



Butzel Long / MEDC Lunch & Learn

A Sea of Change in Economic Development Has Arrived in Michigan

October 4, 2017

Agenda

“Good Jobs for Michigan” & MEDC’s Business Development Program

Josh Hundt, Interim Executive VP and Chief Business Development Officer (MEDC)
Introduced by Geoff Gallinger, Butzel Long

Transformational Brownfields Program & MEDC’s Community Revitalization Program

Greg Tedder, Executive VP & Chief Marketing & Community Development Officer (MEDC)
Introduced by Susan Johnson, Butzel Long

Are You Redevelopment Ready?

Katharine Czarnecki, SVP for Community Development (MEDC)
Introduced by Jim Townsend, Butzel Long

Building on Detroit’s Momentum

Moddie Turay, EVP of Real Estate & Financial Services, Detroit Economic Growth Corporation (DEGC)
Introduced by Beth Gotthelf, Butzel Long

Town Hall Q&A

Panelists & Butzel Long Attorneys

Josh Hundt, Interim Executive VP and Chief Business Development Officer (MEDC)
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“GOOD JOBS FOR MICHIGAN” & MEDC’S BUSINESS DEVELOPMENT PROGRAM



BUSINESS DEVELOPMENT PROGRAM

OVERVIEW

Designed to provide grants, loans or other economic assistance to businesses for highly competitive projects in Michigan that create jobs and/or provide investment.



GOOD JOBS FOR MICHIGAN PROGRAM

OVERVIEW

The Good Jobs for Michigan Program is intended to be used on large, catalytic job-creation projects that are paying wages that exceed the regional average annual wages.

The program allows for the capture of Michigan Income Taxes withheld from certified new jobs created as a result of a business expansion or new location project. The maximum duration of the withholding capture tax revenue is 5 or 10 years, and the maximum amount is 50 to 100 percent, depending on the average annual wage and the number of certified new jobs created.

The MSF Board may not commit more than \$200 million in total Withholding Tax Capture Revenues under the Program.

MICHIGAN ECONOMIC
DEVELOPMENT CORPORATION

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Phone



Music



Safari



Camera

Greg Tedder, Executive VP & Chief Marketing & Community Development Officer
(MEDC)

Introduced by Susan Johnson, Butzel Long

TRANSFORMATIONAL BROWNFIELDS PROGRAM & MEDC'S COMMUNITY REVITALIZATION PROGRAM



COMMUNITY DEVELOPMENT

MICHIGAN ECONOMIC
DEVELOPMENT CORPORATION





COMMUNITY REVITALIZATION PROGRAM (CRP)

HISTORY OF FUNDING

- Replacement for Brownfield and State Historic Credits
- Annual appropriation from Legislature; shared pool of dollars with Business Development Program
- In depth financial reviews

PROPERTY ELIGIBILITY

- Facility
- Historic Resource
- Blighted Property
- Functionally Obsolete
 - * Adjacent & Contiguous





ELIGIBLE INVESTMENT

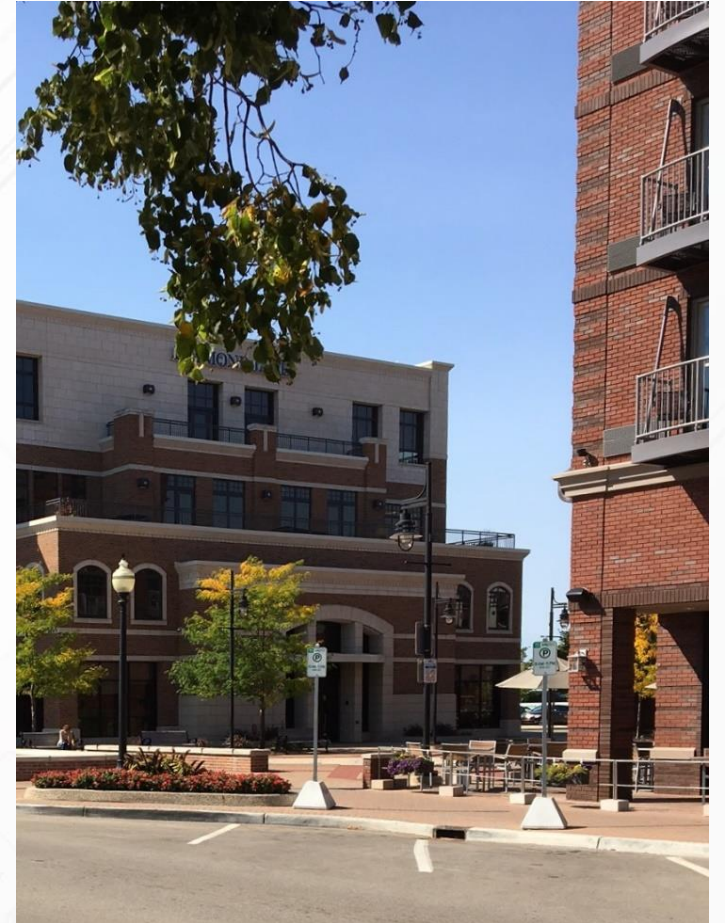
- Demolition
- Site Improvements
- Building Rehabilitation/New Construction
- Machinery & Equipment
- Furniture & Fixtures
- Architectural, Engineering, Surveying

