



MICHIGAN STRATEGIC FUND

MEMORANDUM

DATE: March 15, 2019

TO: The Honorable Jim Stamas, Chair The Honorable Shane Hernandez, Chair
Senate Appropriations Committee House Appropriations Committee

FROM: Jeff Mason, President
Michigan Strategic Fund

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

Section 1050 of Public Act 207 of 2018 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, 2019. 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 2019. Data for previous fiscal years is attached.

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

Attachment

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

Section 1050 – PA 207 of 2018 Report on Business Attraction and Community Revitalization Funds

Outcomes and Performance Measures

Section 1050 of the General Government Omnibus Budget, PA 207 of 2018, 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 (MSF) Act. The outcomes and performance measures include:

- Total verified jobs
- Total private investment
- Amount of private and public square footage created and reactivated

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 2018 represents the seventh 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 are also provided in conjunction with senior lenders and are required for any incentive over \$1.5 million.

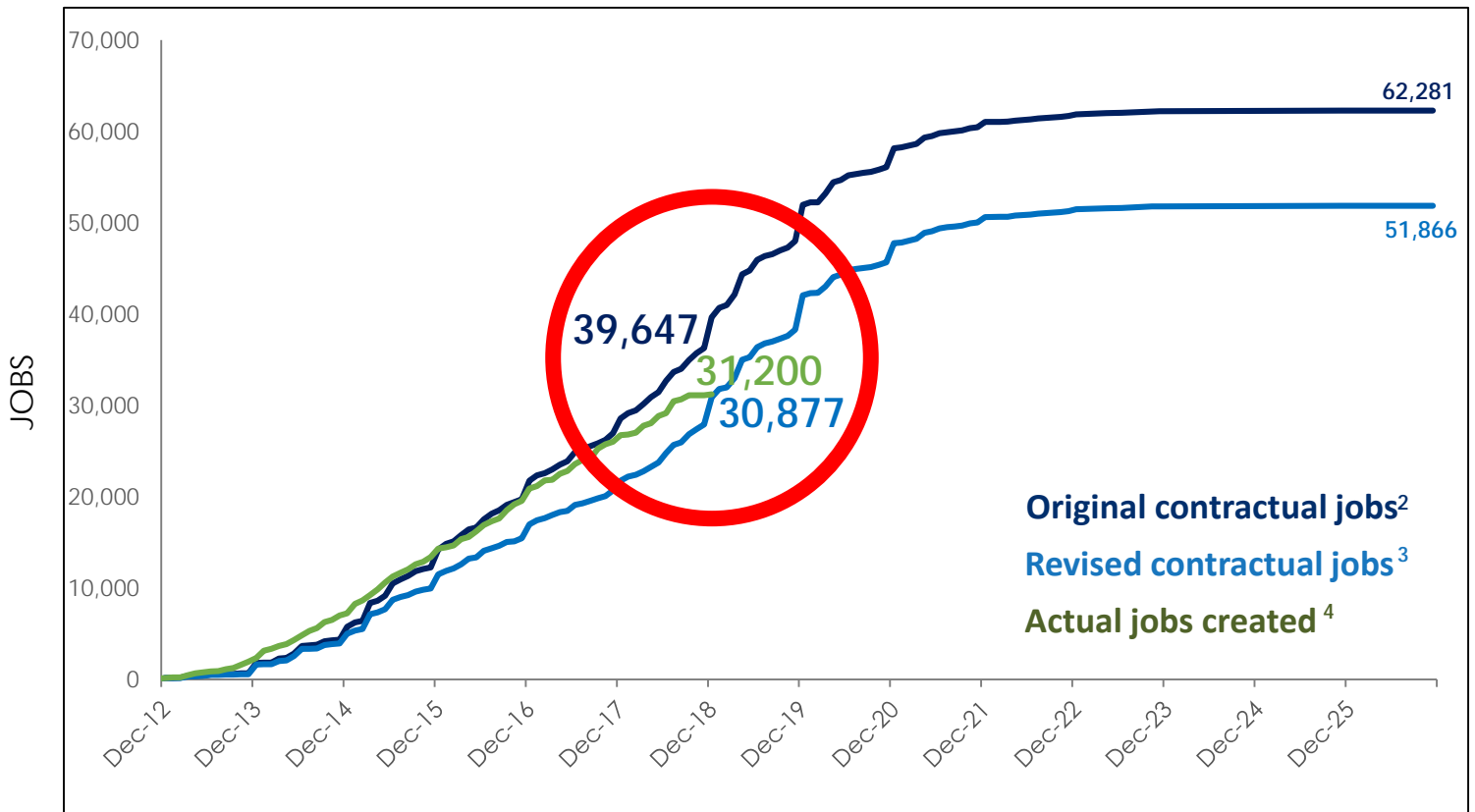
At the time of this report, FY 2019 is in its very early stages. Therefore, there is no data to report for FY 2019. Charts demonstrating the outcomes of these performance measures for previous fiscal years follow.

