



## MICHIGAN STRATEGIC FUND

### MEMORANDUM

**DATE:** March 15, 2018

**TO:** The Honorable Jim Stamas, Chair      The Honorable Rob VerHeulen, Chair  
Senate Appropriations Subcommittee      House Appropriations Subcommittee  
on General Government                      on General Government

**FROM:** Jeff Mason, President  
Michigan Strategic Fund

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

Section 1050 of Public Act 107 of 2017 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, 2018. 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 2018. Data for FY 2015, FY 2016 and FY 2017 is attached.

If you have any questions, please contact our Office of Legislative Affairs at 517.335.1847.

Attachment

cc: Members, Senate and House Appropriations Subcommittees on General Government  
John Walsh, State Budget Director  
Ellen Jeffries, Director, Senate Fiscal Agency  
Mary Ann Cleary, Director, House Fiscal Agency

## **Section 1050 – PA 107 of 2017 Report on Business Attraction and Community Revitalization Funds**

### **Outcomes and Performance Measures**

Section 1050 of the General Government Omnibus Budget, PA 107 of 2017, 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
- 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 2017 represents the sixth 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 2018 is in its very early stages. Therefore, there is no data to report for FY 2018. Charts demonstrating the outcomes of these performance measures for FY 2015, FY 2016 and FY 2017 follow.

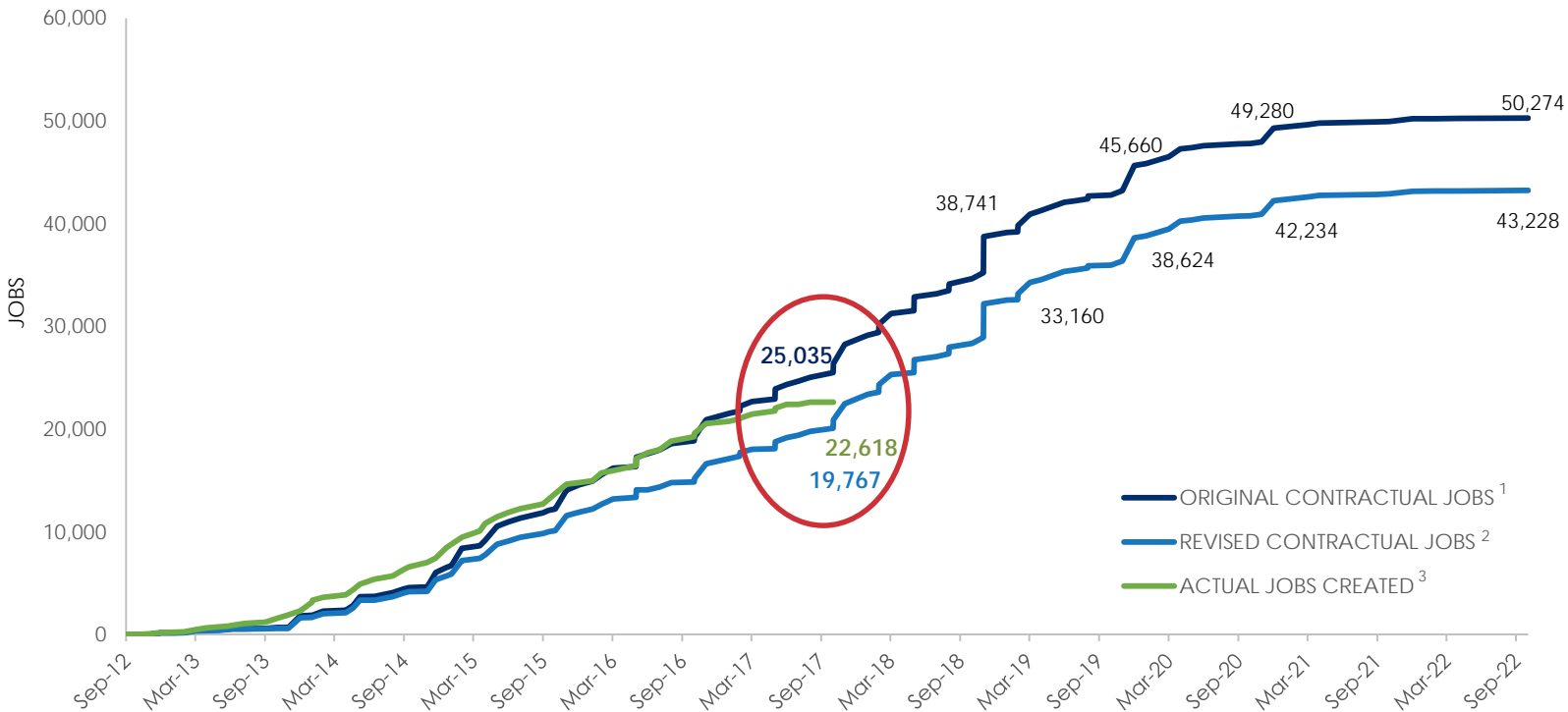
Please note, the MCRP only revitalizes private square footage, not public square footage. Therefore, there is no data to report for public square footage created and reactivated.

