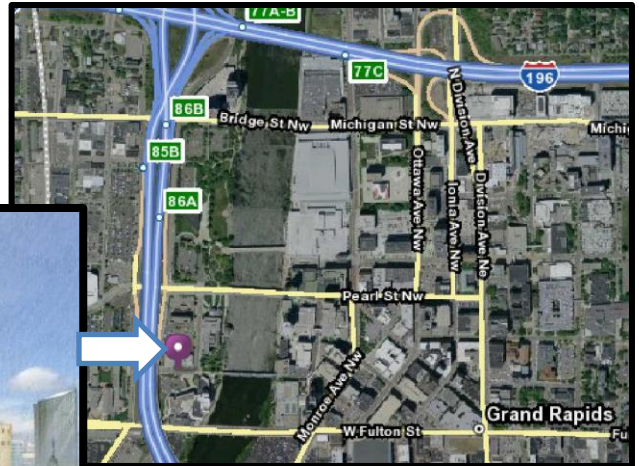
MMF Invests \$6.825 Million in Seidman Center

Michigan Magnet Fund, a CDFI Fund certified Community Development Entity (CDE) has invested \$6.825 million to finance the \$42 million construction of the Seidman Center being built by 38 Front Avenue LLC which will position its master tenant Grand Valley State University (GVSU) to consolidate and expand its mission to service the West Michigan community; including family owned businesses, minority and women owned businesses, minority and women owned

businesses. Various business development and training resources will be brought under one roof where the University can utilize its existing faculty members and community and national experts to deliver centralized outreach services to the community. The Project reinforces MMF's prior neighborhood investment in the Bicycle Factory located within 300 feet of the new site.



The project is located in an urban brownfield redevelopment area as designated by the City of Grand Rapids. It involves the construction a new, multistory 124,000 square foot LEED Silver building for the expansion of the Seidman College of Business and various community



and business outreach services. It is anticipated that this project will provide the needed stimulus for further development south of Fulton Street along the west bank of the Grand River. The building will include space for various outreach services to local and state businesses, including incubator services for small businesses, conferencing, executive level training, community outreach, food service and other related services including the College of Business. Construction is expected to begin in summer, 2011 with completion targeted for spring, 2013.

Business Development Resource Center

The business development and training facility resources include:

1) Michigan Small Business & Technology Development Center (SBTDC) – Enhances Michigan's economic well-being by providing counseling, training, research and advocacy for new ventures, existing small businesses and innovative technology companies. MI-SBTDC positively impacts the economy by strengthening existing companies, creating new jobs, retaining existing jobs and assisting companies in defining their path to success. The outreach includes collaboration with the Michigan Minority Supplier Development Council, the Grand Rapids Urban League, the West Michigan Hispanic Chamber of Commerce and the Michigan Minority Contractors Association. Through these efforts, over 3,000 minority owned, veteran owned and female owned businesses have received consulting services. In 2010 the program is credited with creating 4,461 jobs and retaining 3,826 jobs.

2) Center for Executive and Corporate Education - The Seidman College of Business Center for Executive and Corporate Education ("The Center") has a mission to serve the West Michigan business community in meeting its executive, corporate, and certification education needs. The Center will utilize its existing faculty members and community and national experts to deliver the educational programs and certifications. The Center's leadership will meet with the Region's businesses to conduct assessments of organizations' needs, including current leadership models and executive coaching. Spaces in the new Seidman Center will provide an appropriate living and learning environment to accommodate these custom and open-enrollment community-outreach programs.

3) Van Andel Global Trade Center - Established as a core facility dedicated to advancing international trade and supporting West Michigan businesses as they prepare to enter and prosper in the era of international business competition.

4) Center for Entrepreneurship – Serves to promote, preserve,

influence, and impact students, faculty and the community through quality academic research, curriculum development, and information services in the field of entrepreneurship. The center fosters interaction within various workshops and seminars, as well as through coordination of programs with local business organizations. The center is a catalyst in the cross-disciplinary development of research and curriculum throughout the university serving to bring business and non-business faculty and student together to foster the transfer of ideas into commercialized ventures. The Center has provided start-up capital to women and minority owned businesses to assist in the growth of local businesses. The Center also operates a teen entrepreneur summer academy that targets inner city high school students including students who come from low income families.

