To: Brownfield Redevelopment Authority
Subject: Consideration of a Resolution Authorizing the Issuance and Delivery of Limited Obligation Tax Increment Revenue Refunding Bonds and Providing for Related Matters

Meeting: Brownfield Redevelopment Authority Special Board Meeting- 09 Jul 2020
Department: Planning, Building, and Development
Staff Contact: Thomas Fehrenbach, Director of Planning, Building and Development

BACKGROUND INFORMATION:
As the BRA is aware, the Center City project included public infrastructure and a municipal parking garage that were financed with Brownfield Tax Increment Financing (TIF). The financing was effectuated in 2017 through the issuance of bonds in the amount of $25,265,000 that are secured by the TIF created by the project. The Development Agreement was structured with the expectation that the bonds would serve as construction financing and be refinanced upon the completion of the construction through the issuance of new bonds. The Bondholder has the right to require the Authority to redeem the Bonds on any date on or after January 1, 2020, upon 90 days prior notice.

In May 2020, the Center City project was effectively completed. Prior to the completion, staff began discussions with the developer and attorneys at Miller Canfield regarding the anticipated request. As the BRA is aware, Miller Canfield represented the BRA as bond counsel in 2017. Given the complex nature of these transactions, staff asked Miller Canfield to give the BRA a summary of what is expected in terms of a refunding of these bonds, which was provided to the BRA in May, and is attached hereto. At that point, staff also indicated that it is reasonable to expect that their experience with this particular bond issuance will result in considerably less time needing to be spent in preparation, and therefore result in significant savings for the BRA. As was noted, typical compensation for bond counsel is made as part of the issuance of bonds. Miller Canfield will charge a fee based on actual time spent in preparation of the documents and will be driven largely by the negotiations with the ultimate purchaser. They have estimated their fees at between $80,000 and $100,000. It should also be noted that staff requested that attorney fees for the developer not be included in any new bond issuance related to this project.

On June 18, 2020, the Developer of the Center City project made a formal request for the BRA to schedule a meeting to consider a refunding of the 2017 bonds. After confirming that the requisite documents could be produced in time to post for the BRA and public per our normal protocols, the meeting was set for July 9, 2020. The developer has provided a project narrative and visual, which are appended. They are expected to have representation present for the meeting.

In consultation with the Developers attorneys, Bond counsel developed the attached resolution for consideration by the BRA. It essentially sets the parameters by which a bond issuance can occur, to
allow some flexibility for the marketing of the bonds. Further, it authorizes the officers of the BRA to approve various documents related to the funding as long as the final issuance is within the parameters set forth in the resolution.

Typically, the amount authorized by the resolution is much higher than the actual issuance amount, also to allow for flexibility in terms of various potential deal structures. Per bond counsel, the actual issuance will be specific to refunding the original issuance amount of $25,265,000, accrued interest of approximately $335,000, and costs of issuance for the refunding. A reserve fund, if any, may be funded either up front from bond proceeds or over time from tax increment revenues, subject to negotiation with the purchaser. The final terms of the deal, including the rate structure, will be primarily contained in the trust indenture, which will be the subject of negotiation with the purchaser. In this instance, the primary financial term to be negotiated will be the interest rate. Staff will analyze the proposed rate structure and will advocate for the lowest possible interest in line with current market pricing. The BRA could decide to retain a separate financial consultant to provide a more detailed financial analysis and guidance regarding the rate structure. It should be noted that the financial terms are limited to the capture of tax increment revenues as provided in the Brownfield Plan, so interest cannot exceed that provided in the Plan.

If the resolution is approved and the bonds are ultimately issued, the only obligation to the Brownfield Authority or City continues to be related to transferring the captured tax revenues from the BRA to the trustee for the bond. If the project fails to create enough TIF to pay off the bonds within the 30 year time frame authorized in the brownfield plan, the BRA and City would not have any additional liabilities or obligations. The maximum exposure for the BRA is limited to what was approved in the brownfield plan. Under the Plan, the maximum Eligible Activities are $25,865,708, max contingency is $1,343,771, and max interest was approved at $28,777,559, for a total approved tax increment revenue capture of $55,987,038.

