



MICHIGAN STRATEGIC FUND

MEMORANDUM

DATE: March 15, 2024

TO: The Honorable Sarah Anthony, Chair
Senate Appropriations Committee

The Honorable Jon Bumstead
Minority Vice Chair
Senate Appropriations Committee

The Honorable Mary Cavanagh, Chair
Senate Appropriations Subcommittee on
Labor and Economic Opportunity/MEDC

The Honorable Mark Huizenga
Minority Vice Chair
Senate Appropriations Subcommittee on
Labor and Economic Opportunity/MEDC

The Honorable Angela Witwer, Chair
House Appropriations Committee

The Honorable Sarah Lightner
Minority Vice Chair
House Appropriations Committee

The Honorable Will Snyder, Chair
House Appropriations Subcommittee on Labor,
Economic Development, and Lifelong Learning

The Honorable Greg VanWoerkom
Minority Vice Chair
House Appropriations Subcommittee on Labor,
Economic Development, and Lifelong Learning

FROM: Quentin L. Messer Jr., President
Michigan Strategic Fund

SUBJECT: Section 528 – Business Attraction and Community Revitalization Outcomes and Performance Measures

Section 528 of Public Act 119 of 2023 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 prior fiscal year. Also required are the results and data related to these outcomes and measures for the prior fiscal year, if available. To fulfill these requirements, data for FY 2023 is attached.

Please contact our Office of Legislative Affairs at medcgovrelations@michigan.org if you have any questions. In addition, please do not hesitate to contact me at messerq@michigan.org.

Attachment

cc: Members, Senate and House Appropriations Committees
Members, Senate Appropriations Subcommittee on Labor and Economic Opportunity/MEDC
Members, House Appropriations Subcommittee on Labor, Economic Development, and Lifelong Learning
Jen Flood, State Budget Director
Kathryn Summers, Director, Senate Fiscal Agency
Mary Ann Cleary, Director, House Fiscal Agency

Section 528 Report
Business Attraction and Community Revitalization Funds
Public Act 119 of 2023
Outcomes and Performance Measures

Section 528(1) of Public Act 119 of 2023, 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 created by the business attraction program during the prior fiscal year.
- Total private investment obtained through the business attraction and community revitalization programs during the prior fiscal year.
- The amount of private and public square footage created and reactivated through the community revitalization program during the prior fiscal year.

Section 528(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.

MBDP milestones may be amended or dismissed, thus causing values to shift to subsequent years reports and amended for prior years.

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 2023 represents the twelfth 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.

This report for FY 2023 provides data and charts demonstrating the outcomes of these performance measures for the fiscal year.