5) Family Owned Business Institute – Exists to promote, preserve, influence and impact family businesses through quality academic research curriculum and information services.

6) Family Business Alliance – Unique model of cross-sector cooperation that draws the best form research, expertise, practice and service delivery for the benefit of family-owned businesses located in West Michigan.

7) The Alliance offers workshops, one-to-one assistance, small group intensives and networking opportunities, all focused on the distinct challenges family businesses face.

8) Business Ethics Center – Approaches business ethics as a dialogue among students, faculty, staff and the West Michigan business community. The premise is that a shared ethic is built into a community and that the creation of a shared ethic requires places for conversation on important topics

Additional Distress

38 Front Avenue is located in census tract 26081002700 in downtown Grand Rapids, Michigan 49504. According to the CDFI Mapping System the tract has a median family income of 74.7 % of benchmark median family income which is below the 80% required and a ratio of local to national unemployment of

1.81 which is well in excess of the 1.5 time national unemployment rate criterion for additional distress. The site is a State /local programs targeted towards economically distressed communities with a local and state approved Michigan Brownfield Plan providing state tax credits

Economic Impact Analysis

The project is expected to generate 158 direct long term jobs paying between \$640 to \$1,040/week and 380 construction jobs. . Given the Sponsor's prior track record for similar construction projects, it is expected that 15-20% of this work force will be minority. The new building will permit the school to increase its student base by an estimated 3,000 students.

Based on an extrapolation of WE Upjohn Institute Economic Impact study of GVSU, it is projected that the new building will

create in excess of 527 jobs in Western Michigan. In addition the expansion of the GVSU-SBTDC program is projected to create about 535 jobs per year by 2015 and to increase the capital raised for small businesses to \$43.5 million/year.

The small Business program is projected to expand and result in a 64% increase in businesses counseled and actually started and a 45% increase in capital formation.

Sources & Uses

The total Project will cost an estimated \$32 million to construct but when architectural/engineering and construction management fees,, capitalized interest, capitalized Compliance Fees are added to legal and accounting costs, the total costs comes

to a little over \$42 million. This effort includes the demolition of dilapidated building on the site, the closing of Front Street to integrate the building into the GVSU campus and parking.

Financial Structure

The Seidman Center Project was financed through a new market tax (NMTC) structure where PNC New market Investors Partners, LLC provided the \$6,434,220 in equity financing to the Grand Valley Investment Fund in return for the 39% NMTC over a seven year period. MMF was joined by PNC CDE and the CapFund CDE to provide \$22,500,000 in NMTC allocation leading to an equal Qualified Equity Investment in the three

CDEs. The Leveraged Debt was provided to the Investment Fund by Grand Valley State University who obtained the Funds from donors and bank loans and through the bridging of a state Brownfield Tax Credit valued at an estimated \$7,200,000. A joint tenancy is formed with the QALICB, a nonprofit with 38 Front Redevelopment, LLC, a for-profit formed to build it and to obtain state Brownfield tax credits.

Flexible Terms Report

The FTR was prepared by Jason Paulateer, VP of PNC Bank. The terms of the MMF have flexible financial terms that beat more than 5 competitive market terms. The MMF loans are

1. Subordinated debt,
- 2 Its blended interest rate of 4.453% is significantly below market rate of 6.532%,
3. Has interest only for seven years in contrast to a typical market criteria of 12 to 18 months;

4. Its 23 year amortization rate after 7 months interest only is longer than the market's typical 15 year amortization after a 18 month interest only;

5. An MMF standard 1.15 Debt Service Coverage Ratio requirement is lower than the market's 1.25;

6. The no Loan Loss Reserve exceeds the market's standard .47%;

“But for”

A review of the budget and funds raised thus far indicated that the project had a major financial gap and would not be built but for the NMTC investment #.