STRUCTURING HIGHLIGHTS

- Debt Coverage Ratio (DCR) greater than or equal to 1.2 to 1.0
- Minimum owner equity investment of 10% in a project (net of developer fees received)
- Developer fees not to exceed 4% of total development cost
- Developer return generally limited to 12%
- MCRP investment generally will not exceed 30 years
- Maximum incentive is typically 25% of eligible investment

MCRP INCENTIVE STRUCTURES

- Grants – Maximum of \$1.5 Million, however policy typically limits grants to \$750 thousand
- Loans – Maximum grant and loan total of \$10M
 - Loan participation with a senior lender
 - Direct loans
- Equity





TRANSFORMATIONAL BROWNFIELD PLAN

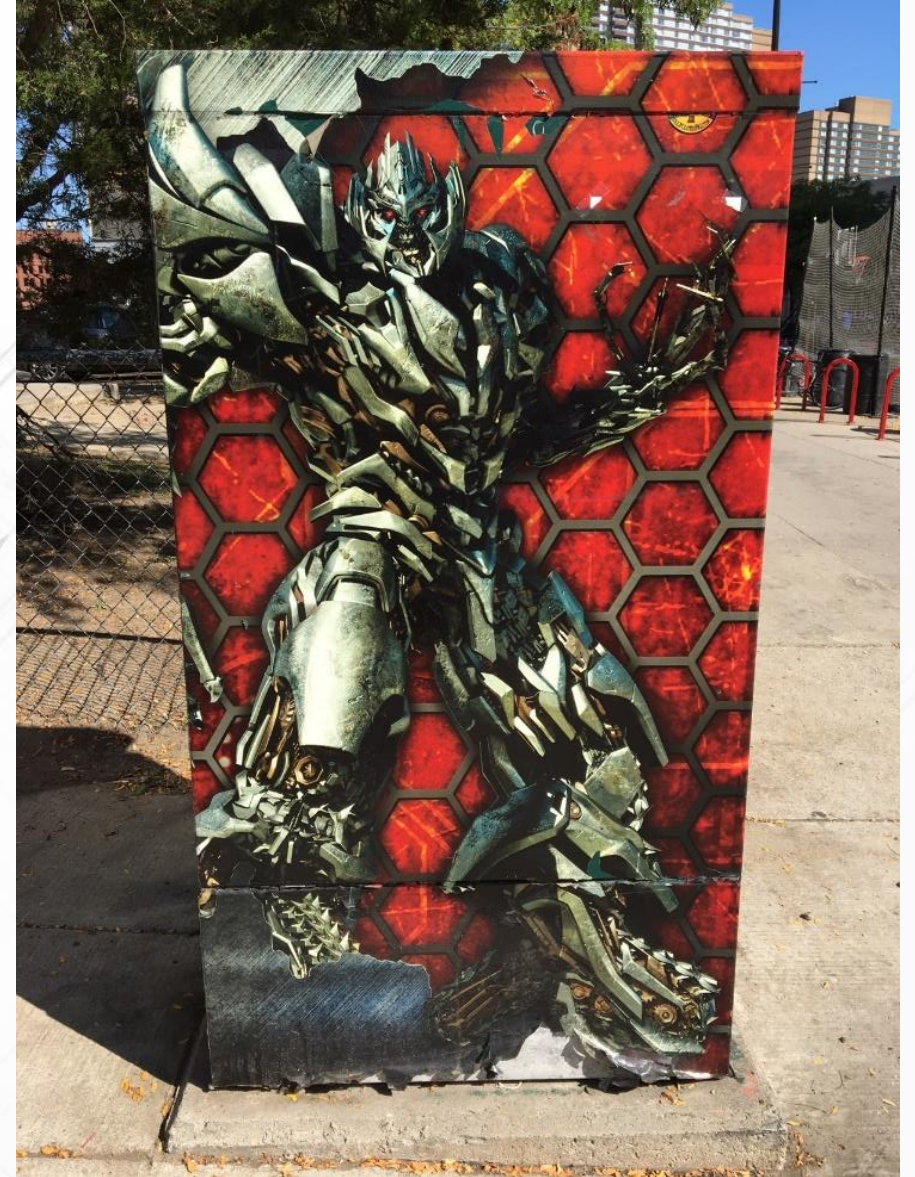
PA 46 of 2017 (MCL 125.2651 – 125.2672)