The City attorney has approved the resolution as to form. Bond Counsel will attend the meeting on July 9, to answer any questions that you may have regarding the consideration of this resolution.

**Motion for consideration:**

**Move approval of the resolution authorizing the issuance and delivery of Limited Obligation Tax Increment Revenue Refunding Bonds and establishing the BRA Officers as Authorized Officers for purposes of approving final bond documents within the parameters set forth in said resolution, upon satisfactory completion of all the required documents as approved by BRA counsel.**

**ATTACHMENTS:**

- Refunding Bond Resolution
- Memorandum Regarding Proposed Refunding Bonds
- Center City District - Development Summary for ELBRA
- Center City District Development BRA Bond Fund Diagram 2020.06.30
Resolution of the Board of Directors of the
Brownfield Redevelopment Authority of the City of East Lansing
Authorizing the Issuance and Delivery of
Limited Obligation Tax Increment Revenue Refunding Bonds
and Providing for Related Matters

Minutes of a Special Meeting of the Board of Directors of the Brownfield Redevelopment Authority of the City of East Lansing, Counties of Ingham and Clinton, State of Michigan held on July 9, 2020 at 12:00 p.m., Eastern Time in full compliance with the Open Meetings Act, being Act 267, Public Acts of Michigan, 1976 as modified by Executive Order of the Governor (“Act 267”).

PRESENT: Members: ____________________________________________

__________________________________________

ABSENT: Members: ____________________________________________

The following preamble and resolution were offered by Member _________________ and supported by Member _________________:

WHEREAS, the Brownfield Redevelopment Authority of the City of East Lansing (the “Authority”) was created by the City of East Lansing (the “City”) pursuant to Act 381, Public Acts of Michigan, 1996, as amended (“Act 381”), and the Board of Directors of the Authority (the “Board”) approved City Center Brownfield Plan No. 24 (as amended, the “Brownfield Plan”); and

WHEREAS, the City, the City of East Lansing Downtown Development Authority (the “DDA”), and the Authority entered into a Master Development Agreement (the “Development Agreement”) with HB BM East Lansing LLC (the “Developer”) for the purpose of developing a project described in the Brownfield Plan; and

WHEREAS, in order to finance the costs of certain infrastructure improvements and a parking structure (collectively, the “Project”) as provided in the Brownfield Plan and the Development Agreement, the Authority has previously issued its $25,265,000 Limited Obligation Tax Increment Revenue Bonds, Series 2017 (Taxable) (the “2017 Bonds”); and

WHEREAS, the 2017 Bonds are payable solely from tax increment revenues as defined in Act 381 and collected under the Brownfield Plan (the “Tax Increment Revenues”) and DDA revenues transferred to the Authority pursuant to an Interlocal Agreement between the Authority and the DDA, and the 2017 Bonds are not a general obligation of the Authority or the City, and do not constitute an indebtedness of the City within any constitutional, statutory or charter limitation; and

WHEREAS, pursuant to the Brownfield Plan, the Tax Increment Revenues will be payable pursuant to the Brownfield Plan starting as of July 1, 2020; and

WHEREAS, the Project financed from proceeds of the 2017 Bonds is completed; and
WHEREAS, Act 34, Public Acts of Michigan, 2001, as amended ("Act 34") permits the Authority to issue refunding bonds for the purpose of refunding part of its funded indebtedness; and

WHEREAS, the Board has determined that it is in the best interests of the Authority to authorize the issuance of and to issue one or more series of Limited Obligation Tax Increment Revenue Refunding Bonds (the “Refunding Bonds”) payable solely from the Tax Increment Revenues pledged for the 2017 Bonds, for the purpose of refunding the 2017 Bonds reimbursing certain eligible expenses of the Project and paying costs of issuance related to the issuance of the Refunding Bonds; and

WHEREAS, the 2017 Bonds were issued under the terms of a Trust Indenture dated as of December 1, 2017 (the “2017 Indenture”) by and between the Authority and The Huntington National Bank, Grand Rapids, Michigan (the “Trustee”), and it will be appropriate and necessary for the Authority to enter into either a Trust Indenture or Supplemental Trust Indenture (the “Refunding Indenture”) with the Trustee, pursuant to which the Refunding Bonds will be issued and secured; and

