



Michigan's Economic
Development Programs

Michigan's Economic Development Programs

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Citizens Research Council of Michigan

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Citizens Research Council

- Founded in 1916
- Statewide
- Non-partisan
- Private not-for-profit
- Promotes sound policy for state and local governments through factual research – accurate, independent and objective
- Relies on charitable contributions from Michigan foundations, businesses, and individuals
- *www.crcmich.org*

Survey of Economic Development Programs in Michigan

3rd Edition

Citizens Research Council of Michigan Report #392, February 2016

<http://crcmich.org/economic-development/>

Types of Programs

- Federal Zone Programs
- Grants
- Direct Subsidies
- Loans
- Tax Abatements
- Tax Credits
- Financing Programs
- Tax Authorities
- Job and Employment Training
- Others

Programs that provide gain
with some pain

Tax Abatements

What are we talking about?

- Commercial Rehabilitation Tax Abatements
- Industrial Facilities Tax Abatements
- Neighborhood Enterprise Zones
- Obsolete Property Rehabilitation Tax Abatements
- Renaissance Zones

Tax Abatements

how they work

- Cities, villages, townships create districts
 - Consist of one or more parcels or tracts of land
- Businesses apply for abatement
 - Requires approval of State Tax Commission
 - Local governments often include “clawback” provisions in case businesses do not live up to promises made in applying for abatement
- Tax is levied in lieu of property taxes
 - ½ rate of all property taxes levied on that property
 - 6 mill State Education Tax may be abated only with waiver from State Treasurer
 - Term of up to 12 years

Tax Abatements

critique

- But for the tax abatement, would the new development occur?
- Studies show local governments not always using tax abatements to their full potential
 - ~1/3 of communities offering tax abatements do not place conditions
 - When conditions are placed on abatements
 - do not appear to be focusing on the quality of jobs
 - proportion of local residents hired
 - Vast majority seldom or never reject tax abatement requests

Renaissance Zones

- Awarded competitively by State Administrative Board or Strategic Fund
- Initially created to address economic distress
 - Adapted to address urban/rural/ex-military facility needs
 - Further adapted to target company and industry specific business attraction (ag processing, alt energy, pharmaceutical, tool & die, renewable energy, forest product processing, border crossing, Next Michigan)
- Waives all resident and business site-specific taxes, including
 - Corporate and individual income taxes
 - Property taxes and taxes levied in lieu of property taxes
 - Detroit's utility users excise tax
- Limit of 15 years

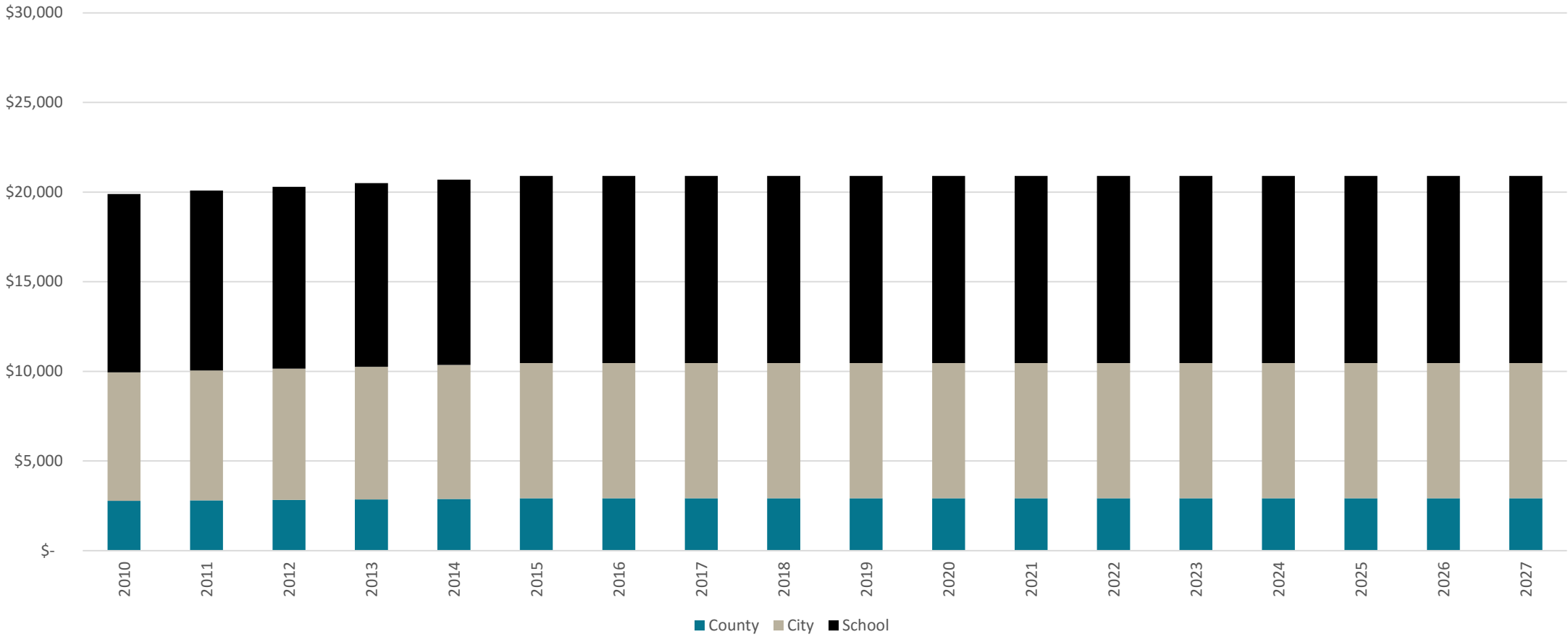
Tax Authorities

What are we talking about?