“Will have a transformational impact on local economic development and community revitalization based on the extent of brownfield redevelopment and **growth in population, commercial activity, and employment** that will result from the plan.”



MSF must determine that the project will have an **overall positive fiscal impact to the state** and will take under consideration:

- Potential displacement of tax revenue from other areas
- Effects of TBP on economic development in surrounding area



TBP vs. TRADITIONAL BROWNFIELD PLAN

- ✓ Five Revenue Sources
- ✓ More Eligible Activities
- ✓ Not-necessarily contiguous
- ✓ Core Community Status
- ✓ “Transformational” Definition
- ✓ Investment Thresholds
- ✓ Fees
- ✓ *Third-party economic & underwriting analysis
- ✓ Treasury Involvement
- ✓ 20 Year TIF Capture
- ✓ Limited #/year/community

INVESTMENT THRESHOLD

Population	Investment
Greater than or equal to 600,000	\$500,000,000
150,000 - 599,999	\$100,000,000
100,000 - 149,999	\$75,000,000
50,000 - 99,999	\$50,000,000
25,000 - 49,999	\$25,000,000
Less than 25,000	\$15,000,000

NEW REVENUES



Construction Period Income Tax:

- Income tax levied to individuals physically working on site for construction
- Can capture 100% of eligible taxes during construction

Construction Period Sales & Use Tax Exemptions:

- Sales & Use tax exemption for tangible personal property for use site

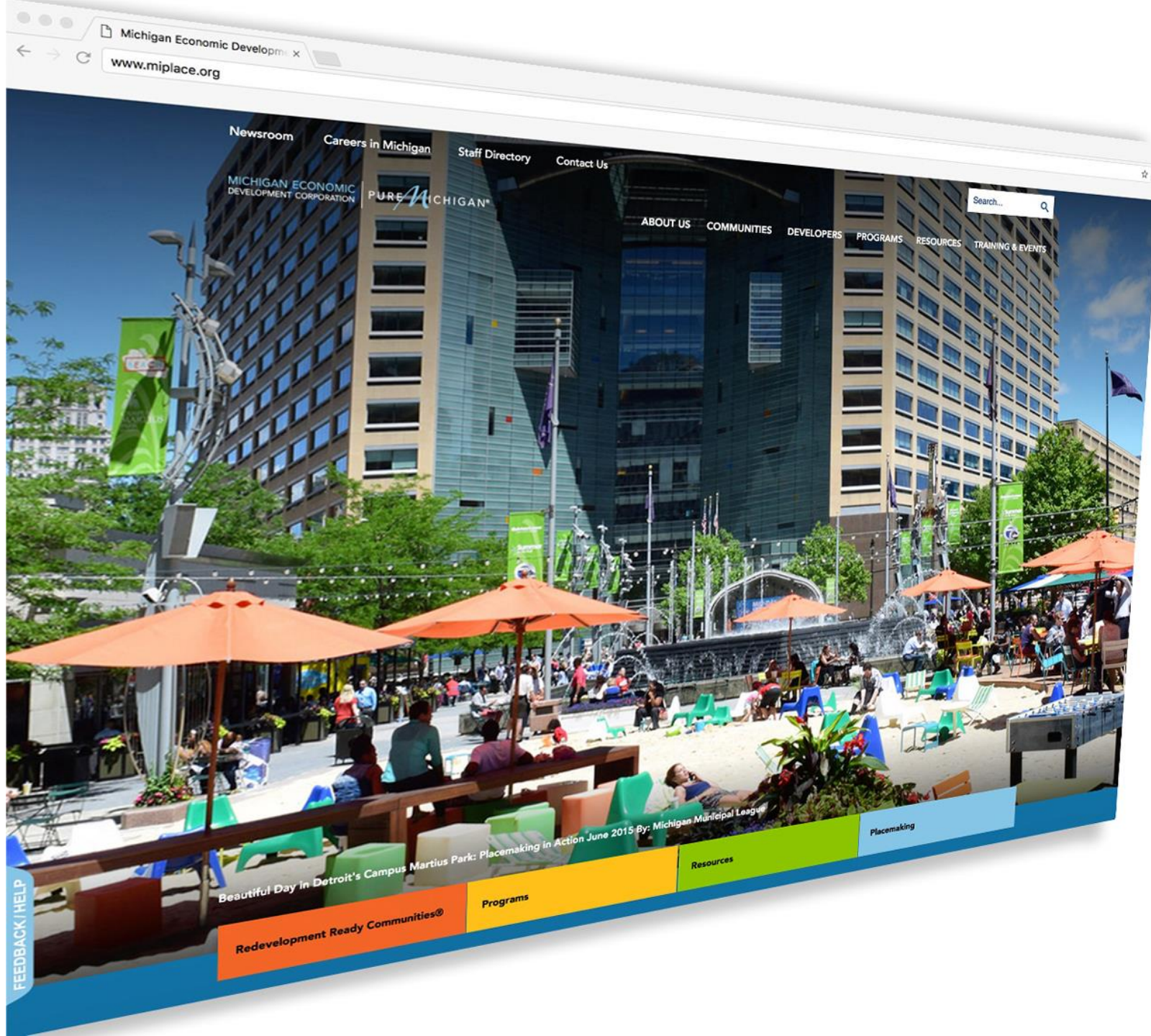
NEW REVENUES

TBP Income Tax:

- Incremental income tax from individuals domiciled w/in eligible property
- 50% of increment available for capture

Withholding Tax:

- Incremental withholding taxes from individuals working w/in eligible property
- 50% of increment available for capture
- Excludes individuals domiciled w/in eligible property



RESOURCES
www.miplace.org

MICHIGAN ECONOMIC
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Music



Safari



Camera

Katharine Czarnecki, SVP for Community Development (MEDC)
Introduced by Jim Townsend, Butzel Long

ARE YOU REDEVELOPMENT READY?



REDEVELOPMENT READY COMMUNITIES

Community Development

Supporting the growth of vibrant, diverse
and resilient communities across Michigan



A black and white photograph showing the lower portions of several classical stone columns. The columns are made of a textured material, possibly stone or concrete, and feature fluted shafts and decorative capitals. The focus is sharp on the column in the immediate foreground, while the others recede into a soft-focus background. The lighting creates strong shadows, emphasizing the three-dimensional forms and textures of the stone.

Building a foundation....



A critical step for building the
foundation for a strong place is being
redevelopment ready.

redevelopment ready
communities®



Empower communities to shape their future by establishing a solid foundation to retain and attract business investment and talent.

redevelopment ready communities[®]

Technical assistance

Review of plans, processes,
policies and practices

Planning and economic
development

Talent, place, business

Certification





RRC Guiding Principles

Self-help

Transparent

Efficient

Partnerships

Proactive

Predictability

Community Vision

Implementation

REGIONS

1 Upper Peninsula region

★ Escanaba (Delta County)

2 Northwest region

★ Boyne City (Charlevoix County)

★ Manistee (Manistee County)

3 Northeast region

4 West Michigan region

★ Allegan (Allegan County)

★ Middleville (Barry County)

★ Muskegon (Muskegon County)

5 East Central Michigan region

6 East Michigan region

7 South Central region

8 Southwest region

★ Marshall (Calhoun County)

9 Southeast Michigan region

★ Ypsilanti (Washtenaw County)

10 Detroit Metro region

★ Eastpointe (Macomb County)

★ Ferndale (Oakland County)

★ Lathrup Village (Oakland County)

★ Roseville (Macomb County)