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.

BDP EFFECTIVENESS

TO DATE, COMPANIES HAVE CREATED **31,200** VERIFIED JOBS, COMPARED TO **30,877** JOBS CONTRACTUALLY COMMITTED TO BE CREATED

\$7,001 COST PER JOB



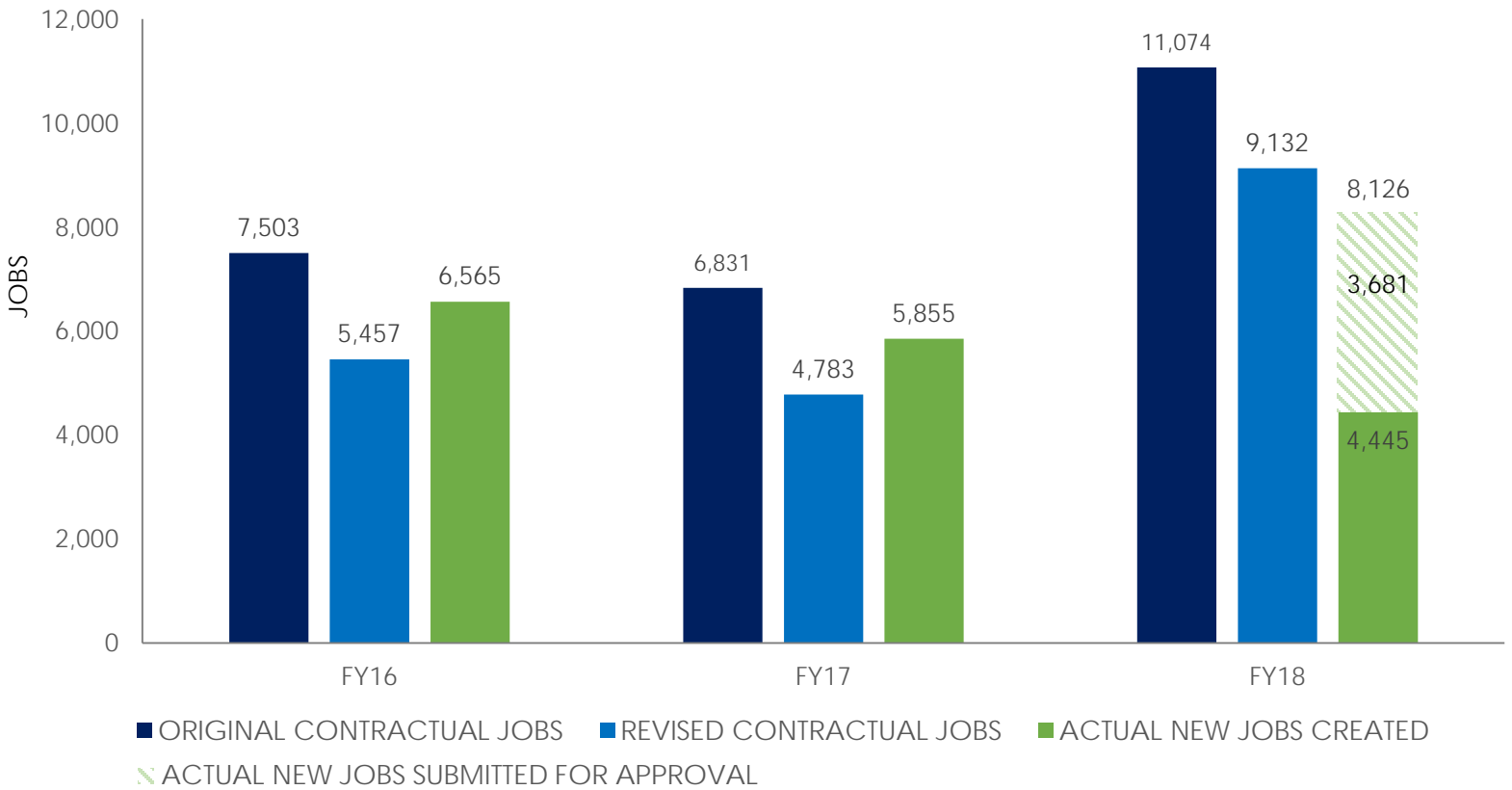
1. Data as of September 30, 2018.