- Downtown Development Authorities (DDAs)
- Tax Increment Finance Authorities (TIFAs)
- Local Finance Development Authorities (LDFAs)
- Brownfield Authorities (BAs)
- Historic Neighborhood TIFAs
- Corridor Improvement Authorities
- Water Resource Improvement TIFAs

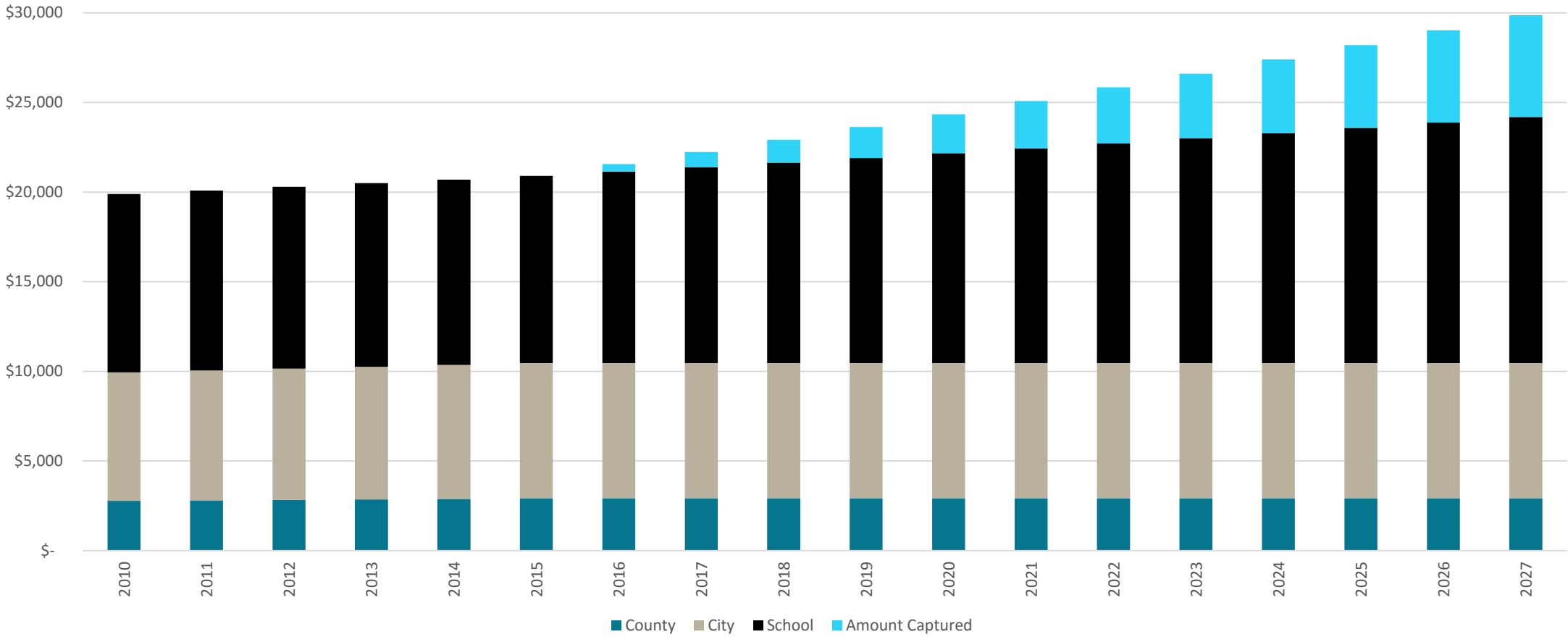
Tax Authorities

how they work



Tax Authorities

how they work



Tax Authorities

how they they're abused

- Constitutionality – the “but for” argument
- Where they've been adopted
- Tax capture without end
- Use of captured funds
- Accountability
- Immune to the budgeting process

Programs that provide gain
with no pain

Grant Programs

- Community Economic Development Block Grants
 - U.S. HUD program
 - Direct grants to:
 - Principal city in MSA
 - Cities >50,000
 - Counties >200,000
 - Indirect grants (via MEDC) for local governments <50,000
 - National objectives
 - Benefit low and moderate income persons
 - Prevent and eliminate slums and blight
 - Meet community development needs

Grant Programs

- Transportation Economic Development Grants
 - MDOT administered program
 - 5 categories
 - Key economic sectors
 - agriculture and food processing
 - tourism
 - high tech research
 - Manufacturing
 - Mining
 - office centers of at least 50,000 square feet.
 - Reducing congestion on county primary and city major streets within urban counties.
 - Creating an all-season network of roads in rural areas.
 - Creating and improving forest roads
 - Road improvements that complement the all-season road network in rural counties.

