

ORGANIZATION OF THE ECONOMIC DEVELOPMENT CORPORATION OF THE CITY OF ANN ARBOR

The Economic Development Corporation of the City of Ann Arbor was created in 1978 by the City Council. It is governed by a nine-member board of directors, appointed by the Mayor with Council approval. Officers, including a president, vice president, secretary and treasurer, are elected by the Board. The Board appoints legal counsel to the Corporation.

Meetings of the Economic Development Corporation are open to the public. Meeting notices are posted in the lobby of the City Hall and the office of Long, Baker & Stringer LLP.

All correspondence should be addressed to:

Peter A. Long, Of Counsel
Berry Moorman P.C.
900 Victors Way Suite 300
Ann Arbor, Michigan 48104
Phone: 734.668.4095
Facsimile: 734.668.4101
Email: palong@berrymoorman.com

PURPOSE AND GUIDELINES

The Economic Development Corporation of the City of Ann Arbor ("EDC") was formed to assist in the attraction, relocation, retention and expansion of business organizations which provide employment and which are desirable and beneficial to the populace, the economy and the environment of Ann Arbor.

Projects approved by the EDC must, by consensus of its board of directors, be in the public interest; they must provide commercial services where a need for them exists; they must offer permanent employment opportunities to city residents; and/or they must be in keeping with the city's character and the needs of its residents. Preference is given to enterprises which are non-disruptive of the environment and which add diversity to the jobs pool in the city. Demographic changes in Ann Arbor may, therefore, result in some alteration of these guidelines.

It is the intention of the EDC to retain and attract qualified applicants engaged in (1) research and development activity; (2) providing necessary services; and (3) light manufacturing and assembly. The EDC is not a lending agency; rather, it is an issuer of tax-exempt bonds, under Michigan Public Act 338 of 1974, as amended.

Before responding affirmatively to any applicant, the board must be assured that either the purchaser of the bonds has been determined or that the applicant is able to pay the debt to be incurred. Even though the EDC is not engaged in underwriting activity, it is the intention of the board that the Corporation be associated with financially sound transactions and with reputable applicants.

The Board will have additional requirements for projects it deems to be speculative in nature. Such requirements will be to examine the economic feasibility of the project and will include (but not necessarily be limited to) full disclosure of tenants and investors.

TABLE OF CONTENTS

Organization 1

Purpose and Guidelines 1

Financial and Fee Information 3

Required Information from Applicants 3

Frequently Asked Questions about the Economic Development Corporation 6

FINANCIAL AND FEE INFORMATION

The smallest project which will be considered for EDC assistance will be one with a cost of at least \$250,000. Applicants are cautioned, however, that even though the Ann Arbor EDC will consider a \$250,000 project, experience has shown that marketing an issue of less than \$1,000,000 is difficult.

An applicant for project financing assistance from the EDC will be responsible for payment of the following fees which represent reimbursement for costs incurred/to be incurred by the EDC:

1. EDC Filing Fee: \$650.00 (due at initial application);
2. EDC Project Completion Fee: ½ % of the principal amount of the bond with minimum fee of \$2,000 (due at closing);
3. EDC Counsel Fee: actual time and costs for services performed related to the project following adoption of initial EDC inducement resolution; amount to be identified as soon as practicable prior to the date of issuance of bond (due at closing or termination of project processing);
4. EDC Bond Counsel Fee: amount and method of payment to be identified at the time of initial involvement by bond counsel.

These fees may be paid out of bond proceeds or the general funds of the applicant at the option of the applicant.

The total of the Filing Fee and the Project Completion Fee will be subject to Internal Revenue Service arbitrage regulations. This limitation will be computed generally by reference to the yield on the bonds and the yield on the lease/purchase agreement (or equivalent instrument) between the applicant and the EDC. The limitation will equal an amount which, when added to all payments under the lease/purchase agreement, will generate a yield on the lease/purchase agreement which is no greater than one-eighth of one percentage point above the yield on the bonds. The total of the Filing Fee and the Project Completion Fee, as a consequence, must be separately computed for each applicant based upon the particular facts of its case (e.g., amount of proposed bond issue, interest rate, term).