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.

BDP JOBS BREAKDOWN



1. Data as of September 30, 2018.

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.

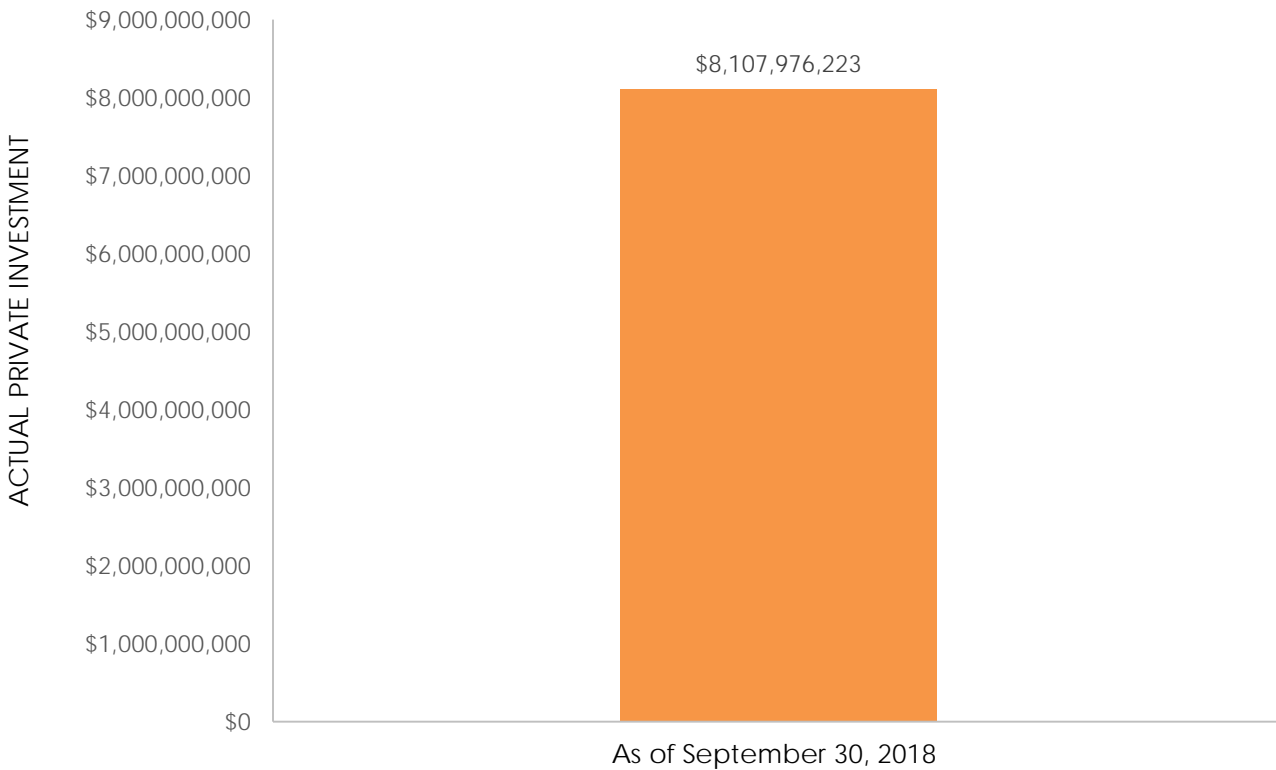
5. "Actual New Jobs Submitted for Approval" are new jobs that companies have created and are pending verification by MEDC's Compliance team.