Loan Programs

- Foreign Small Business Administration 504 Loans
 - Directly to businesses
 - Create or retain jobs
 - Used for fixed asset projects
 - Purchase land and buildings or machinery and equipment
 - Land improvements
 - Renovations or additions to existing buildings
 - Leasehold improvements

Loan Programs

- Freight Economic Development Program
 - MDOT loans to develop rail spurs and connector systems
 - Businesses or local governments on behalf of businesses
 - Up to 50% of eligible project costs
 - Can be converted into a grant if conditions are met

Loan Programs

- Rail Loan Assistance Program
 - MDOT administered loans to preserve and improve rail freight infrastructure
 - Available to railroads, local governments, economic development corporations, or users of freight railroad services

Loan Programs

- Urban Land Assembly Program
 - MEDC administered loans to local governments
 - Eligible governments have:
 - Unemployment rate >70% of statewide average
 - Population growth <75% of state average
 - State equalized value growth <50% of state's 5-year average
 - Use for commercial development must be in DDA district

Other Loan and Grant Programs

- 21st Century Jobs Fund
 - MEDC administered grant program
 - Seeded from tobacco settlement revenues
 - Institutions of higher education, non-profit research institutions, non-profit corporations
 - Invest in:
 - basic and applied research
 - technology transfer
 - commercialization of products, processes, and services in four competitive-edge technologies

Other Loan and Grant Programs

- Federal and State Brownfield Grants and Loans
 - DNR administered programs:
 - Brownfield Redevelopment Grants
 - Site Reclamation Grants
 - Site Assessment Grants
 - Grants awarded to:
 - local units of government
 - brownfield redevelopment authorities
 - other authorities created pursuant to state law for investigation and remediation of known contaminated sites.

Federal Zone Programs

- Foreign Trade Zones
 - When is import duty applied?
 - Foreign soil for Customs purposes
 - Used for finishing products
 - Michigan Custom and Border Protection ports of entry
 - Battle Creek
 - Flint
 - Detroit
 - Grand Rapids
 - Kent/Ottawa/Muskegon counties
 - St. Clair County
 - Sault Ste. Marie
 - Lansing

Federal Zone Programs

- Historically Underutilized Business Zones
 - Preferential treatment in federal government contracting process
 - Zones qualify if:
 - >25% poverty or >50% households income <60% area's median income
 - Non-metropolitan county median household income <80% state median household income or unemployment rate >140% statewide average
 - Recognized Indian reservation
 - Former military base

Economic Development Authorities

- Building Authorities
- Land Reclamation and Improvement Authorities
- State and County Land Bank Fast Track Authorities
- Non-Profit Housing Property Development Program

Economic Development Authorities

State and County Land Bank Fast Track Authorities

- Alger County
- Arenac County
- Bay County
- Benzie County
- Berrien County
- Calhoun County
- Cass County
- Charlevoix County
- Clare County
- Delta County
- Detroit
- Emmet County
- Genesee County
- Gladwin County
- Gogebic County
- Grand Traverse County
- Houghton County
- Ingham County
- Ionia County
- Jackson County
- Kalamazoo County
- Kent County
- Lake County
- Lapeer County
- Lenawee County
- Marquette County
- Monroe County
- Muskegon County
- Oceana County
- Ogemaw County
- Osceola County
- Ottawa County
- Saginaw County
- Sanilac County
- St. Clair County
- Van Buren County
- Wayne County

Other Economic Development Options

- Certification of Abandoned Property for Accelerated Foreclosure
 - Faster foreclosure schedule
 - Determination of quantity of tax-delinquent, abandoned properties
 - Declaration of accelerated foreclosure by October 1
 - Inspections to confirm abandoned status
 - Quiet title

Other Economic Development Options

- Certified Business Parks
 - Michigan Economic Developers Association
 - Confidence parks meet minimum standards
 - Parks must:
 - Be zoned for business or industrial use only
 - Be selectively graded and cleared
 - Have a site plan or plat approved by the local governing unit
 - Have reliable utilities available for immediate tap-in
 - Have all weather road access to the park and interior sites

Other Economic Development Options

- Conditional Land Transfers
 - PA 425s
 - End confrontational development
 - Tax revenues shared by cities and townships
 - Agreements last 50 years + renewable for next 50 years

Other Economic Development Options

- Economic Development Corporations
 - Assist private interests with land assembly
 - Land given tax-exempt status

Other Economic Development Options

- Waiver of Personal Property Tax
 - Somewhat superfluous after 2014 reforms
 - Waive personal property taxes on new equipment
 - Only available in eligible distressed areas

Tax Credits

- Brownfield Tax Credits
- State Historic Preservation Tax Credits
- Federal Historic Preservation Tax Credits
- Michigan Economic Growth Authority Tax Credits
- New Market Tax Credits

Job and Employment Training

- Michigan New Jobs Training Program
- Michigan Works!

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