Applicants should consult with bond counsel and/or other financial advisors for further details of the impact of arbitrage regulations upon their proposed financing arrangements.

REQUIRED INFORMATION FROM APPLICANTS

1. Initial Request

All requests for assistance from the EDC of the City of Ann Arbor must be submitted in writing to the Office of the City Administrator, addressed to the Secretary of the Corporation. Requests should contain the following information:

- A. Name, address and business status of applicant and/or principal user of the proposed facility.
- B. Brief personal or business history of applicant and/or principal user.
- C. Applicant's most recent financial statements.

- D. Narrative description of proposed project, including type of business to be conducted and services to be provided.
- E. In the case of an applicant relying upon income from leased space in the project to pay the debt incurred, an income pro forma for the project.
- F. Description and location of project.
- G. Projected number of employment opportunities to be made available or retained in Ann Arbor by the project.
- H. Name of applicant's legal counsel.
- I. Name of applicant's financial counsel.
- J. Name of proposed bond counsel.

2. Proposed Project Area and Project District Area

After submitting the initial request, the applicant should also furnish to the Secretary of the Corporation, in care of the City Administrator's Office, a legal description of the proposed Project Area and Project District Area. The Project District Area refers to that portion of the community and adjacent areas to it which contain the property upon which the project will be situated (Project Area), as well as the surrounding territory which will be significantly affected by the project.

3. Project Plan

After designation of the Project Area and Project District Area by the responsible agencies of City government, the applicant should begin preparation of the development plan, which should contain the following information:

- A. The location and extent of existing streets and other public facilities within the development area; a designation of the location, character and extent of the categories of public and private land uses existing and proposed for the Project Area, including residential, recreational, commercial, industrial, educational and other uses; a legal description of the Project Area.
- B. A description of the existing improvements in the Project Area to be demolished, repaired or altered, a description of any repairs and alterations, and an estimate of the time required for completion.
- C. The location, extent, character and estimated cost of the improvements, including rehabilitation contemplated for the Project Area, and an estimate of the time required for completion.
- D. A statement of the construction, or stages of construction planned, and the estimated time of completion for each stage.
- E. A description of the parts of the Project Area to be left as open space and the use contemplated for the space.
- F. A description of portions of the Project Area which the applicant or the Corporation desires to sell, donate, exchange or lease from the City, and the proposed terms.

- G. A description of desired zoning changes and changes in streets, street levels, intersections and/or utilities.
- H. A statement of the proposed method of financing the project, and the ability of the applicant to arrange financing.
- I. A list of all persons who will manage or be associated with the management of the project for a period of not less than one year from the date of approval of the project plan.
- J. Designation of the person or persons, natural or corporate, to whom the project is to be leased, sold or conveyed and for whose benefit the project is being undertaken, if the information is available to the applicant.
- K. If there is not an expressed or implied agreement between the Corporation and persons, natural or corporate, that the project will be leased, sold or conveyed to those persons, the procedures for bidding for the leasing, purchasing or conveying of the project upon its completion.
- L. Estimates of the number of persons residing in the Project Area and the number of families and individuals to be displaced. If occupied residences are designated for acquisition and clearance by the Corporation, a project plan should include a survey of the families and individuals to be displaced, including their income and racial composition, a statistical description of the housing supply in the community, including the number of public and private units in existence or under construction, the condition of those in existence, the number of owner-occupied and renter-occupied units, the annual rate of turnover of the various types of housing and the range of rents and sale prices, an estimate of the total demand for housing in the community, and the estimated capacity of private and public housing available to displaced families and individuals.
- M. A plan for establishing priority for the relocation of persons displaced by the project in new housing in the Project Area.
- N. Provision for the costs of relocating persons displaced by the project and financial assistance and reimbursement of expenses, including litigation expenses and expenses incident to the transfer of title, in accordance with the standards and provisions of the Federal Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, 42 U.S.C. 4601 to 4655.
- O. A plan for compliance with Act No. 227 of the Public Acts of 1972, being sections 213.321 to 213.332 of the Michigan Compiled Laws.
- P. Other material which the Corporation, the Planning Commission and the City Council consider pertinent.

