



## MICHIGAN STRATEGIC FUND

### MEMORANDUM

**DATE:** March 16, 2020

**TO:** The Honorable Jim Stamas, Chair  
Senate Appropriations Committee

The Honorable Curtis Hertel, Jr.  
Minority Vice Chair  
Senate Appropriations Committee

The Honorable Roger Victory, Chair  
Senate Appropriations Subcommittee on  
General Government

The Honorable Ken Horn, Chair  
Senate Appropriations Subcommittee on  
Labor and Economic Opportunity/MEDC

The Honorable Shane Hernandez, Chair  
House Appropriations Committee

The Honorable Jon Hoadley  
Minority Vice Chair  
House Appropriations Committee

The Honorable Mark Huizenga, Chair  
House Appropriations Subcommittee on  
General Government

The Honorable Terry Sabo  
Minority Vice Chair  
House Appropriations Subcommittee on  
General Government

**FROM:** Mark Burton, President  
Michigan Strategic Fund

**SUBJECT:** Section 1050 – Business Attraction and Community Revitalization Outcomes and  
Performance Measures

Section 1050 of Public Act 56 of 2019 requires the identification of specific outcomes and performance measures for business attraction and community revitalization funds, including total verified jobs, total private investment and amount of private and public square footage created and reactivated during the fiscal year ending September 30, 2020. Also required are the results and data related to these outcomes and measures for the prior fiscal year, if available.

Because this report is required at an early point in the fiscal year, there is no data to report for FY 2020. Data for the prior fiscal years, where available, is attached. We will send a subsequent report with interim data for FY 2020 before the end of the fiscal year.

If you have any questions, please contact our Office of Government Relations at 517.335.1847.

Attachment

cc: Members, Senate and House Appropriations Committees  
Members, Senate and House Appropriations Subcommittees on General Government  
Members, Senate Appropriations Subcommittee on Labor and Economic Opportunity/MEDC  
Chris Kolb, State Budget Director  
Chris Harkins, Director, Senate Fiscal Agency  
Mary Ann Cleary, Director, House Fiscal Agency

**Section 1050 Report on Business Attraction and Community Revitalization Funds**  
**Public Act 56 of 2019**  
**Outcomes and Performance Measures**

Section 1050(1) of the General Government Omnibus Budget, PA 56 of 2019, requires identification of specific outcomes and performance measures for funds appropriated in part 1 for business attraction and community revitalization. These funds encompass the Michigan Business Development Program (MBDP) and the Michigan Community Revitalization Program (MCRP), authorized under the Michigan Strategic Fund Act. The outcomes and performance measures include:

- Total verified jobs for business attraction during FY 2020
- Total private investment for business attraction and community revitalization programs during FY 2020
- Amount of private and public square footage created and reactivated through the community revitalization program during FY 2020

Section 1050(2) requires the report to include specific outcomes and measures under subsection (1) and provide results and data related to these outcomes and measures for the prior fiscal year if available.

The MBDP is an incentive program available from the MSF, in cooperation with the Michigan Economic Development Corporation (MEDC). The program is designed to provide grants, loans and other economic assistance to businesses for highly competitive projects in Michigan that create jobs and/or provide investment. All awards are performance-based.

Verified jobs (Actual jobs created) reflect the number of jobs a company has created to reach a milestone and receive a disbursement. All project milestones and disbursement requests are reviewed and verified through a consistent compliance process.

The MCRP's purpose is to accelerate private investment in Michigan's communities through the redevelopment of functionally obsolete properties, reduction of blight and the reuse of brownfield and historic properties. Job creation is not a focus of this program. FY 2019 represents the eighth year of the transition from Brownfield tax credits to MCRP, a grant, loan and equity investment program. MCRP functions as a deal closing mechanism to address cost gaps and market deficiencies. The program provides incentives for projects that offset the excess costs of the redevelopment opportunity. Loans and other investment vehicles also are provided in conjunction with senior lenders and are required for any incentive over \$1.5 million.

At the time of this report, FY 2020 is in its very early stages. Therefore, there is no data to report for FY 2020. Charts demonstrating the outcomes of these performance measures for previous fiscal years follow.