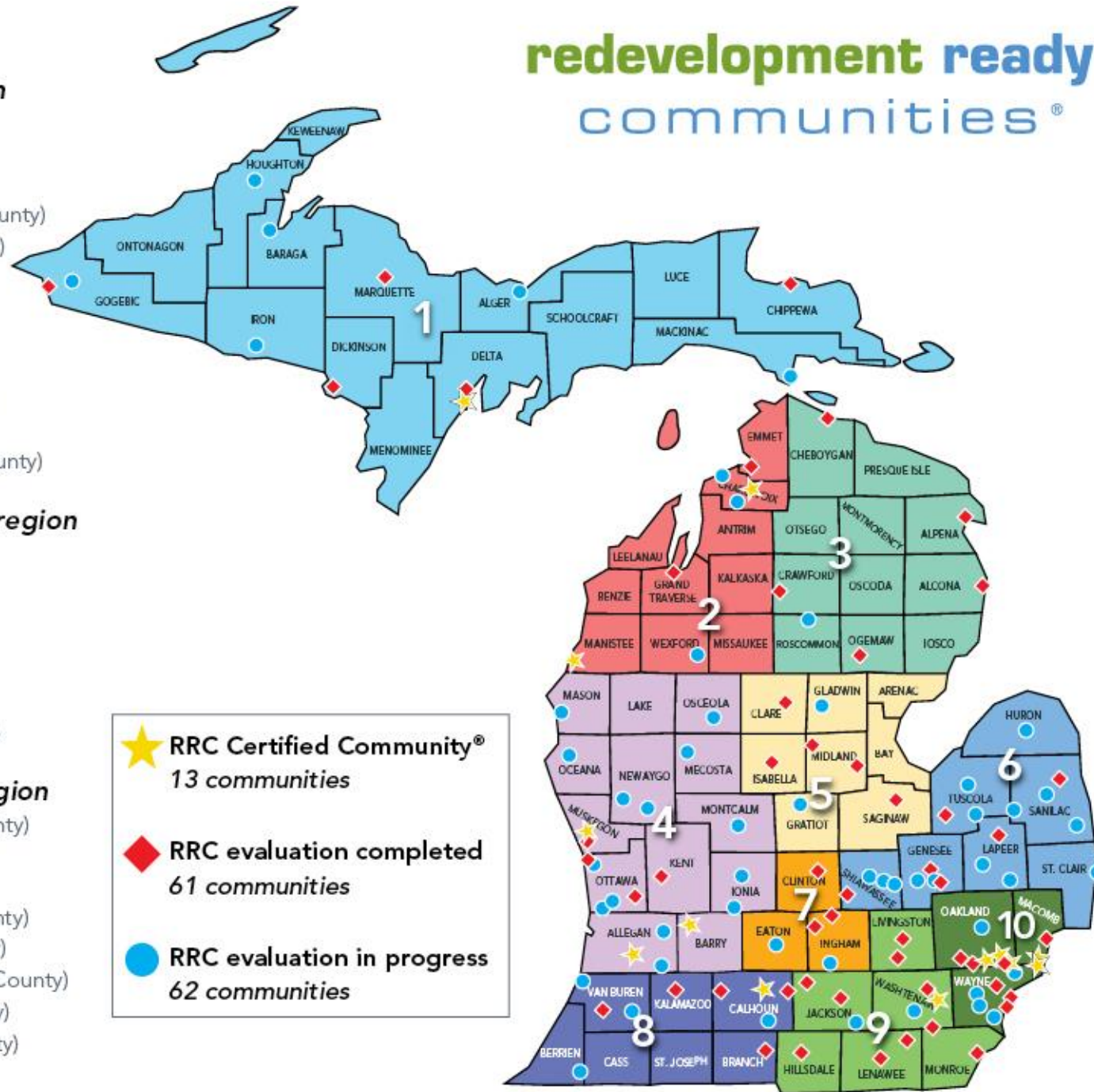
★ Southfield (Oakland County)

★ RRC Certified Community®
13 communities

◆ RRC evaluation completed
61 communities

● RRC evaluation in progress
62 communities

redevelopment ready
communities®





BEST PRACTICES

redevelopment ready communities®



1. Community plans and public outreach
2. Zoning regulations
3. Development review process
4. Recruitment and education
5. Redevelopment Ready Sites®
6. Community prosperity



RRC BEST PRACTICES:

Community plans and public outreach

RRC BEST PRACTICES:

Community plans and public outreach

THE PLANS...

Goals

Actions

Timelines

Responsible parties

IMPLEMENTATION!



RRC BEST PRACTICES:

Zoning regulations



RRC BEST PRACTICES:

Development review process

RRC BEST PRACTICES:

Development review process

Site plan review process

Roles, timelines, tracking

PREDICTABILITY!