# MBDP EFFECTIVENESS

TO DATE, COMPANIES HAVE CREATED **22,618** VERIFIED JOBS, COMPARED TO **19,767** JOBS CONTRACTUALLY COMMITTED TO BE CREATED

**\$7,882** COST PER JOB

LEVERAGE RATIO **19.5**

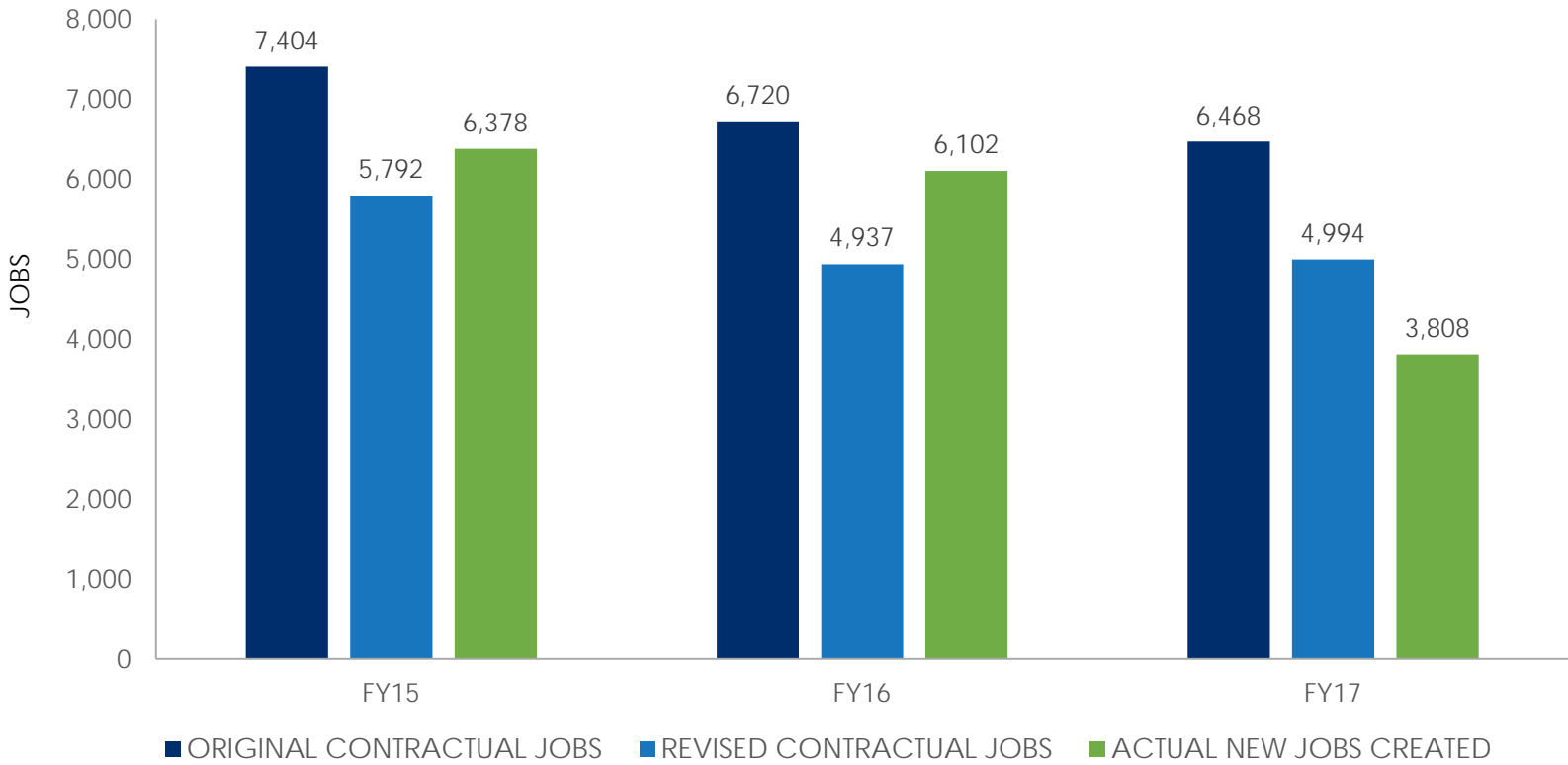


1. "Original Contractual Jobs" are jobs that companies are contractually committed to create by a certain date which includes deals that have been dismissed.