Please note, the MCRP only revitalizes private square footage, not public square footage. Therefore, there is no data to report for public square footage created and reactivated.

# MBDP EFFECTIVENESS UPDATE

90%  
Effectiveness

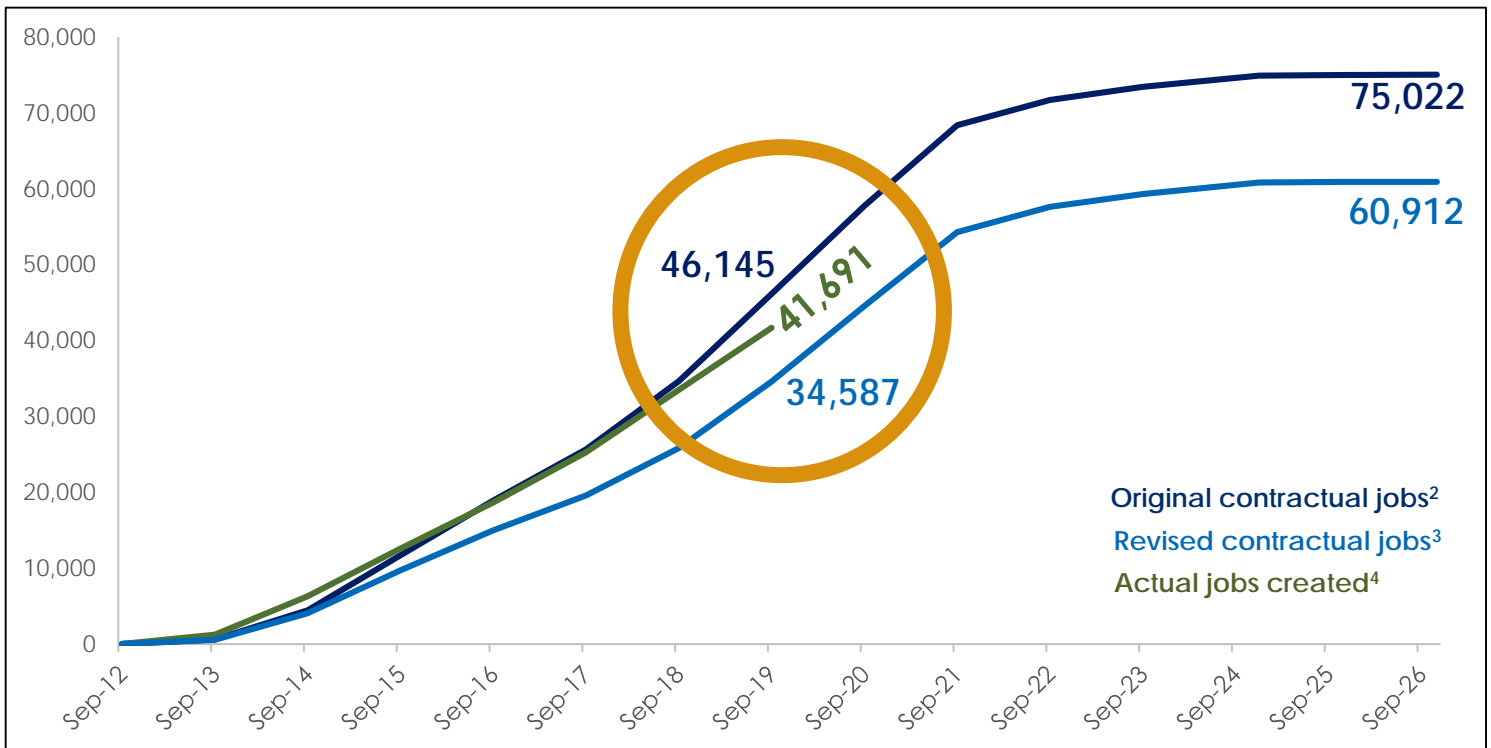
90% of jobs originally committed to be created are verified as created<sup>1</sup>