WHEREAS, the Board has determined that it is appropriate and necessary to authorize the Chairperson of the Authority, the Vice Chairperson, Secretary, and Treasurer of the Board (each, an “Authorized Officer” and collectively, the “Authorized Officers”), or any one of them, to approve the final terms of the sale of the Refunding Bonds, the interest rates thereof and the purchase price therefor, all of which shall be subject to the parameters set forth in this Resolution, without the necessity of the Board taking further action prior to sale and delivery of the Refunding Bonds.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE BROWNFIELD REDEVELOPMENT AUTHORITY OF THE CITY OF EAST LANSING AS FOLLOWS:

1. Pursuant to the authorization contained in Act 381 and Act 34, the Board hereby authorizes the issuance, execution and delivery of one or more series of the Refunding Bonds in the aggregate principal amount not-to-exceed Thirty-Three Million Five Hundred Thousand Dollars ($33,500,000) for the purpose of paying or reimbursing additional costs of the Project; refunding the 2017 Bonds (including accrued interest thereon), including the payment of accrued and capitalized interest on the Refunding Bonds and funding of a debt service reserve fund as determined by the Authorized Officer at the time of sale of the Refunding Bonds, and the payment of related legal and financing fees and expenses such as bond discount, and other expenses incidental to the financing.

The Refunding Bonds shall be designated as the LIMITED OBLIGATION TAX INCREMENT REVENUE REFUNDING BONDS, SERIES 2020, with additional or revised series designations for each series as determined by an Authorized Officer to distinguish tax-exempt and taxable bonds, or to reflect the sequence and the year in which the Refunding Bonds will be sold or delivered. Based on the advice of Bond Counsel, the Authority anticipates that one series of the Refunding Bonds can be issued with interest exempt from federal and state of
Michigan taxation, and that at least one series of the Refunding Bonds will be issued with interest that is not exempt from federal and state of Michigan taxation.

The Refunding Bonds shall mature on the dates and in the amounts established at the time of sale, provided, however, that the final principal payment shall be due not later than 30 years from the date of delivery of the Refunding Bonds. The Refunding Bonds and shall be serial bonds or term bonds, or both, and may be subject to redemption requirements as shall be established by an Authorized Officer at the time of sale.

The Refunding Bonds shall bear interest at a fixed or variable rate or rates to be determined at sale thereof. If any series of the Refunding Bonds bear interest at a variable rate or rates, the Authorized Officer is authorized to establish, in accordance with law, a means by which interest on the variable rate Refunding Bonds may be set, reset or calculated prior to maturity, provided that such rate or rates shall be at no time in excess of the parameters provided in this resolution. Such variable interest rates may be established by a formula that is determined with respect to an index or indices of municipal obligations, reported prices or yields on obligations of the United States, the prime rate or rates of a bank or banks selected by the Authorized Officer or by any other method recommended by an investment banking firm or financial advisor that specializes in the setting of interest rates for variable rate obligations.

The true interest cost of each series of the Refunding Bonds shall not exceed 8.00%. The purchase price for each series of the Refunding Bonds, exclusive of any original issue discount, shall not be less than 95% of the par amount of the Refunding Bonds. The Refunding Bonds shall be dated as of the date of delivery thereof and shall mature within 30 years of the date of issuance.

The Refunding Bonds shall be issued in fully registered form in substantially the form contained in the Refunding Indenture. The form of Refunding Bonds shall state:

The Registered Owner shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation or from any source whatsoever except the Tax Increment Revenues described in this Bond. Other than the Tax Increment Revenues, no property of the Issuer (Authority) is encumbered by any lien or security interest for the benefit of the Registered Owner of this Bond.