RRC BEST PRACTICES:

Recruitment and education



RRC BEST PRACTICES: Redevelopment Ready Sites®

RRC BEST PRACTICES:

Redevelopment Ready Sites®

TRADITIONAL WAY

Community waits for developer to propose a project.

Community input occurs after the city receives a proposal from a developer.



RRC APPROACH

Community markets opportunities to developers.

Community seeks input to identify sites and establish vision.
Uses/provides data.





RRC BEST PRACTICES:

Community prosperity

CERTIFICATION PROCESS

STEP ONE ENGAGEMENT

Community reviews RRC Best Practices and program information online and contacts regional CATeam specialist



Community completes RRC Best Practice training series



Community thoroughly completes RRC self-evaluation



Community's governing body adopts resolution of intent to participate in program



Community submits completed RRC self-evaluation and resolution to regional CATeam specialist



Community information reviewed



Community placed into RRC pipeline



Community receives formal welcome and information



MOU signed between community and MEDC

STEP TWO EVALUATION

Community submits additional documentation as necessary



Stakeholder interviews and meeting observations



Data and information analyzed



RRC advisory council provides technical expertise for report of findings



Report of findings presented to the community



Community's governing body adopts resolution to proceed within 30 days of report of findings presentation

STEP THREE CERTIFICATION

Community completes missing RRC best practice criteria



Community submits quarterly progress reports



Community accomplishes all RRC best practice criteria



Certification awarded



Community submits biannual progress reports

PROCESS TIMELINE



Timeline is dependent on the number of communities in the RRC pipeline and the completeness of the information submitted by the community.

Value

Worth

fair and suitable eq
desirability, utility
being useful or des



redemption ready
communities[®] **OPPORTUNITY MICHIGAN**
walkable real estate development opportunities across the state



Marketing sites

Deal books

Maintain and update info

Cross marketing

Developer events

Third party websites

Partners in community development





thank
you

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Music



Safari



Camera

Moddie Turay, EVP of Real Estate & Financial Services, Detroit Economic Growth Corporation (DEGC)