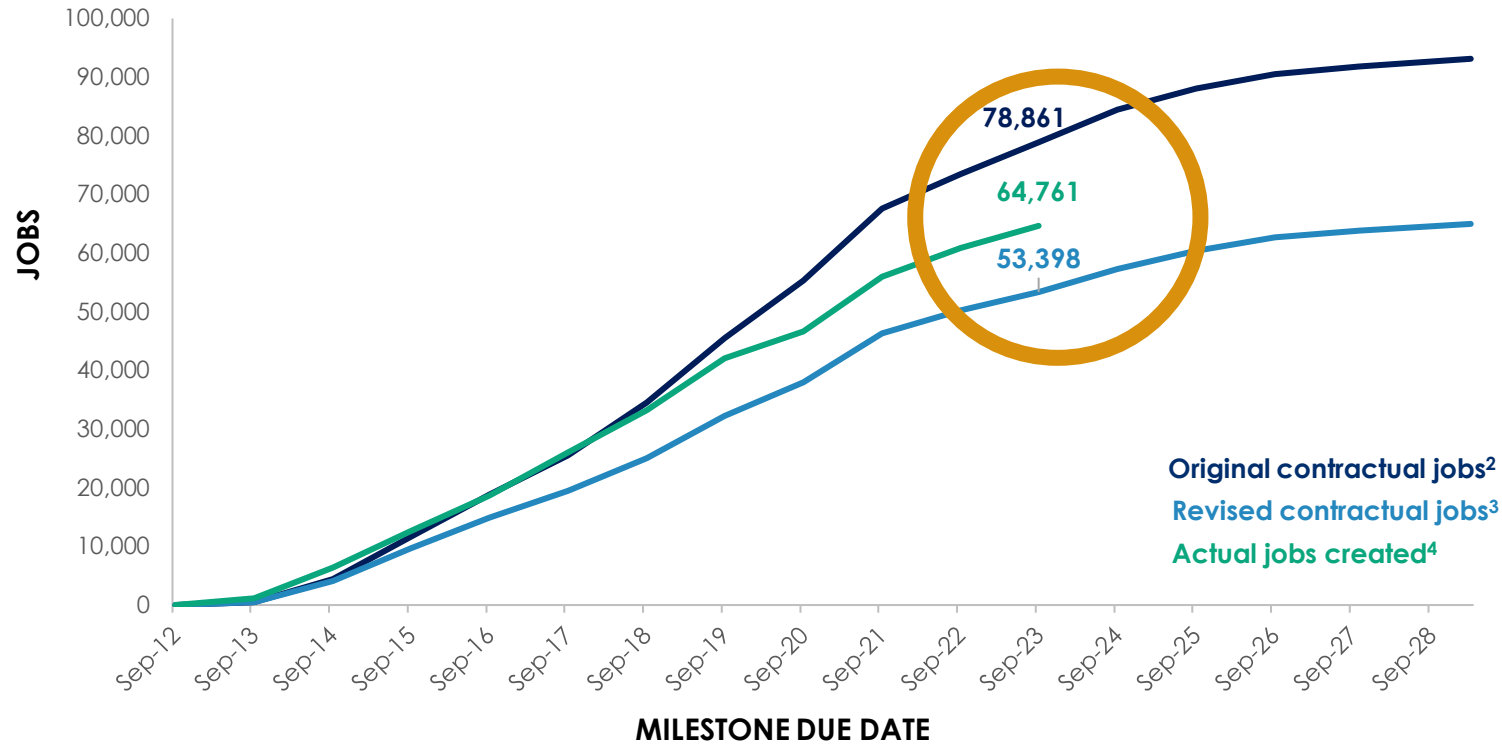
Please note the MCRP only revitalizes private square footage, not public square footage. Therefore, there is no data to report for public square footage created and reactivated.

MICHIGAN BUSINESS DEVELOPMENT PROGRAM EFFECTIVENESS UPDATE

Fiscal Years 2012 – 2023

82%
Effectiveness

82% of jobs originally committed to be created are verified as created¹



Description: The Michigan Business Development Program (MBDP) Effectiveness Update measures the performance of the program by comparing the actual jobs companies who received a MBDP incentive created against the jobs they initially committed in contracted agreements.

Why it Matters: Since 2012, MBDP has provided grants to businesses for competitive projects that create new jobs and spur investment. This biannual effectiveness update provides an at-a-glance measurement of how effective the program is in creating incented jobs.

Key Takeaways:

- **82%** of jobs originally committed to be created are verified as created¹ as of September 2023.
 - This percentage is based off the original contracted jobs which are all the jobs that companies originally committed to create regardless of the current status of the project (e.g., Dismissed, Terminated, Repayment, in default, etc.).
- As of September 2023, companies who have received an MBDP and completed at least one milestone have created 64,761 verified jobs, sometimes exceeding original commitments.
- As of September 2023, the original contractual jobs committed have been reduced by roughly 25,400 jobs, taking into account projects that have been dismissed, terminated, are in repayment, or are otherwise inactive.

1. Analysis period covers milestone due dates from September 2012 through September 2023.

2. "Original Contractual Jobs" are the milestone jobs that companies are contractually committed to create by a certain date from all approved MBDP deals, including those that have been dismissed.