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

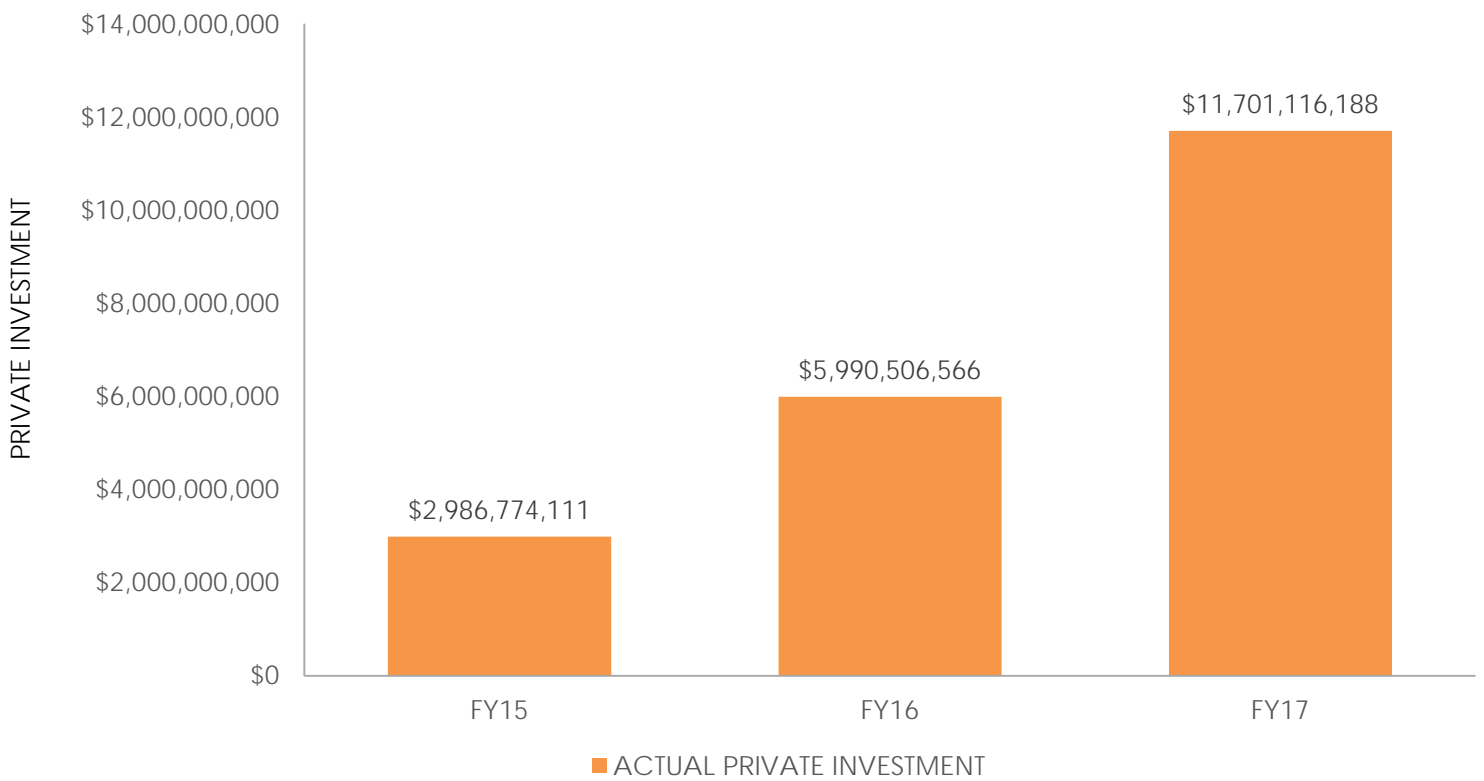
3. "Actual Jobs Created" are new jobs verified via a sampling method. Fifteen percent of a random sample of new hires, usually a minimum of 5 and a maximum of 100 new hires, are evaluated against payroll data. This does not include verified jobs from terminated agreements due to data complexity.