41,691  
Verified Jobs

To date, companies have created 41,691 verified jobs

\$6,792  
Cost Per Job

To date, the MBDP Program has a \$6,792 Cost Per Job



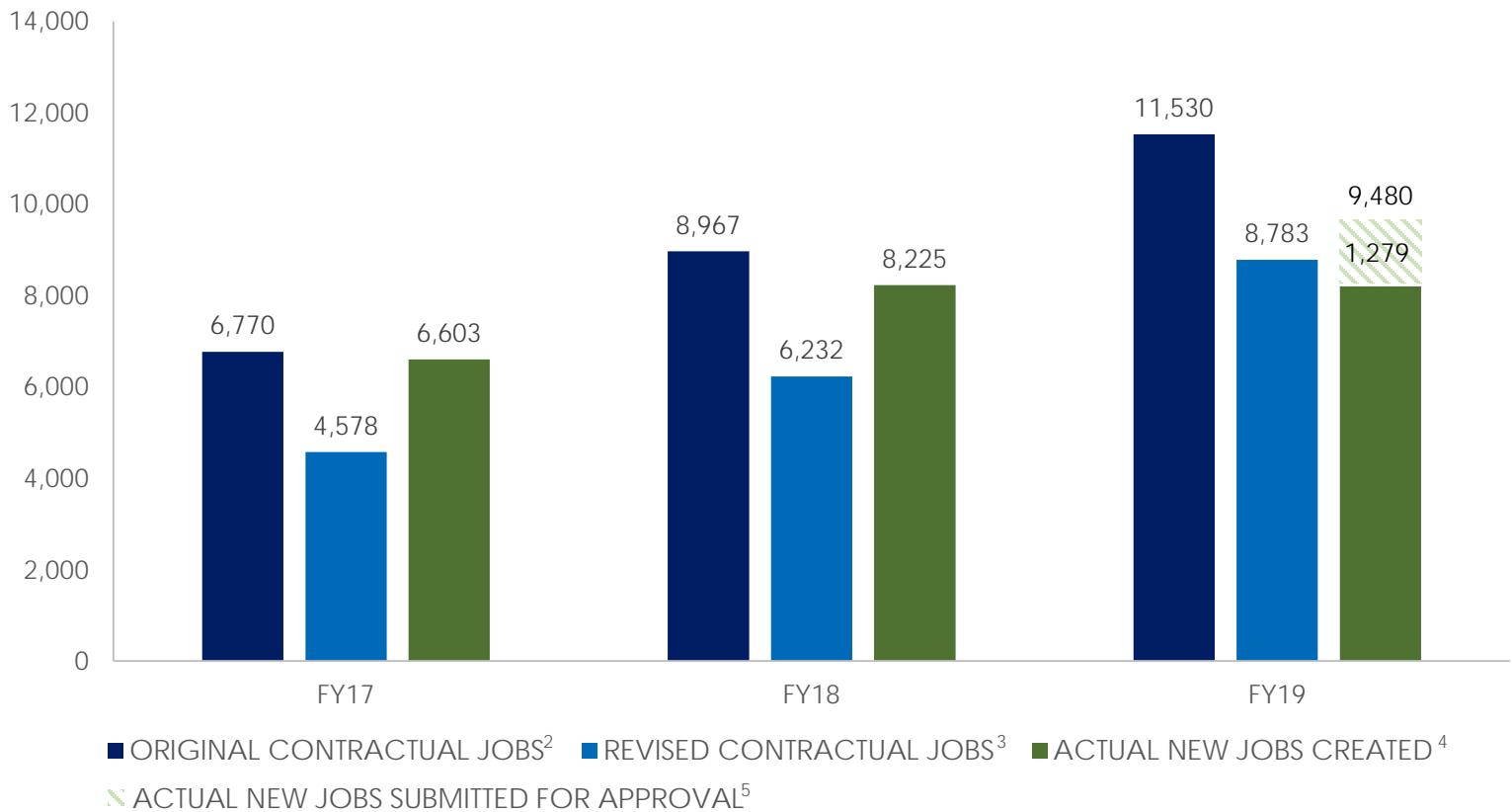
1. Actual jobs created reporting period from September 2012 to September 2019.

2. "Original Contractual Jobs" are jobs that companies are contractually committed to create by a certain date which includes deals that have been dismissed.