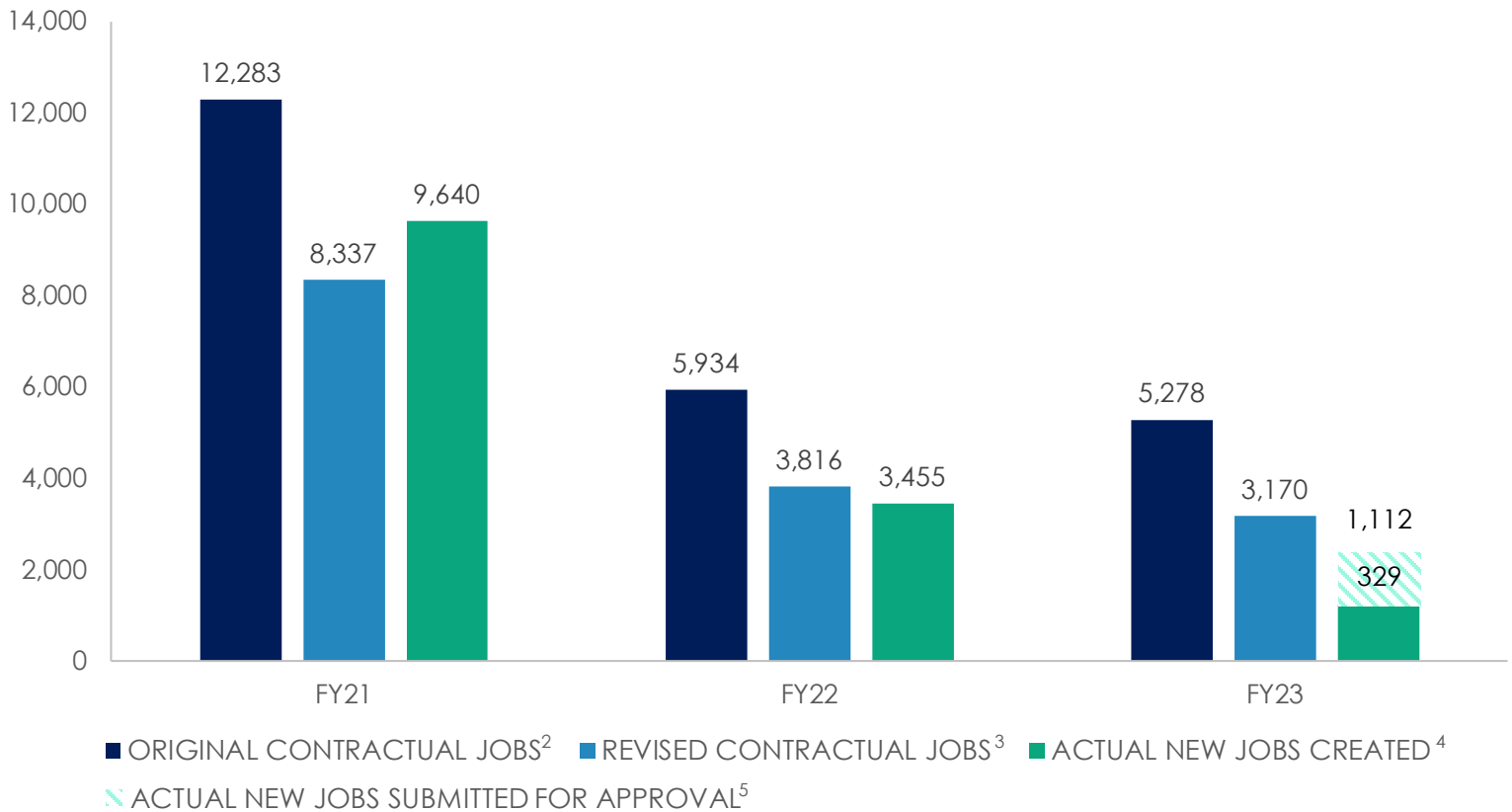
3. "Revised Contractual Jobs" are the milestone jobs contractually committed to be created for active deals as opposed to all deals (i.e., Revised Contractual Jobs excludes dismissed, terminated, and otherwise inactive projects).