MBDP – ACTUAL PRIVATE INVESTMENT¹

TO DATE,
COMPANY'S HAVE REPORTED

\$8,108.0M

ACTUAL PRIVATE INVESTMENT PER
THE MOST RECENT PROGRESS REPORT



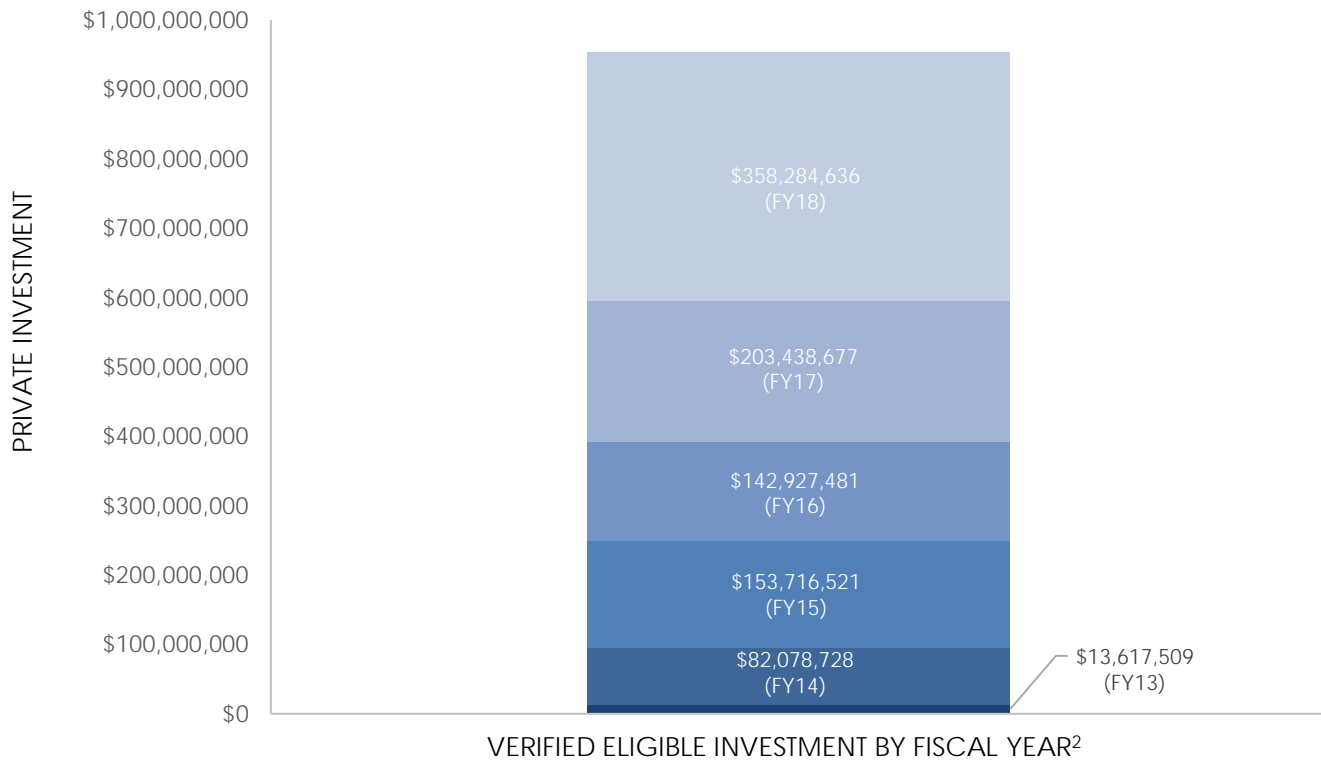
1. The MBDP Actual Private Investment is the actual investment that has been made at the project site as reported by the Company per the most progress report. It captures the investment made to-date for the life of the MBDP program.