# MBDP JOBS BREAKDOWN



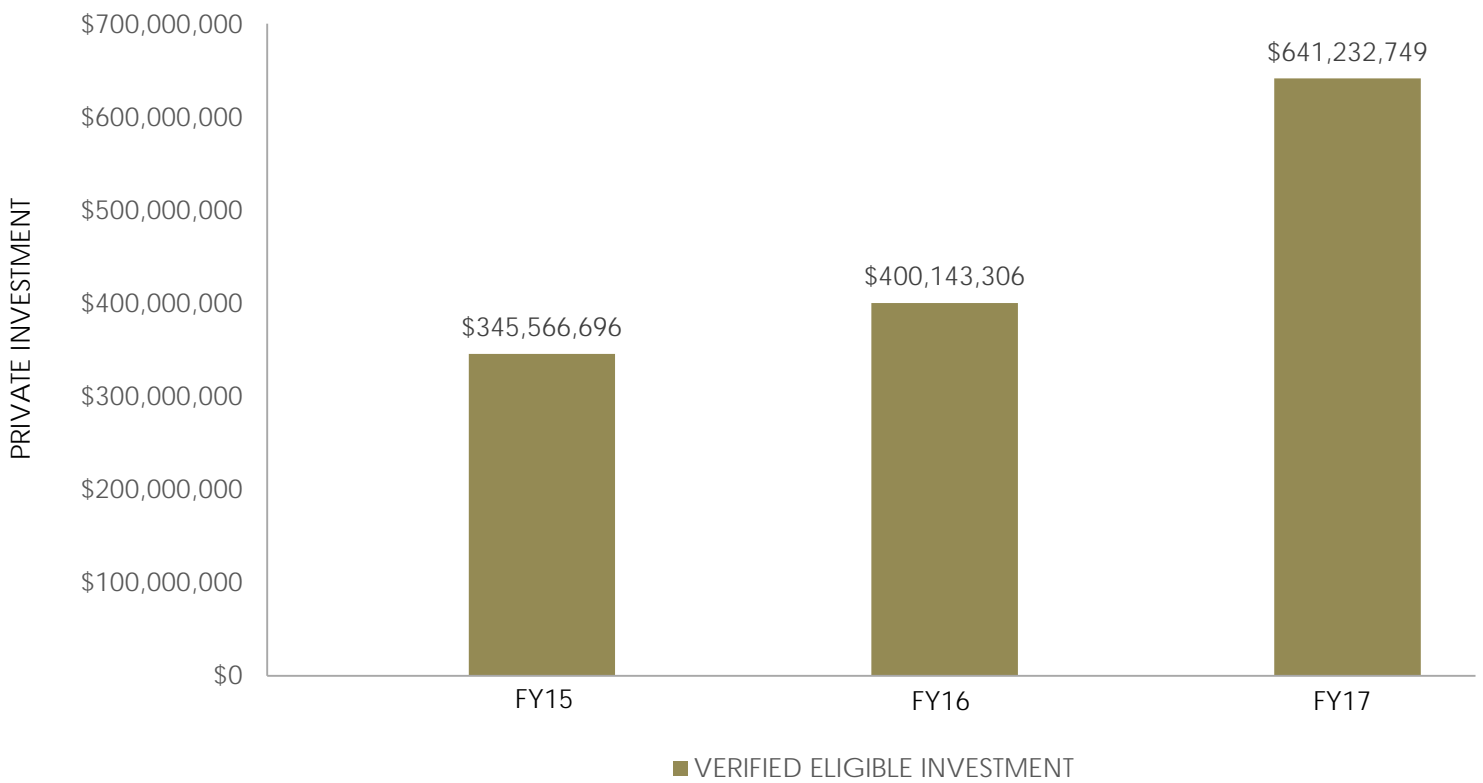
1. "Original Contractual Jobs" are jobs that companies are contractually committed to create by a certain date which includes deals that have been dismissed.  
 2. "Revised Contractual Jobs" are the milestone jobs contractually committed to be created of active deals as opposed to all deals.  
 3. "Actual 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 – CUMULATIVE ACTUAL PRIVATE INVESTMENT<sup>1</sup>