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.



MICHIGAN BUSINESS DEVELOPMENT PROGRAM JOBS BREAKDOWN¹

Fiscal Years 2021 - 2023



1. Data as of September 30, 2023.

2. "Original Contractual Jobs" are the milestone jobs that companies are contractually committed to create by a certain date from all approved MBDP deals, including those that have been dismissed.

3. "Revised Contractual Jobs" are the milestone jobs contractually committed to be created for active deals as opposed to all deals (i.e., Revised Contractual Jobs excludes dismissed, terminated, and otherwise inactive projects).

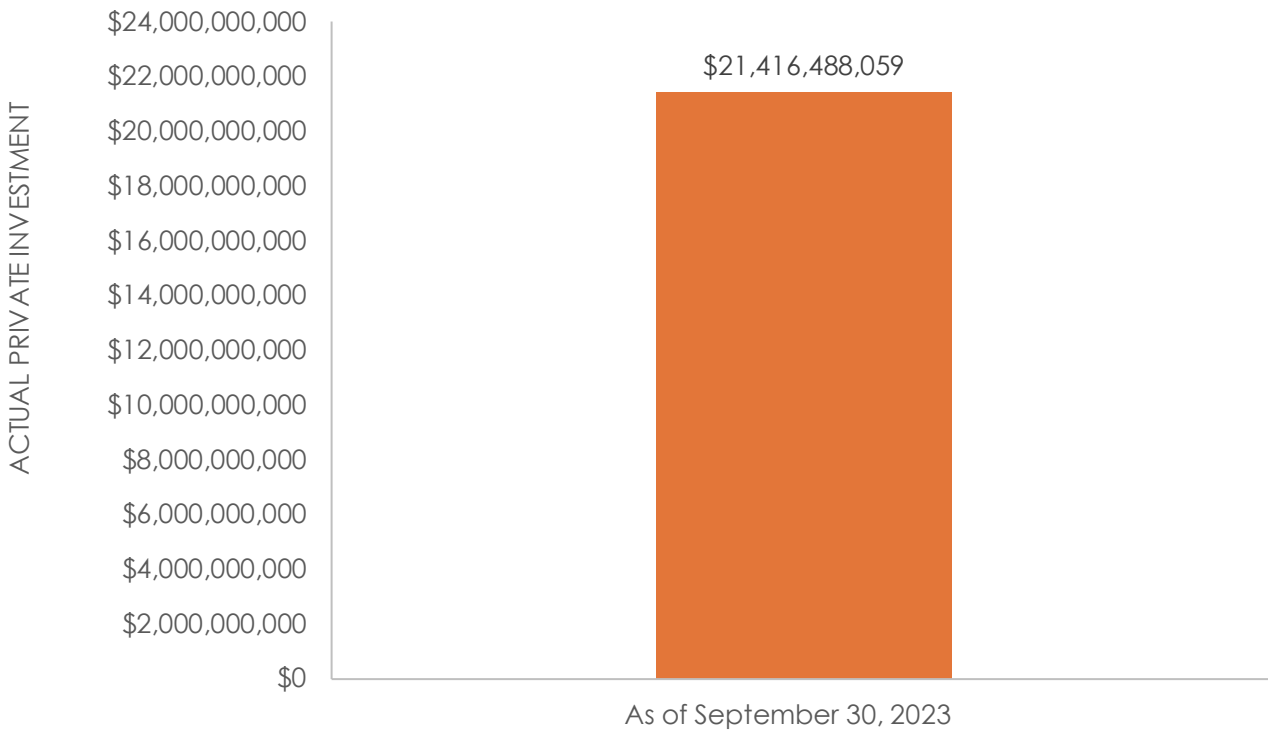
4. "Actual Jobs Created" are new jobs verified via a sampling method. Fifteen percent of a random sample of new hires, usually a minimum of 5 and a maximum of 100 new hires are evaluated against payroll data. This does not include verified jobs from terminated agreements due to data complexity.

