



March 19, 2011

Mr. Scott Chappelle, President  
City Center II, LLC  
1427 West Saginaw Street, Suite 200  
East Lansing, Michigan 48823

Mr. Tim Dempsey, Director  
City of East Lansing, Planning and Community Development  
410 Abbot Road  
East Lansing, Michigan 48823

Re: Potential Michigan Community Revitalization Program Incentive for City Center II, LLC ("Company")  
and Potential Urban Land Assembly Program incentive for the City of East Lansing ("Community")

Dear Mr. Chappelle and Mr. Dempsey:

Thank you for giving the Michigan Economic Development Corporation ("MEDC") the opportunity to review your proposed project in the City of East Lansing. We are excited to continue discussions with you on your proposed project. This letter contains an opportunity for financial assistance through programs administered by the MEDC.

As we understand your proposed project, this project will renovate three city blocks in the City of East Lansing to create a cultural corridor. Upon completion, the development will include four new buildings, a pedestrian overpass, and a parking deck. The total capital investment for the project is estimated at \$106 million. The project's central feature is a ten-story, mixed-used building with a performing arts theater, hotel, retail and office space. The project's remaining buildings include a five-story, mixed-use building, a four-story residential building, and nine upscale rental townhomes.

The following tools may be available in support of your project:

**Community Revitalization Program Loan to the Company**

One of the 21<sup>st</sup> Century Jobs' economic incentive programs in Michigan administered by the MEDC is the Michigan Community Revitalization Program ("CRP" or "Program"). The CRP is designed to provide a grant, loan or other economic assistance, for eligible investments to eligible property in Michigan, primarily in downtowns or traditional commercial centers. While the Program is operated and funded through the Michigan Strategic Fund ("MSF"), recommendations for awards under the Program are presented by the MEDC to the MSF.

Based on the estimated project parameters provided by City Center II, LLC and the City of East Lansing, we are interested in further exploration of a possible recommendation to the MSF for a loan of up to \$3.2 million to the Company under this Program. Proposed loan terms are outlined below. Total incentives awarded under CRP shall not exceed 25% of eligible investment for the project and disbursement of funds does not take place until the project is complete. Further due diligence and an administratively complete CRP Application are required prior to the recommendation to the MSF.

**Michigan Economic Development Corporation**

300 North Washington Square | Lansing, MI 48913 | 888.522.0103 | MichiganAdvantage.org | michigan.org

**Urban Land Assembly (“ULA”) Loan to the Community**

This program, administered by the MEDC, provides financial assistance in the form of a loan to eligible municipalities for site preparation on eligible property for economic development purposes, including industrial and commercial projects. The program is directed toward revitalizing the economic base of cities experiencing economic distress and decline.

Based on the project parameters described above, we are interested in further exploration for a loan of up to \$3.8 million to the Community under this program. Proposed loan terms are outlined below. Loan proceeds shall be used for site preparation on eligible property related the City Center II project. Further due diligence and an administratively complete ULA Application are required under this program.

**Proposed Loan Terms:**

The following are proposed loan terms for the CRP and ULA programs. Final terms will be determined and defined upon review of final application materials.

- Interest:** The CRP loan shall accrue interest at a rate of 2 percent per annum. The ULA loan shall accrue interest at a rate of 1 percent per annum.
- Repayment:** The principal and interest of both loans will include repayment terms which may include payment using certain excess Tax Increment Financing revenues after consideration of the Community’s bond obligation and the Developer’s obligation to the mezzanine lender have been met. We anticipate the loans will require a 10 year term and both loans will need to comply with of the CRP and ULA program requirements.
- Collateral/  
Guaranty:** Both loans may include a security interest on the performing arts theater located at the project site and guarantees from the owners of the Company, or other security upon approval of the project.

This potential incentive offer is contingent upon satisfactory resolution of the Community’s Core Community Grant, which is currently in default. Additionally, any incentives awarded under these Programs are contingent upon several factors, including (i) submission completed applications and all other documentation required under the Programs (ii) satisfactory community support (iii) available funding (iv) completion of financial review, business integrity review, required background checks, and other business and legal review and due diligence as required, and the results of which must be satisfactory to the MEDC, the MSF, and as applicable, the Chief Compliance Officer, (v) approval of an award by the MSF and other necessary approvals, and (vi) execution of a final agreement between the company and the MSF and the ULA as applicable containing established milestones and reporting requirements, and all other detailed terms and conditions, required by the Programs.

The Company’s project is important to Michigan and the City of East Lansing, and we welcome the opportunity to assist in the redevelopment. If you are interested in continuing discussions with the MEDC to pursue recommendations for these Programs under the above parameters, please sign and date this letter

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Mr. Tim Dempsey  
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incentives may be subject to renegotiation, and the MEDC may not be able to proceed with a recommendation under the programs.

If you have any questions or concerns, please do not hesitate to contact Stacy Bowerman directly, either by phone at 517.241.0368 or by email at [bowermans@michigan.org](mailto:bowermans@michigan.org).

Sincerely,



Mark Morante  
Senior Vice President  
Program Administration

cc: Stacy Bowerman, Regional Project Manager  
Lisa Pung, Community Assistance Team Specialist

The Company and Community are interested in pursuing a recommendation by the MEDC to the MSF for possible incentive awards under the Programs listed above. The Company and Community understand any such awards are subject to the factors discussed above and any other terms and conditions required by the Program and the MSF.

\_\_\_\_\_  
Scott Chappelle, President  
City Center II, LLC

Date: \_\_\_\_\_

\_\_\_\_\_  
Tim Dempsey, Director  
City of East Lansing  
Planning & Community Development

Date \_\_\_\_\_

**Please Return Written Acceptance to the MEDC:**

**Mail:** Attn: Stacy Bowerman, 300 North Washington Square, Lansing, Michigan 48913

**Email:** [bowermans@michigan.org](mailto:bowermans@michigan.org)