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SURVEY OF ECONOMIC
DEVELOPMENT PROGRAMS
IN MICHIGAN

THIRD EDITION

FEBRUARY 2016

REPORT 392

CELEBRATING 100 YEARS OF INDEPENDENT, NONPARTISAN
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Miller, Canfield, Paddock and Stone PLC**

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MAIN OFFICE 38777 Six Mile Road, Suite 208 • Livonia, MI 48152-3974 • 734-542-8001 • Fax 734-542-8004

LANSING OFFICE 115 West Allegan, Suite 480 • Lansing, MI 48933-1738 • 517-485-9444 • Fax 517-485-0423

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GRANTS OR DIRECT SUBSIDIES

*Community Development Block Grants
Transportation Economic Development Grants*

COMMUNITY DEVELOPMENT BLOCK GRANTS

ENABLING LEGISLATION; STATUTORY CITATION:

Title 1 of the Housing and Community Development Act of 1974, Public Law 93-383, as amended; 42 U.S.C.5301 et seq.

SUMMARY PROGRAM DESCRIPTION:

The U.S. Department of Housing and Urban Development (HUD) allocates Community Development Block Grant (CDBG) funding both directly through Entitlement Communities Grants, and through state and local governments. State-administered CDBG funding goes to the State of Michigan, through the Michigan Strategic Fund (MSF) with assistance from the Michigan Economic Development Corporation (MEDC), for further distribution to eligible Units of General Local Government to carry out MSF-approved activities. The Michigan State Housing Development Authority administers the housing component of the State's CDBG program by identifying, approving, and monitoring all housing-related CDBG projects. Each year, Michigan receives about \$30 million in federal CDBG funds to fund various projects.

ELIGIBILITY AND BENEFITS:

For direct funding from the federal government, eligible grantees include:

- Principal cities of Metropolitan Statistical Areas (MSAs);
- Other metropolitan cities with populations of at least 50,000; and
- Qualified urban counties with populations of at least 200,000 (excluding the population of entitled cities).

These grantees are known as "entitlement" municipalities and therefore are not eligible to receive state administered funding. To receive an annual CDBG entitlement grant, a grantee must develop and submit to HUD its Consolidated Plan, (which is a local governing body's comprehensive planning document and application for funding under a Community Planning and Development formula grant programs.) In its Consolidated Plan, the local governing body must identify its goals for these programs as well as for housing programs. The goals will serve as the criteria against which HUD will evaluate a jurisdiction's Plan and its performance under the Plan. There are several citizen involvement and reporting criteria. Entitlement municipalities that receive CDBG funding directly from the federal government are listed in **Appendix B**.

For more information, see www.portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/programs/entitlement or contact the HUD local field office, at phone number (313) 234-7326, email Keith.E.Hernandez@hud.gov, or address: 477 Michigan Avenue Detroit, MI 48226-2592.

For state administered funding, project eligibility is limited to cities, villages and townships with populations under 50,000 and non-urban counties. Most municipalities in Michigan are nonentitlement and therefore do not receive CDBG funds directly from the federal government. Nonentitlement municipalities are instead eligible for state-administered funding.

CDBG requirements mandate that each funded activity must meet one of the established three national objectives:

1. Benefiting low and moderate income persons;
2. Aiding in the prevention or elimination of slums or blight; or
3. Meeting community development needs made urgent by conditions posing serious and immediate threats to community health or welfare, conditions that are of recent origin or recently became urgent, and where other financial resources are not reasonably available to meet such needs.

COMMUNITY DEVELOPMENT BLOCK GRANTS (CONTINUED)

The Housing and Community Development Act (HCDA), Section 105(a) lists eligible activities for state-administered funding through the State of Michigan. They include (a non-exhaustive list):

1. The acquisition of real property that will be rehabilitated if blighted or used for a public purpose (Section 105(a)(1))
2. Code enforcement in deteriorating areas (Section 105(a)(3))
3. Disposition of any real property acquired pursuant to the HCDA (Section 105(a)(7))
4. Provision of public services, if those services have not been provided by the unit of general local government during any part of the previous 12-month period (Section 105(a)(8))
5. Activities necessary to develop a comprehensive community development plan (Section 105(a)(12))
6. Providing loans and assistance for certain activities carried out by public or private non-profit entities (Section 105(a)(14))
7. Activities necessary to the development of energy use strategies (Section 105(a)(16))
8. Assistance to for-profit entities, when it is appropriate to carry out an economic development project (Section 105(a)(17))
9. Housing services, such as housing counseling, in connection with tenant-based rental assistance and affordable housing projects (Section 105(a)(20))
10. Assistance to institutions of higher education with a demonstrated capacity to carry out eligible activities (Section 105(a)(21))
11. Direct assistance to facilitate home ownership among persons of low and moderate income (Section 105(a)(24))
12. Lead-based paint hazard evaluation and reduction (Section 105(a)(25))

