STATE ESSENTIAL SERVICES ASSESSMENT EXEMPTION & ALTERNATIVE PROGRAM GUIDELINES

OVERVIEW AND DEFINITIONS

The Michigan Strategic Fund (MSF) board may authorize State Essential Services Assessment (SESA) exemptions for qualifying investment(s) of $25 million or more in eligible personal property owned by, leased to, or in the possession of an eligible claimant.

The MSF board may determine that eligible personal property exempt from the SESA is subject to the Alternative SESA.

All MSF board support shall be memorialized by board resolution and a final written agreement. The resolution shall not be approved if the state treasurer, or his or her designee to the MSF board, votes against the resolution.

The MSF shall enter into a final written agreement with the eligible claimant with terms and conditions in accordance with the SESA Exemption legislation and program guidelines and otherwise satisfactory to the MSF board. The written agreement shall include at a minimum all conditions imposed upon the eligible claimant; the specific time frame during which the eligible claimant can receive the SESA Exemption; revocation and repayment requirements if the eligible claimant does not comply with the written agreement; and an audit provision that allows for the verification of the timely completion or satisfaction of the agreement requirements and investment.

Considerations for granting a SESA Exemption or Alternative SESA shall include the following to the extent reasonably applicable to the type of investment proposed and may include any other considerations satisfactory to the MSF board:

- Out-of-state competition;
- Net-positive return to this state;
- Level of investment made by the eligible claimant;
- Business diversification;
- Reuse of existing facilities;
- Near-term job creation or significant job retention as a result of the investment made in eligible personal property;
- Strong links to Michigan suppliers.

The MSF or Michigan Economic Development Corporation (MEDC) may charge actual and reasonable fees for costs associated with administering the program.

An eligible claimant is a person that claims an exemption for eligible personal property.

Eligible personal property means all of the following:

- Personal property exempt under Section 9m or 9n of the General Property Tax Act (1893 PA 206, MCL211.9m and 211.9n);
- Personal property exempt under Section 9f of the General Property Tax Act (1893 PA 206, MCL 211.9f),which exemption was approved under section 9f of the General Property Tax Act (1893 PA 206, MCL211.9f) after 2013, unless both of the following conditions were satisfied:
  - » The application for the exemption was filed with the eligible local assessing district or the Next Michigan Development Corporation before August 5, 2014;
  - » The resolution approving the exemption states that the project is expected to have total new personal property of over $25 million within five years of the adoption of the resolution by the eligible local assessing district or Next Michigan Development Corporation.
- Personal property subject to an extended industrial facilities exemption certificate under Section 11a of 1974 PA 198, MCL 207.561a; and
- Personal property subject to an extended exemption under Section 9f(8) of the General Property Tax Act (1893 PA 206, MCL 211.9f).

Eligible distressed areas are those cities, villages and townships that exhibit higher than statewide average levels of economic distress, as defined under the Michigan State Housing Development Authority Act (Section 11 of Public Act 346 of 1966).

GENERAL OPERATING PRINCIPLES AND PARAMETERS

The MSF board will consider SESA Exemptions and Alternative SESAs for eligible claimants that will be making major qualifying investments for job creation or retention projects in Michigan.

The MSF board intends to consider projects that are site specific within a municipality, with preference given to projects in eligible distressed areas or projects that are transformational in nature. Qualifying investments must be made after MSF approval and completed within three years of the commencement of the project. In certain circumstances, the MSF board may allow investments made between August 5, 2014, and December 31, 2014, to count as qualifying investments. The terms and conditions of the qualifying investment must be acceptable to the MSF board.

The MSF intends to authorize SESA Exemptions for MSF-supported projects located in eligible distressed areas. Projects in non-distressed areas will be considered for an Alternative SESA if the MSF board determines the project is a transformational project. Transformational projects are projects that trigger a profound ripple effect of positive change that fundamentally enhances the fiscal capacity of state and local governments or redefines the identity and image of the state's economy.

SESA Exemption terms for projects located in eligible distressed areas and Alternative SESA terms for transformational projects in non-distressed areas are intended to be as follows:

- Projects that result in qualifying investments of $25 million to $100 million qualify for a five-year SESA Exemption or Alternative SESA.
- Projects that result in qualifying investments greater than $100 million qualify for a SESA Exemption or Alternative SESA of up to 15 years.

The MEDC will provide administrative services to the MSF for the program, including conducting due diligence, managing compliance processes, and coordinating pre-closing background checks as may be required by the chief compliance officer.

All SESA Exemptions and Alternative SESAs authorized will be performance based. The MEDC will require annual reporting of data, financial information, and any other information required to facilitate reporting to the MSF board, Department of Treasury, and Michigan Legislature.

The MEDC will require an administrative fee. The administrative fee will be 1.0 percent of the estimated exemption value. The administration fee will be capped at $10,000 and due in full upon successful completion of the first performance milestone.