MCRP – VERIFIED ELIGIBLE INVESTMENT¹

TO DATE,
PROJECTS HAVE CREATED

\$954.0M

IN VERIFIED
INVESTMENT



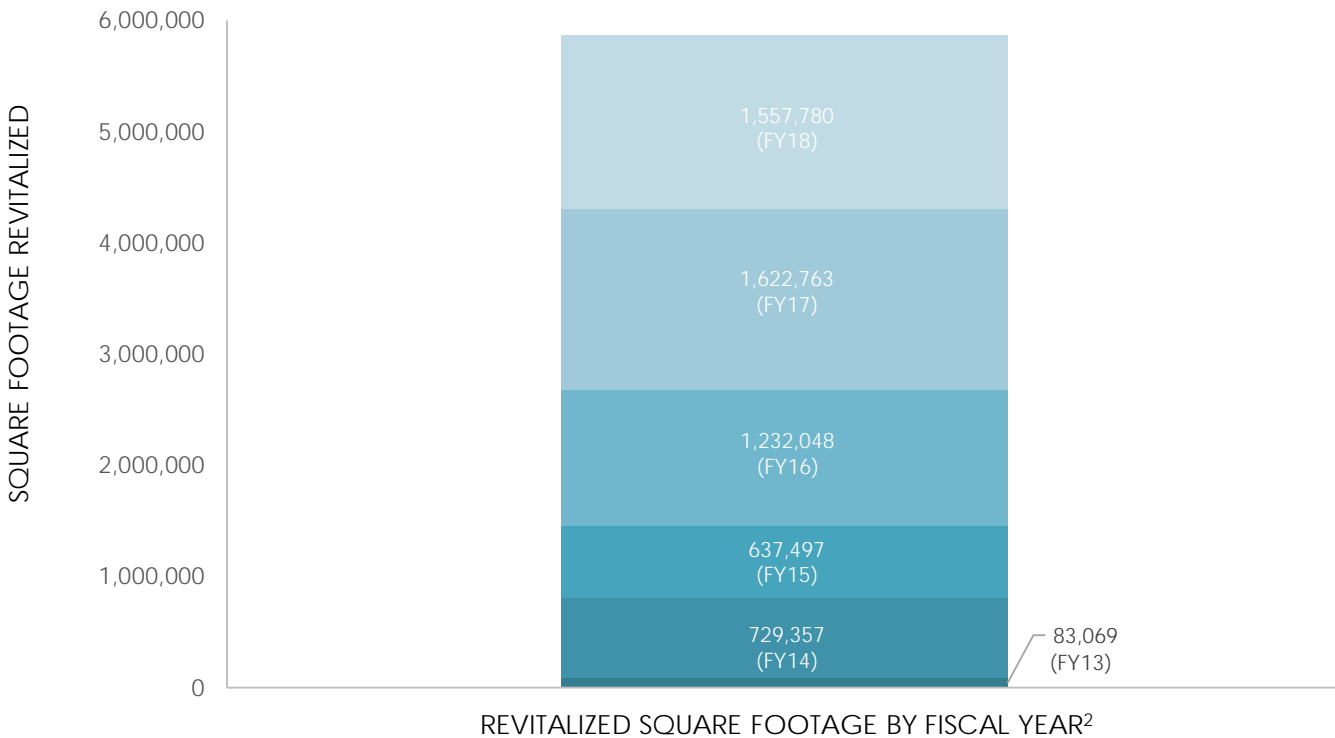
1. Verified Eligible Investment means the actual Hard Costs incurred and paid by the Company on the Project. Hard Costs include demolition, construction, alteration, rehabilitation or improvement of buildings, site improvements, the addition of machinery, equipment or fixtures to the property, or Professional 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. In 2017, the Verified Eligible Investment was based on the year the project was approved. In 2018, the Verified Eligible Investment is based on the year the investment occurred.

MCRP - REVITALIZED SQUARE FOOTAGE¹

TO DATE,
PROJECTS HAVE REVITALIZED

5.9M

IN SQUARE
FOOTAGE



1. In 2017, the Revitalized Square Footage was based on the year the project was approved. In 2018, the Revitalized Square Footage is based on the year the investment occurred.
2. 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).