NEITHER THE CITY OF EAST LANSING NOR ANY POLITICAL SUBDIVISION THEREOF EXCEPT FOR THE ISSUER IS OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THIS BOND, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OF EAST LANSING OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THIS BOND. THE PRINCIPAL HEREOF AND THE INTEREST HEREON ARE PAYABLE SOLELY FROM THE FUNDS AND SECURITY PLEDGED TO THE PAYMENT THEREOF BY THE INDENTURE.
The Refunding Bonds shall be payable as to principal and interest in the manner and at such times, shall be subject to transfer and exchange, and shall be executed and authenticated, all as shall be provided in the Refunding Indenture. Any of the Authorized Officers is authorized, empowered and directed, in the name and on behalf of the Board, to execute the Refunding Bonds by manual or facsimile signature, and any one of the Authorized Officers is authorized to deliver the Refunding Bonds to the purchaser thereof in exchange for the purchase price therefor.

2. The Authority hereby authorizes any Authorized Officer to execute and deliver the Refunding Indenture in the form as determined by an Authorized Officer; provided that the form of Refunding Indenture shall conform to the provisions of this Resolution and the Brownfield Plan.

3. The Refunding Bonds shall be issued in anticipation of and shall be payable from the Tax Increment Revenues, which Tax Increment Revenues are anticipated to be in amounts sufficient to pay principal of and interest on the Refunding Bonds. There is hereby created a statutory first lien on the Tax Increment Revenues in favor of the Refunding Bonds. The Authority reserves the right to issue additional bonds payable from Tax Increment Revenues to the extent permitted by law and the Refunding Indenture. The debt service on the Refunding Bonds shall also be payable from certain tax increment revenues to be received by the Authority from the DDA.

The Refunding Bonds, and the obligations of the Authority thereunder, shall be revenue bonds and not general obligations of the Authority and shall be paid exclusively as provided by the Refunding Indenture.

No recourse shall be had for the payment of the principal amount of or interest or other obligations on the Refunding Bonds, or any claim based thereon, against the Authority, or any member or agent of the Board (including, without limitation, any officer or employee of the Authority), as individuals, either directly or indirectly, except as specifically provided in the Refunding Indenture or the instruments entered into in connection therewith.

4. If necessary in order to secure payment of the 2017 Bonds being refunded, the Authority may enter into one or more Escrow Agreements with the Trustee (each, an “Escrow Agreement”) which shall provide for the creation of one or more funds (each, an “Escrow Fund”) for the deposit of proceeds of the Refunding Bonds and other funds available for payment of the 2017 Bonds under the 2017 Indenture. The Escrow Agreement shall irrevocably direct the Trustee to hold the Escrow Fund in trust for the payment of the principal of and interest on the portion of the 2017 Bonds being paid from the Escrow Fund, and shall irrevocably direct the Trustee to take all necessary steps to call for redemption of any 2017 Bonds specified by the Authority upon sale of the Refunding Bonds. Any Authorized Officer is authorized to execute and deliver the Escrow Agreement.

The Authorized Officers are authorized to purchase, or cause to be purchased, escrow securities, including, but not limited to, United States Treasury Obligations – State and Local Government Series (SLGS), in an amount sufficient to provide for payment of the 2017 Bonds being refunded, and to retain a bidding agent to assist in the purchase of any escrow securities other than SLGS.
5. The Authority shall not invest, reinvest or accumulate any moneys deemed to be proceeds of any tax-exempt series of Refunding Bonds pursuant to the Internal Revenue Code of 1986, as amended in such a manner as to cause the tax-exempt series of Refunding Bonds to be “arbitrage bonds” within the meaning of the Internal Revenue Code. The Authority hereby covenants that, to the extent permitted by law, it will take all actions within its control and that it shall not fail to take any action as may be necessary to maintain the exclusion of interest on the tax-exempt series of Refunding Bonds from gross income for federal income tax purposes, including but not limited to, actions relating to the rebate of arbitrage earnings, if applicable, and the expenditure and investment of bond proceeds and moneys deemed to be bond proceeds, all as more fully set forth in the Non-Arbitrage and Tax Compliance Certificate to be delivered by the Authority on the date of delivery of the Refunding Bonds.