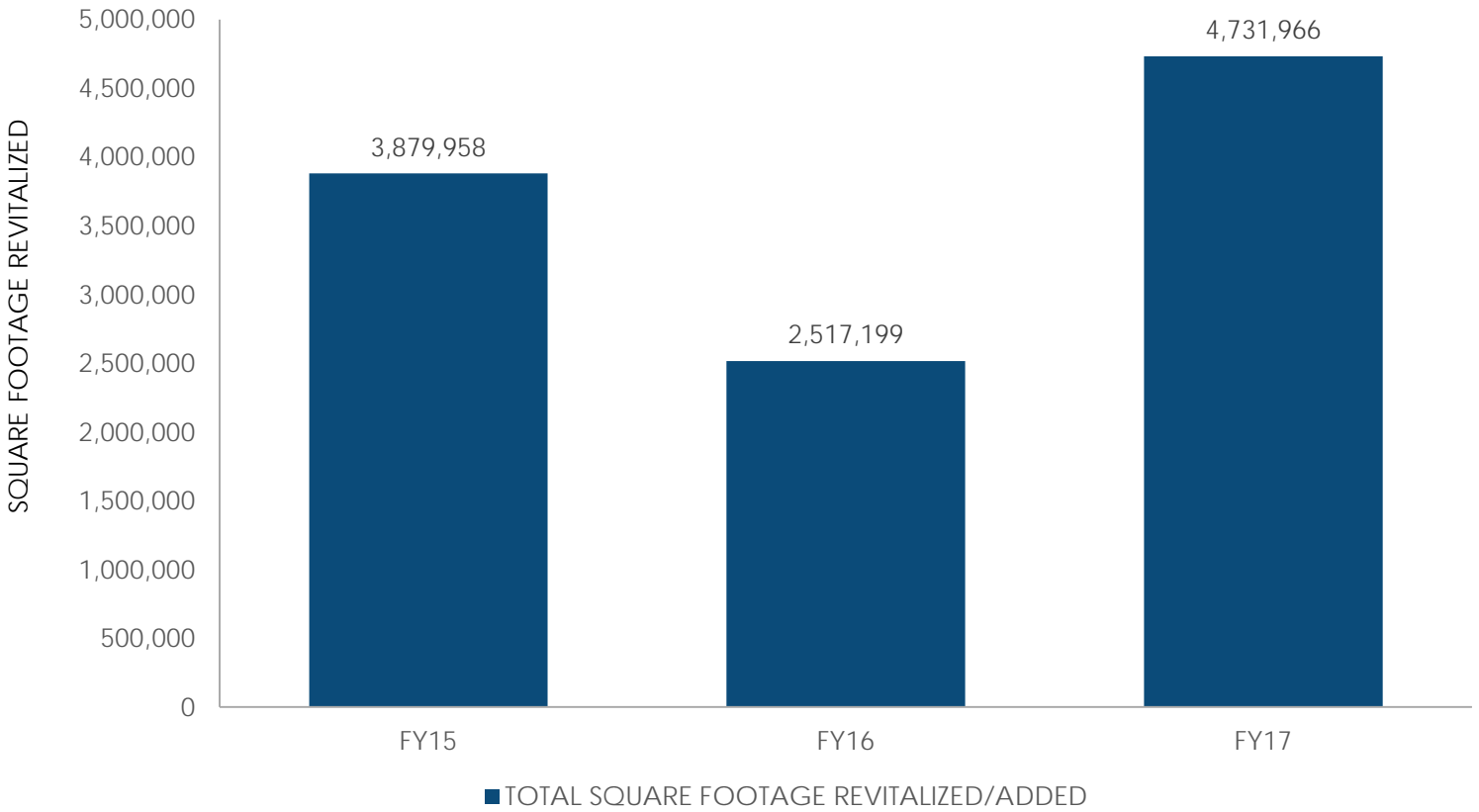
1. The MBDP Actual Private Investment is the actual investment reported by the Company that has been made at the project site.

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



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.

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



1. Cumulative Revitalized Square Footage decreased in FY16 due to a change in reporting. FY15 included projected revitalized square footage, while FY16 and later only include revitalized square footage upon project completion.