3. "Revised Contractual Jobs" are the milestone jobs contractually committed to be created of active deals as opposed to all deals.

4. "Actual Jobs Created" are new jobs verified via a sampling method. Fifteen percent of a random sample of new hires, usually a minimum of 5 and a maximum of 100 new hires are evaluated against payroll data. This does not include verified jobs from terminated agreements due to data complexity.

# MBDP JOBS BREAKDOWN<sup>1</sup>



1. Data as of September 30, 2019.

2. "Original Contractual Jobs" are jobs that companies are contractually committed to create by a certain date which includes deals that have been dismissed.

3. "Revised Contractual Jobs" are the milestone jobs contractually committed to be created of active deals as opposed to all deals.

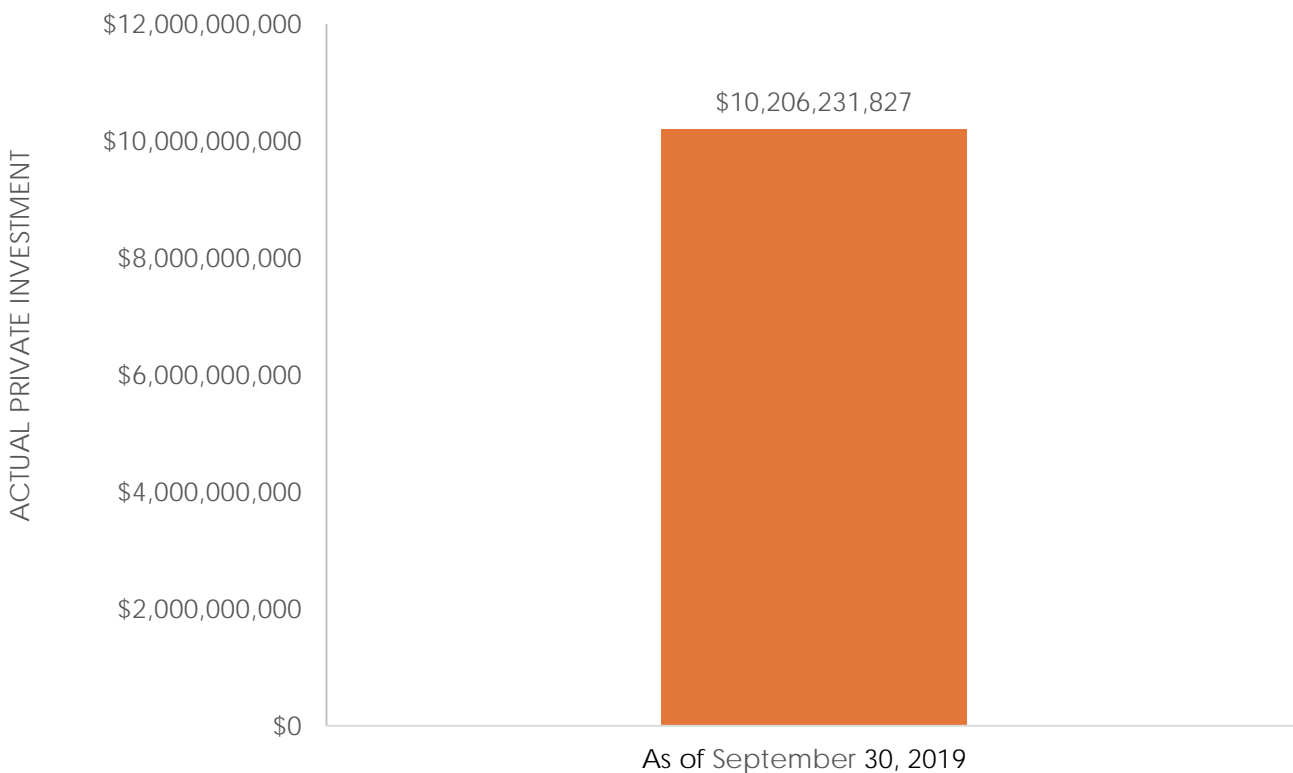
4. "Actual Jobs Created" are new jobs verified via a sampling method. Fifteen percent of a random sample of new hires, usually a minimum of 5 and a maximum of 100 new hires are evaluated against payroll data. This does not include verified jobs from terminated agreements due to data complexity.