If the Authorized Officer determines, in consultation with the Finance Director of the City, that the City, all entities which issue bonds on behalf of the City, and all subordinate governmental units thereto, do not intend to issue, or to authorize to be issued on their behalf, tax-exempt obligations in the aggregate amount of $10,000,000 or more within the calendar year in which the Refunding Bonds are sold, then the Authority designates the tax-exempt series of Refunding Bonds as “qualified tax-exempt obligations” for purposes of deduction of interest expense by financial institutions under the Internal Revenue Code. Any such designation shall be evidenced by execution of the Non-Arbitrage and Tax Compliance Certificate or other certificate to be delivered by the Authority or the City in connection with delivery of the Bonds.

6. Any one of the Authorized Officers is hereby authorized to apply to the Michigan Department of Treasury under Act 34 for an exception from the requirement to obtain a rating on bonds issued in a principal amount exceeding $5,000,000.

In addition, any one of the Authorized Officers is hereby authorized to apply to the Michigan Department of Treasury under Act 34, and to pay any related filing fees, for any other approvals as may be necessary or advisable to effectuate the sale and delivery of the Refunding Bonds including but not limited to an exception from the requirements of Section 611(1) of Act 34 that a refunding must produce savings. As provided in Section 611(2) of Act 34, a reasonable basis for that exception exists because (1) the refunding is necessary to reduce or eliminate requirements of ordinances or covenants applicable to the existing 2017 Bonds, and (2) the refunding will produce debt service which will better match the anticipated Tax Increment Revenues, and thereby avoid a potential default on the 2017 Bonds.

7. The Board hereby determines to sell the Refunding Bonds at a negotiated sale instead of a competitive sale for the reason that a negotiated sale will permit the Authority to enter the market on short notice at a point in time which appears to be most advantageous, and thereby possibly obtain a lower rate of interest on the Refunding Bonds and the most favorable price for purchase of securities to be escrowed for payment of the 2017 Bonds.

The Developer has retained Robert W. Baird & Co. (“Baird”) as financial advisor for the Refunding Bonds. The Authority anticipates that Baird will find a purchaser for the Refunding Bonds through a private placement with a qualified bank or other sophisticated institutional investor.
Any of the Authorized Officers is hereby authorized, on behalf of the Authority, subject to the provisions and limitations of this resolution, to accept an offer to purchase the Refunding Bonds without further resolution of this Board, and to sign a Bond Purchase Agreement or Bond Placement Agreement on behalf of the Authority. This authorization includes, but is not limited to, determination of original principal amount of each series of the Refunding Bonds; the prices at which the Refunding Bonds are sold; the date of the Refunding Bonds; the schedule of principal maturities and whether the Refunding Bonds shall mature serially or as term bonds; the provisions for early redemption including mandatory redemption of term bonds, if any; the interest rates and payment dates of the Refunding Bonds, application of the proceeds of the Refunding Bonds; and purchase of securities to be escrowed for payment of the 2017 Bonds to be refunded.

8. The Authorized Officers and all other appropriate officers or representatives of the Authority are each authorized to perform all acts and deeds, and to execute and deliver, for and on behalf of the Board, any letter of representations required by the purchaser of the Refunding Bonds and any other documents, as necessary, expedient and proper in connection with the issuance, sale and delivery of the Refunding Bonds, as contemplated hereby. Such actions include but are not limited to entering approving requests for disbursement pursuant to the Refunding Indenture.

9. The Authority hereby requests Miller, Canfield, Paddock and Stone, P.L.C. to continue to serve as Bond Counsel to the Authority for the Refunding Bonds notwithstanding the periodic representation by Bond Counsel of other parties to this transaction in unrelated matters. Bond Counsel is not retained to provide financial consultant services.

10. The Authority hereby finds that the refunding of the 2017 Bonds is in the best interest of the health and welfare of the Authority and the City, is in the furtherance of the purposes of Act 381 and constitutes a public purpose.

11. All covenants, agreements and obligations of the Authority contained in this Resolution, the Refunding Indenture, or any other documents related to the Refunding Bonds shall be deemed to be the covenants, agreements and obligations of the Authority and not of any member, officer or employee of the Authority in his or her individual capacity, and no recourse shall be had for the payment of the principal of or interest on the Refunding Bonds or for any claim based thereon or on this Resolution or any related document against any member, officer or employee of the Authority or any person executing the Refunding Bonds in his or her official individual capacity.