According to specific circumstances, the following statement will be included in applicant's submission of documents to the EDC:

As applicant for project financing undertaken by the Economic Development Corporation of the City of Ann Arbor (EDC), we agree to defend and hold the EDC harmless from any and all claims asserted against the EDC whenever and however raised on account of such financing. Such assurances specifically include claims raised pursuant to Sections 8(3), 8(4)(h) and 8(4)(o) of the Economic Development Corporations Act (1974 PA 338, as amended).

FREQUENTLY ASKED QUESTIONS ABOUT THE ECONOMIC DEVELOPMENT CORPORATION

1. How is a project developed by the EDC?

Typically, a private company proposes a project to the EDC Board of Directors, which then requests City Council to appoint two additional directors from the neighborhood likely to be affected by the project. The EDC then works with the company to develop a proposed project plan, and determine the proposed Project Area and Project District Area. These items are then submitted to Council for review. After required public hearings and review, City Council decides whether to approve a project or not. If approval is given, the EDC and the company implement the project as outlined in the project plan.

2. Who is obligated to repay bonds issued by the EDC?

Revenue bonds issued by the EDC will be repayable only from revenues of the individual project which was financed. The bondholder will usually be secured by a first mortgage on the project. The City is not responsible for debts of the EDC.

3. Who controls the activated of the EDC?

Before any project can be implemented, it must be reviewed and approved by City government, as provided for in P.A. 338.

4. Can the EDC make direct loans to applicants?

No.

5. Can the EDC own property?

Yes. It may acquire and develop, furnish and equip property necessary to complete a project plan. It may not operate a project or enterprise, but may be the lessor.

6. How is the EDC of the City of Ann Arbor approached for consideration of a project?

Applications must be submitted in writing to the Office of the City Administrator, addressed to the Secretary of the Corporation. A form is included in this booklet for the convenience of those wishing to apply for EDC assistance.

ECONOMIC DEVELOPMENT CORPORATION OF THE CITY OF ANN ARBOR
INITIAL APPLICATION FOR PROJECT BONDING

1. APPLICANT'S LEGAL NAME _____
CONTACT PERSON _____
ADDRESS _____ PHONE _____
2. PROJECT DESCRIPTION (include location and business type)

3. PROJECTED NUMBER OF EMPLOYEES _____
4. AMOUNT OF EDC BONDS REQUESTED _____
5. ESTIMATED PROJECT COMPLETION FEE _____
6. PROBABLE PURCHASER OF BONDS _____
7. APPLICANT'S LEGAL COUNSEL: NAME _____
ADDRESS _____ PHONE _____
8. APPLICANT'S FINANCIAL CONSULTANT: NAME _____
ADDRESS _____ PHONE _____
9. PROPOSED BOND COUNSEL: NAME _____
ADDRESS _____ PHONE _____
10. PROJECT ENGINEER, ARCHITECT OR MAJOR CONTRACTOR (circle one):
NAME _____

I ACKNOWLEDGE THAT I HAVE REVIEWED THE EDC'S GUIDELINES IN SUBMITTING THIS APPLICATION.

SIGNATURE _____ DATE _____

NOTE: PLEASE ATTACH A PERSONAL OR BUSINESS HISTORY OF APPLICANT AND/OR PRINCIPAL USER.

APPLICATION RECEIVED BY _____ DATE _____

FILING FEE RECEIVED _____ PAYMENT TYPE _____