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

MICHIGAN BUSINESS DEVELOPMENT PROGRAM ACTUAL PRIVATE INVESTMENT¹

\$21.4B
Actual Private Investment

As of September 30, 2023, companies have reported \$21.4B Actual Private Investment per most recent progress reports.



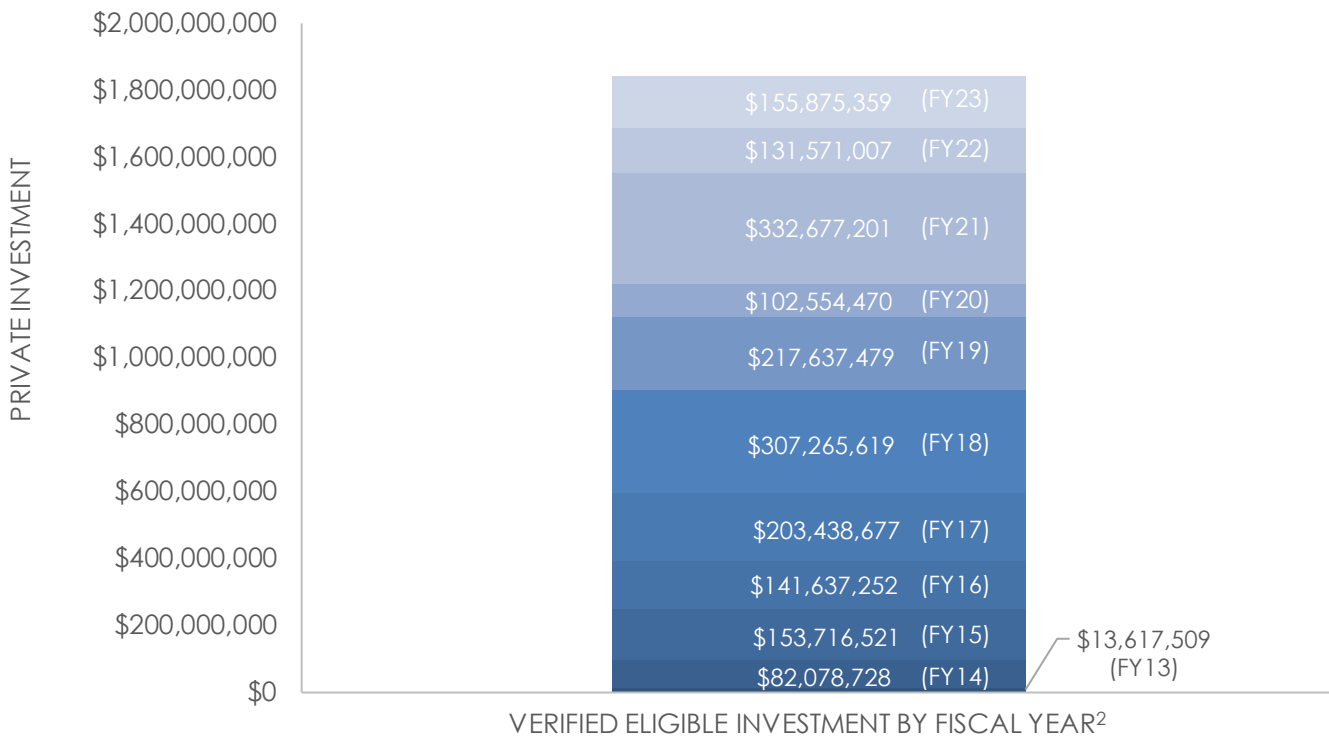
1. The MBDP Actual Private Investment is the actual investment that has been made at the project site as reported by the Company per the most progress report. It captures the investment made to-date for the life of the MBDP program.

MICHIGAN COMMUNITY REVITALIZATION PROGRAM VERIFIED ELIGIBLE INVESTMENT¹

Fiscal Years 2013 - 2023

\$1.8B
Verified Eligible
Investment

As of September 30, 2023, projects have created \$1.8B in verified investment.