12. All actions taken to date by any Authorized Officers in the name of and on behalf of the Authority in connection with the foregoing resolution and the issuance of the Refunding Bonds, are authorized, approved, ratified and confirmed in all respects.

13. All resolutions and parts of resolutions insofar as they conflict with the provisions of this resolution be and the same hereby are rescinded.

14. This Resolution shall become effective immediately upon its adoption.
AYES: Members:  

NAYS: Members:  

RESOLUTION DECLARED ADOPTED.

I hereby certify that the foregoing is a true and complete copy of a resolution adopted by the Board of the Brownfield Redevelopment Authority of the City of East Lansing, Counties of Ingham and Clinton, State of Michigan, at a Special Meeting held on July 9, 2020 at 12:00 p.m., Eastern Time, and that said meeting was conducted and public notice of said meeting was given pursuant to and in full compliance with the Open Meetings Act, being Act 267, Public Acts of Michigan, 1976 as modified by Executive Order of the Governor.

________________________________________
George Lahanas, Executive Secretary
The Brownfield Redevelopment Authority of the City of East Lansing (the “Authority” or the “Issuer”) has requested a memo on the process of issuing bonds to refund the Authority’s Limited Obligation Tax Increment Revenue Bond, Series 2017 (Taxable).

**Background**

The 2017 Bond financed the parking garage and infrastructure improvements constructed in 2018 as part of the City Center District mixed use redevelopment project described in Center City District Brownfield Plan No. 24. The 2017 Bond was issued pursuant to resolutions adopted by the Authority Board, and a Trust Indenture (the “Indenture”) between the Authority and The Huntington National Bank (the “Trustee”).

The 2017 Bond is a limited obligation of the Authority payable solely from Tax Increment Revenues collected pursuant to Brownfield Plan No. 24, and DDA revenues transferred to the Authority pursuant to an Interlocal Agreement between the Authority and the DDA. The Authority deposits all Tax Increment Revenues and the DDA Revenues in the Bond Fund created by the Indenture and held by the Trustee. As stated in the 2017 Bond, the “Security” (defined in the Indenture) is only the Bond Fund, the Tax Increment Revenues, and Investment Income derived from moneys in the Bond Fund. The 2017 Bond also states:

The Registered Owner shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation or from any source whatsoever except the Tax Increment Revenues described in this Bond. Other than the Tax Increment Revenues, no property of the Issuer is encumbered by any lien or security interest for the benefit of the Registered Owner of this Bond.

NEITHER THE CITY OF EAST LANSING NOR ANY POLITICAL SUBDIVISION THEREOF EXCEPT FOR THE ISSUER IS OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THIS BOND AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OF EAST LANSING OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE BONDS. THE PRINCIPAL HEREOF AND THE INTEREST HEREOF ARE PAYABLE SOLELY FROM THE FUNDS AND SECURITY PLEDGED TO THE PAYMENT THEREOF BY THE INDENTURE.
The 2017 Bond was privately placed with Scottsdale Capital, LLC. In the 2017 Bond Purchase Agreement, the Authority acknowledges intent to refinance the 2017 Bond in 2020 with Refunding Bonds secured by the same security and maturing in 30 years (the duration of capture under Brownfield Plan No. 24 is 30 years). Scottsdale and the Authority acknowledge that an underwriter, placement agent or third party (not the Authority) will be retained to market and sell the Refunding Bonds.

The Indenture also states that the Authority intends to issue Refunding Bonds upon completion of the redevelopment project, and gives Scottsdale the option to call the 2017 Bond for redemption beginning in 2020.

The Authority is obligated to issue the Refunding Bonds, but neither the Authority nor the City is obligated to find a purchaser for the Refunding Bonds. The developer has retained the same financial advisor who worked on the 2017 Bond, Robert W. Baird & Co.