For a full list of eligible activities and the requirements associated with them, as well as information about the funding cycle, proposal review, project limitations, screening guidelines and selection criteria, see the State of Michigan Community Development Block Grant Program Application Guide, available on the MSHDA website: www.michigan.gov/mshda

The Michigan Economic Development Corporation (MEDC) administers specific community development programs in connections with these limitations. The MEDC administered-projects include:

1. *Blight Elimination Grants*. Provides communities with financial assistance to remove and improve areas within the community that are designated as a slum or blighted area. Eligible activities include property acquisition, clearance/demolition, historic preservation, and building rehabilitation.
2. *Façade Improvement Initiative*. Provides assistance for commercial/mixed-use building façade improvements to minimize deterioration of traditional downtowns. Programs can either be fully funded, or match funded. Eligible activities include rehabilitation and reconstruction of buildings. Communities must meet job creation or area-wide benefit requirements: 51 percent of new jobs must be held by low- to moderate-income persons, or the project must benefit a population of individuals of whom at least 51% reside in low-to-moderate income households.
3. *Signature Building Initiative*. A matched grant program that assists communities in acquiring vacant or underused traditional signature building(s) located within a Downtown Development Authority, or like district, for the purpose of rehabilitation and commercial mixed-use. To be eligible, the project must create jobs with 51 percent of new jobs held by low- to moderate-income persons. Communities must demonstrate that they can acquire and rehabilitate the property and create jobs before the end of year following

COMMUNITY DEVELOPMENT BLOCK GRANTS (CONTINUED)

- grant approval. A local match equal to 25 percent of the total project cost is required.
4. *Downtown Infrastructure Grants*. Enables a community to improve its downtown's infrastructure quality and reduce development costs to make a project feasible. It is restricted to downtown infrastructure improvements tied to commercial/mixed use development activities that require additional infrastructure to create new economic opportunities and will result in the creation of full-time equivalent positions, of which 51 percent will be held by persons living in low-to-moderate-income households.

More specific information, including match and program requirements, can be found in the CDBG Application Guide approved by the Michigan Strategic Fund in 2012, available on the MEDC website: www.michiganbusiness.org/community/development-assistance/

DATA AND SOURCE:

Communities with potential eligible projects should contact the MSHDA Community Development Division at:

Michigan State Housing Development Authority
Attn: Community Development Division
735 East Michigan Avenue
Lansing, Michigan 48909
517-373-1974

Contacts for each MSHDA Community Development Region are available in **Appendix C**. Communities with potential business projects should contact their MEDC Community Assistance Team member. A list of CATeam member regions with corresponding phone numbers and email addresses is available in **Appendix C**.

Source: HUD, MSHDA and MEDC.

TRANSPORTATION ECONOMIC DEVELOPMENT FUND GRANTS

ENABLING LEGISLATION;

STATUTORY CITATION: 1987 PA 231; MCL 247.909

SUMMARY PROGRAM

DESCRIPTION:

The Michigan Department of Transportation (MDOT) administers an Office of Economic Development and Enhancement (OEDE) that manages several types of economic development programs under the Transportation Economic Development Fund. Grant programs A, (B discontinued), C, D, E, and F are briefly described as follows:

Category A grants are targeted at specific industries, namely, agriculture and food processing; tourism; forestry; high technology research; manufacturing; mining; and office centers of at least 50,000 square feet.

Category C grants are aimed at reducing congestion on county primary and city major streets within urban counties.

Category D grants fund projects that create an all-season network of roads in rural areas.

Category E grants create and improve forest roads.

Category F grants are dedicated to road improvements that complement the all-season network in rural counties.