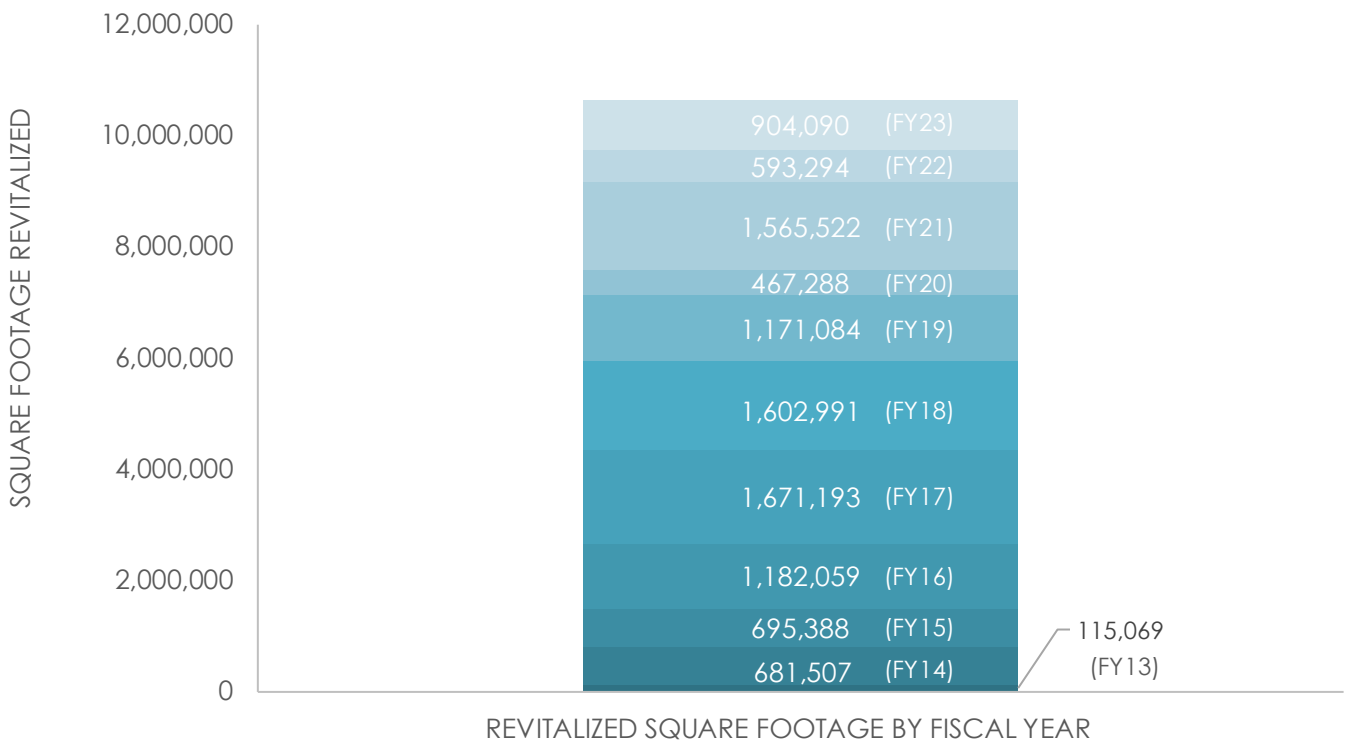
1. Verified Eligible Investment means the actual Hard Costs incurred and paid by the Company on the Project. Hard Costs include demolition, construction, alteration, rehabilitation or improvement of buildings, site improvements, the addition of machinery, equipment or fixtures to the property, or Professional 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.

MICHIGAN COMMUNITY REVITALIZATION PROGRAM REVITALIZED SQUARE FOOTAGE¹

Fiscal Years 2013 - 2023

10.6M
Revitalized
Square Footage

As of September 30, 2023, projects have revitalized 10.6M 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).