5. "Actual New Jobs Submitted for Approval" are new jobs that companies have created and are pending verification by MEDC's Compliance team.

# MBDP ACTUAL PRIVATE INVESTMENT<sup>1</sup>

\$10.2B  
Actual Private  
Investment

*To date, companies have reported \$10.2B Actual Private Investment per the most recent progress report.*

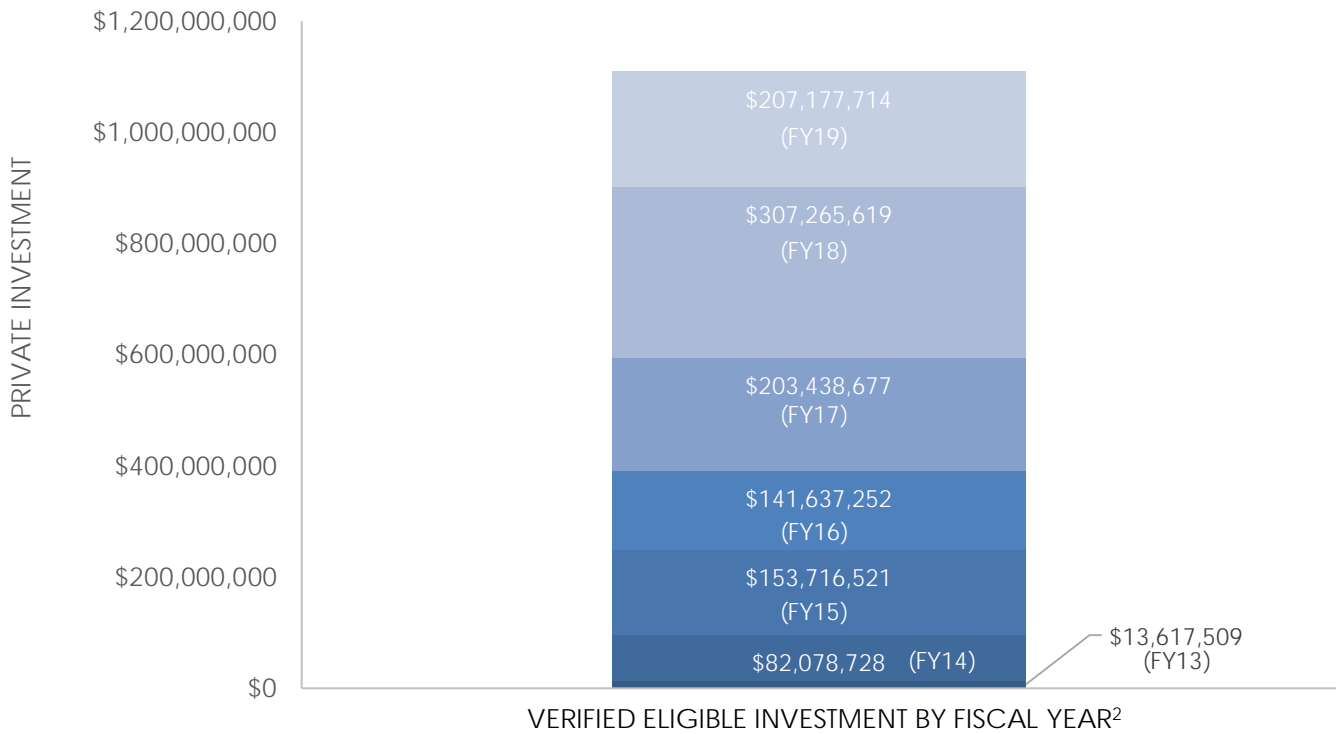


1. The MBDP Actual Private Investment is the actual investment that has been made at the project site as reported by the Company per the most progress report. It captures the investment made to-date for the life of the MBDP program.