BENEFITS AND

ELIGIBILITY CRITERIA:

OEDE administers a direct grant process for Category A, C and F projects. The only counties eligible for category C grants are those with a population greater than 400,000: Wayne, Oakland, Macomb, Genessee, and Kent. Category D allocates State funds to Michigan's 78 rural counties based on their relative share of the total rural primary road mileage in the state. Category E funding is limited to county road commissions of counties in which a national lakeshore or national park is located, or in which 34% or more is commercial forest land. Category F provides road improvement funding in urban areas with a population of 5,000 or greater in counties with populations of 400,000 or less. The direct grant process allows OEDE to authorize a local agency as the administrative body of a contract; the agency receives the grant directly when the construction contract is awarded. Local agencies must confirm that they are adequately staffed, equipped, and organized to administer projects. The agency must also review with OEDE staff the state/local agreement and forms that must be completed and returned to the OEDE during the process. Local agencies have significantly increased responsibility for direct grants.

According to MDOT, the objectives of each grant category are as follows:

Category A Grants

1. To improve the network of highway services essential to economic competitiveness;
2. To improve accessibility to target industries as a catalyst for economic growth;
3. To support private initiatives that create or retain jobs; and
4. To encourage economic developments that improve the health, safety and welfare of Michigan citizens.

TRANSPORTATION ECONOMIC DEVELOPMENT FUND GRANTS (CONTINUED)

Category C Grants

1. To improve the operational level of service in heavily congested areas;
2. To reduce the accident rate on heavily congested roadways; and
3. To improve the surface and base condition of heavily congested roadways.

Category D Grants

1. To complement the existing state trunkline system with improvements on connecting local routes that have high commercial traffic; and
2. To minimize the disruptions that result from seasonal load restrictions.

Category E Grants

1. To increase access to harvestable forest resources; and
2. To increase the safety and efficiency of forest raw material transport.

Category F Grants

1. To improve all season capabilities on routes having high commercial traffic;
2. To improve access to the state trunkline system; and
3. To coordinate with the secondary all-season system (Category D) or provide all-season routes within a city.

CHANGES SINCE

PROGRAM INCEPTION:

MDOT enacted administrative changes in 1999 aimed at streamlining the grant and contract letting process. Specifically, Executive Orders 1999-1 and 1999-2 change the administration of Category A grants to:

1. Allow for a rolling application process instead of an annual deadline based process.
2. Allow applicants to submit a one-page summary Letter of Interest as a screening mechanism for grant consideration. Upon approval of the Letter of Interest, applicants are encouraged to submit a full grant application.
3. Allow local agencies to let and administer construction contracts, as well as have greater responsibility in project planning.

In 2000, the Office of Economic Development and Enhancement implemented a Direct Grant process for administering Category A grants which significantly reduced the cycle time and costs associated with project development from grant approval through audit. In 2001, the direct grant project was extended to Category C and Category F projects.

SOURCE OF REVENUE:

On an annual basis, TEDF is funded with \$40.275 million from the Michigan Transportation Fund plus a portion (approximately \$12 million) from drivers' license fees. The TEDF also receives Federal transportation funds.

DATA AND SOURCE:

During Fiscal Year 2015, 23 Category A projects were evaluated and approved for funding.

Category A projects represent nearly \$18 million dollars of public investment and the creation and/or retention of over 4,600 jobs.

Category C projects received \$24.7 million in funds for congestion relief.

Category D projects received \$49.6 million in funds for rural counties.

Category E projects received \$6.6 million in funds for forest roads.

Seven Category F projects were approved, which resulted in grants totaling \$2.5 million.

TRANSPORTATION ECONOMIC DEVELOPMENT FUND GRANTS (CONTINUED)

DISCUSSION:

The Office of Economic Development and Enhancement also administers the **Transportation Alternatives Program**, a competitive grant program that funds projects such as nonmotorized paths, streetscapes, and historic preservation of transportation facilities that enhance Michigan's intermodal transportation system and provide safe alternative transportation options. These investments support place-based economic development by offering transportation choices, promoting walkability, and improving the quality of life. The program uses Federal Transportation Funds designated by Congress for these types of activities. To apply online, access an application planning guide, and the contact information of local grant coordinators, visit the MDOT website at www.michigan.gov/mdot/0,1607,7-151-9621_17216_18231---,00.html.

The Office of Economic Development and Enhancement also administers the **State Infrastructure Bank** program to provide low interest loans to public infrastructure improvements. Eligible borrowers include any public entity, such as, political subdivisions, state agencies, regional planning commissions, transit agencies, airports, port authorities, and economic development corporations. Private companies, such as, railroads, and non-profit organizations that are developing a publicly owned facility are eligible for SIB financing. For more information, see the Web site at: www.michigan.gov/mdot/0,4616,7-151-9621_17216-22406--,00.html

Source: MDOT