**Tax-Exempt Series of Refunding Bonds**

It was anticipated in the 2017 Bond Purchase Agreement and Indenture that a portion of the Refunding Bonds would be issued with interest exempt from federal and state of Michigan taxation. My colleague Katrina Desmond, an attorney/CPA specializing in the Internal Revenue Code rules relating to tax-advantaged municipal bonds, reviewed the transaction in 2017 to ensure that a tax-exempt refinancing would be possible now. Additionally, she has already begun the tax due diligence review to determine the portion of the Refunding Bonds which can be issued on a tax-exempt basis. Specifically, she has reviewed the Parking Lease Agreements with respect to the parking garage and confirmed her analysis with the development team. She has also reviewed and provided comments on the City’s permitting system in place for the parking structure. Her remaining work involves the review of expenditures made with 2017 Bond proceeds, which expenditures have already been requested from the City and Baird.

**Process to Issue Refunding Bonds**

The Authority Board will approve a supplement or amendment to the Trust Indenture to provide that:

- the Refunding Bonds will be payable solely from Tax Increment Revenues and DDA revenues, and be secured by the same Security as the 2017 Bond;
- substitution of Refunding Bonds’ purchaser in place of the 2017 Bond Purchaser;
- adding provisions required by the Internal Revenue Code and regulations for the tax-exempt series of Refunding Bonds;
- approve payment details such as the new amortization schedule, interest rates, and provisions permitting prepayment of the Refunding Bonds.

I understand that Baird anticipates that the Refunding Bonds will be placed with a financial institution or other sophisticated investor. If the Refunding Bonds will be sold by placement instead of being publically offered, the Authority/City will not prepare a preliminary or final Official Statement, or enter into a continuing disclosure undertaking, or request a rating on the Refunding Bonds. The purchaser of the Refunding Bonds will be required to sign the normal form of investor’s letter stating that they have sufficient knowledge and experience in financial and business matters to evaluate the risks and merits of purchase of the Refunding Bonds.
Costs of issuance directly related to issuance of the Refunding Bonds (such as fees of the trustee, financial advisor, and bond counsel), will be paid from bond proceeds.

Once the financing is structured Miller Canfield will draft closing documents and circulate to the working group (trustee, financial advisor, bond purchaser) for review. After review and sign-off, the Authority Board will need to meet to adopt the resolution authorizing issuance and sale of the Refunding Bonds including approval of the supplement to the Trust Indenture.

Since Brownfield Plan No. 24 has been approved, and the Refunding Bonds will not be a City obligation, City Council will not need to give any approvals for the Refunding Bonds. After the Authority approves the resolution, the certified resolution will be included with the application for required approvals from the Michigan Department of Treasury.

After the State Treasury approvals are received, the Authority can sign a Bond Purchase Agreement.

Miller Canfield will finalize the tax compliance documents and other standard closing certificates, and arrange signature by Authority officials and other closing parties.

We will collect executed financing documents in closing transcripts similar to those prepared for the 2017 Bond. If circumstances permit we will hold a pre-closing as we did in 2017; otherwise, participants will sign documents prior to closing and return them to us to be compiled into transcripts.

Miller Canfield will give an approving opinion as to validity and enforceability of the Refunding Bonds and the treatment of interest on both the tax-exempt and taxable series of the Refunding Bonds for federal and state income tax purposes.
Development Summary

Located near the historic intersection of M.A.C Avenue and Albert Avenue in the heart of Downtown East Lansing, Michigan ("City") and adjacent to Michigan State University ("MSU"), the Center City District Development ("Center City") has transformed East Lansing's skyline and redefined what it means to live in Downtown East Lansing and off-campus. Harbor Real Estate Advisors ("Harbor Bay"), a premier real estate development and management firm headquartered in Northbrook, Illinois, completed Center City in just under two-years (Oct 2017 – Oct 2019). Center City is a $125 million multi-generational, mixed-use development that includes Landmark on Grand River (Student Housing), Newman Lofts (55+ Housing), Target, Public and Resident Parking, and 24,000 SF of retail along Albert Avenue, which includes Foster Coffee (Owosso, MI), Barrio Tacos (Cleveland, OH), and Jolly Pumpkin (Dexter, MI).