# MCRP VERIFIED ELIGIBLE INVESTMENT<sup>1</sup>

\$1.1B  
Verified Eligible  
Investment

*To date, projects have created \$1.1B in verified investment.*



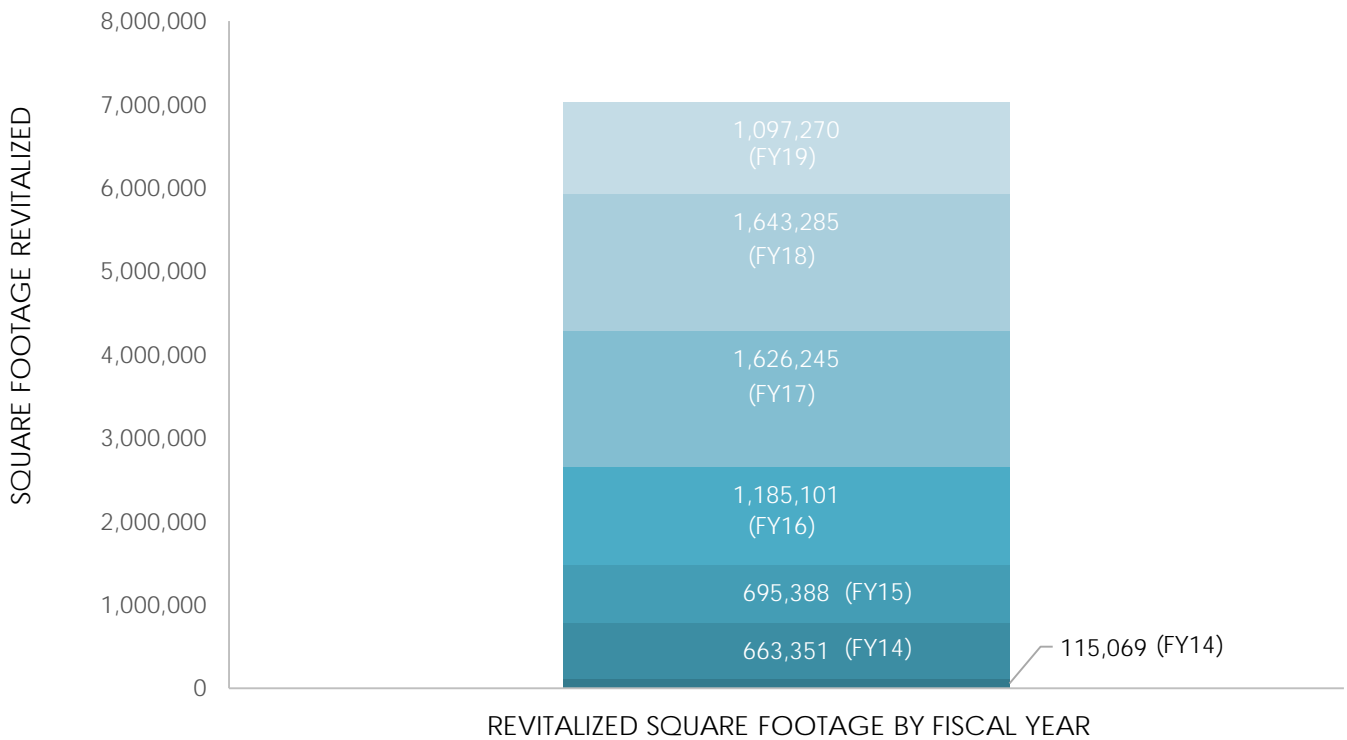
1. Verified Eligible Investment means the actual Hard Costs incurred and paid by the Company on the Project. Hard Costs include demolition, construction, alteration, rehabilitation or improvement of buildings, site improvements, the addition of machinery, equipment or fixtures to the property, or Professional fees or costs for the Project for architectural services, engineering services, Phase I environmental site assessment, Phase II environmental site assessment, Baseline Environmental Assessment or surveying services.

2. Verified Eligible Investment reflects the year the investment occurred.

# MCRP REVITALIZED SQUARE FOOTAGE<sup>1</sup>

7.0M  
Revitalized  
Square Footage

*To date, projects have revitalized 7.0M in square footage.*



1. Revitalized Square Footage is self-reported for each project and has not been verified. Some projects may have benefited from additional incentives (e.g. Brownfield TIF).