Landmark on Grand River Building (12-Stories) along Grand River Avenue

The Landmark on Grand River Building includes the following uses:

- **Target (1st Floor)** | Opened in July 2019, Target became the Lansing Region's first downtown grocer and Target's first small-format location in Michigan. Located on the first floor of the 12-story Landmark on Grand River building, Target provides its traditional assortment of daily needs and dry goods, but it will also provide affordable and fresh food for downtown residents, thus eliminating East Lansing's food desert.

- **Landmark on Grand River (2nd to 12th Floor)** | Located atop Michigan's first small-format Target and within 60 yards of MSU's Student Union, Landmark has quickly become the top location to be living off-campus while providing that desired on-campus vibe. Opened in August 2019, the 12-story Landmark provides 273 residential units (464 beds) designed for undergraduate and graduate students, coupled with young faculty and professionals, seeking a one-of-a-kind downtown experience with a first-floor grocer and an unmatched location. In its first year of operations, Landmark realized an occupancy rate of 98% and by the end of January 2020 had a preleased rate of 98% for the 2020-2021 school year. ([www.landmarkongrandriver.com](http://www.landmarkongrandriver.com))

Newman Lofts Building (10-Stories) along Albert Avenue

The Newman Lofts Building includes the following uses:

- **Albert Ave Retail (1st Floor)** | Located adjacent to Albert Avenue, a pedestrian thoroughfare in downtown East Lansing, the Albert Avenue Retail provides a dynamic and perfect blend of local and regional retailers. Collectively, the Albert Avenue Retail will meet the needs of the multigenerational residential tenants of Center City District and existing downtown residents,
while luring new customers to Downtown East Lansing. To date, Foster Coffee (Owosso, MI), Barrio (Cleveland, OH), and Jolly Pumpkin (Dexter, MI) have committed to being a part of Center City.

Public-Owned Parking Structure (2nd to 5th Floor) | Financed by Harbor Bay Real Estate Advisors, the Center City District includes 620 public spaces for residential/retail tenants, customers, and provide additional spaces for the anticipated growth of East Lansing’s Downtown.

Newman Lofts (6th to 10th Floor) | Located atop of the Public-Owned Parking Structure, Newman Lofts, which opened in October 2019, provides 91 residential units for active adults who are 55 years of age or older. Newman Lofts represents a residential oasis designed for Active Adults seeking best-in-class finishes coupled with urban living. Woven into the urban fabric of East Lansing, Newman Lofts residents will enjoy unrivaled access to spectacular restaurants, coffee shops, arts, sports entertainment, education, community, parks, and the Michigan State campus, all right outside their front door. Further, international award-winning interior designers meticulously designed a robust amenity package for the energetic, active adult, including but not limited to a club room, fitness area, yoga studio, library, conference rooms, chef’s kitchen, private/public dining room and an extensive, jaw-dropping outdoor deck. In total, Newman Lofts will represent the pinnacle of active adult housing in the State of Michigan. Currently, the occupancy rate for Newman Lofts is 26%. (www.newmanlofts.com)
1) Developer Submitted Draws to the ELBRA for Eligible Activities pursuant to Brownfield Plan

2) ELBRA Staff Approved Draws for Eligible Activities

3) 2017 ELBRA Bonds Funds released to Developer for Eligible Activities approved by ELBRA Staff

4) 2017 Bond Proceeds, plus additional Developer Equity, funded the City’s Public Infrastructure Improvements (Eligible Activities)

5) ELBRA Authorizes Issuance of 2020 Refunding Bonds (Anticipated July 9, 2020)

6) 2020 Refunding Bonds Sold in Exchange for Bond Proceeds

7) Proceeds from 2020 Refunding Bonds provides the permanent financing to repay the 2017 BRA Bondholders for funds that were used for Approved Eligible Activities for the City’s Public Infrastructure Improvements

8) Captured Tax Increment Revenue will be used to Pay 2020 Refunding Bonds Debt Service and the additional Developer Equity for the City’s Public Infrastructure Improvements

HB BM East Lansing LLC “Developer”

Center City District Development

East Lansing Brownfield Redevelopment Authority (“ELBRA”)

2020 Refunding Bonds Buyer/Holder

2017 ELBRA Bonds Construction Fund

2017 ELBRA Bonds Refunding Bonds