Introduced by Beth Gotthelf, Butzel Long

BUILDING ON DETROIT'S MOMENTUM

Detroit Economic Growth Corporation

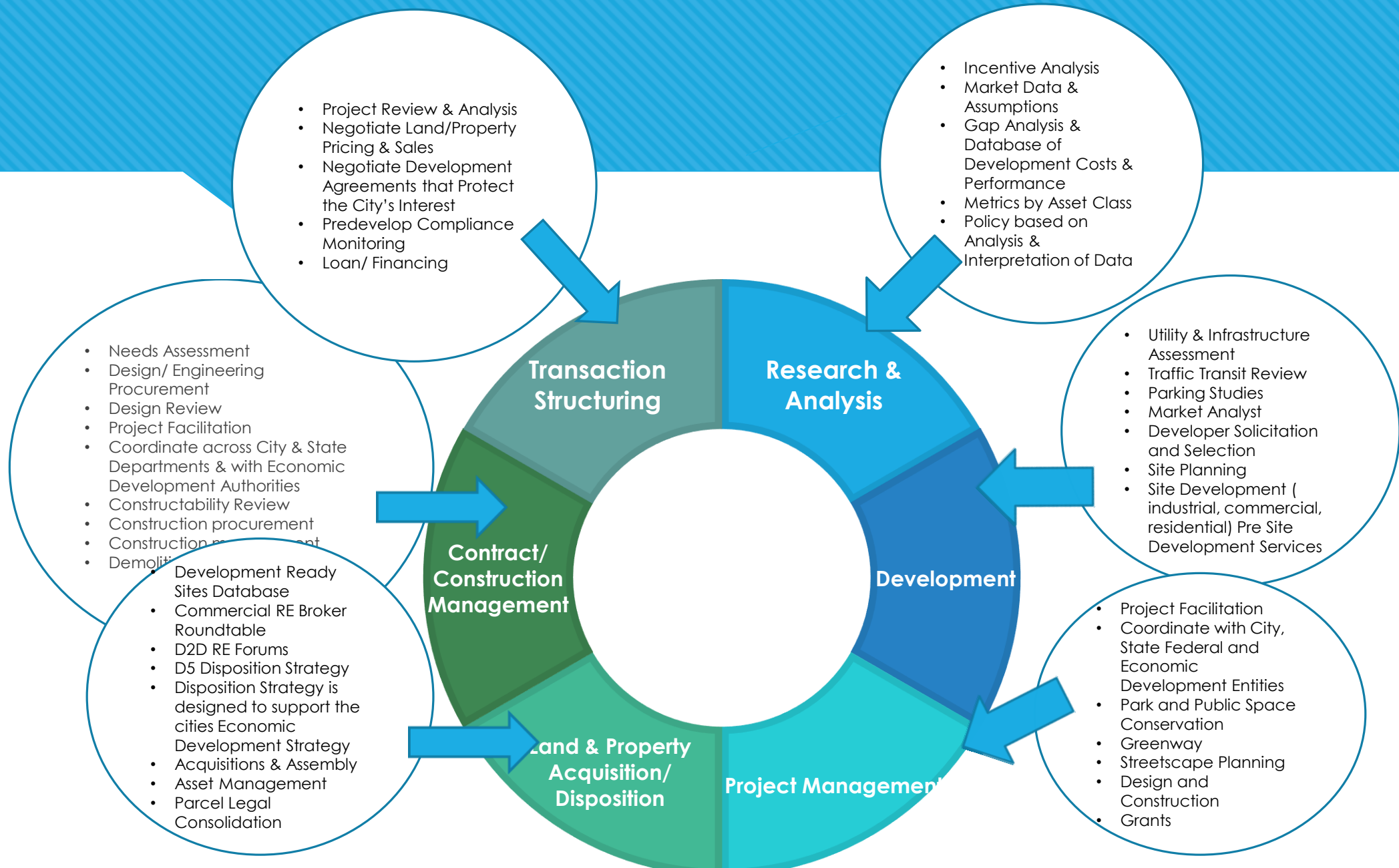
Real Estate and Financial Services

A blue speech bubble graphic with a diagonal line pattern, containing the text 'Who We Are'.

Who We Are

Moving Detroit forward by creating world class real estate projects through public private partnerships.

Our Core Functions



Who We Serve

➤ **City Real Estate Team**

- Detroit Land Bank Authority
- Planning and Development Department
- Housing and Revitalization Department
- Detroit Building Authority

➤ **Nonprofit Development Corporations**

➤ **Development Community Corporations**

➤ **Financial Institutions**

- Invest Detroit
- Capital Impact

➤ **State**

- Michigan Economic Development Authority
- Michigan Department of Environmental Quality
- Michigan Department of Natural Resources

Market Overview

Residential

- Greater Downtown residential vacancy rate 3.1%
- Rents PSF approaching \$2 downtown
- Over 5,000 new multi-family units proposed or under construction.
- Net Absorption for next 5 years:
 - 6,300 – 7,900 rental units
 - 1,500 – 1,800 condominiums

Office

- Central Business District
 - Rents increased to \$19.19 PSF.
 - Office vacancy for 2016 - 14.5%
 - 6.9% vacancy rate in Class A office product
- Absorption rate - 300,000+ sq. ft. since 2013.
 - 99,000 in the CBD
- Greater Downtown has the potential demand for 1.1 million square feet of office space.

Retail

- Retail vacancy rate has decreased to 17.4%.
- The average lease rate is \$11.77 PSF.
- Retail leakage is significant in Detroit and new retail developments have proven successful such as the opening of 2 Meijer Grocery stores.

Industrial

- Vacancy rate for warehouse and manufacturing space is 17.2% and 19.2%
- Rental rates are around \$3.00 PSF for manufacturing/warehouse and \$5.63 PSF for flex space.
- Traditional, process-defined industrial spaces designed for linear production are often too large or costly to reconfigure.

Industrial Development Mt. Elliot

DEGC is leading industrial and economic development with real estate primed and specialized to facilitate manufacturing in the city. These include:

Mt Elliot Employment District

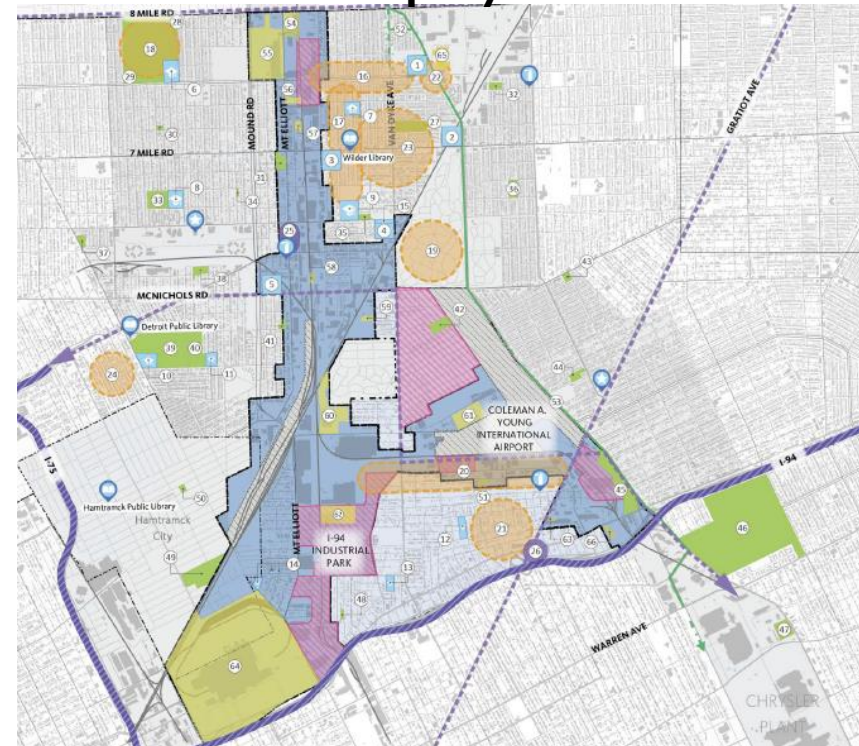
Awarded two new EDA Grants

- Mt. Elliot- 3 Year Staffing Grant
- EDA Grant: \$909,000
- 5,000 Jobs in the next 5 Years

I-94 Industrial Park

- 190 Acres zoned for manufacturing warehousing, logistics and flex space development.
- EDA Grant: \$ 3,197,160
- Georgia Street- Reconstruction of Georgia St. within I-94 Industrial park from St. Cyril to Mt. Elliot

Mt. Elliot Employment District



Flex – N - Gate

- Flex-N-Gate: \$95 million investment to build a facility that will supply parts to Ford
- Occupy 30 acres
- Facility 350,000 to 500,000 square feet
- 400 jobs created; 750 possible jobs
- \$3.5 million performance-based grant by the Michigan Strategic Fund to help establish the facility.
- Acquired Land from EDC



Transformational Projects

Paradise Valley

- Selected Developer through RFP process.
- \$52 million investment to develop 12 DDA owned properties.
- Development will result in a boutique hotel, office, restaurants, and new residential units.
- Established the Paradise Valley Conservancy to promote the cultural and entertainment of the historic Paradise Valley.



Broadway RFP

- Recently released RFP for 2 DDA owned parcels
- Coordinated with recent and future investments from private developers
- Adjacent to Paradise Valley, Z-Garage and Lear's new offices.
- 20,000 sq. ft.

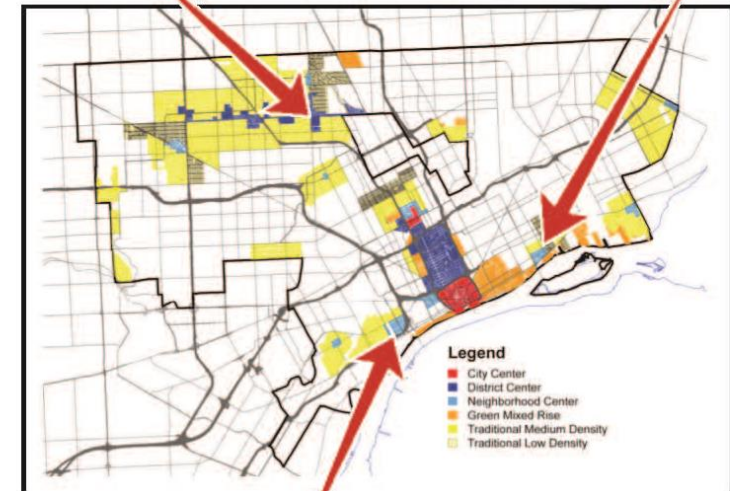


20-Minute Neighborhoods

- Pilot in three Detroit neighborhoods: West Village, Southwest Detroit and Livernois/McNichols.
- Invest Detroit and the City of Detroit established a \$30M Strategic Neighborhood Fund
 - DEGC supporting identification and project implementation.

Livernois &
McNichols

Van Dyke
& Agnes

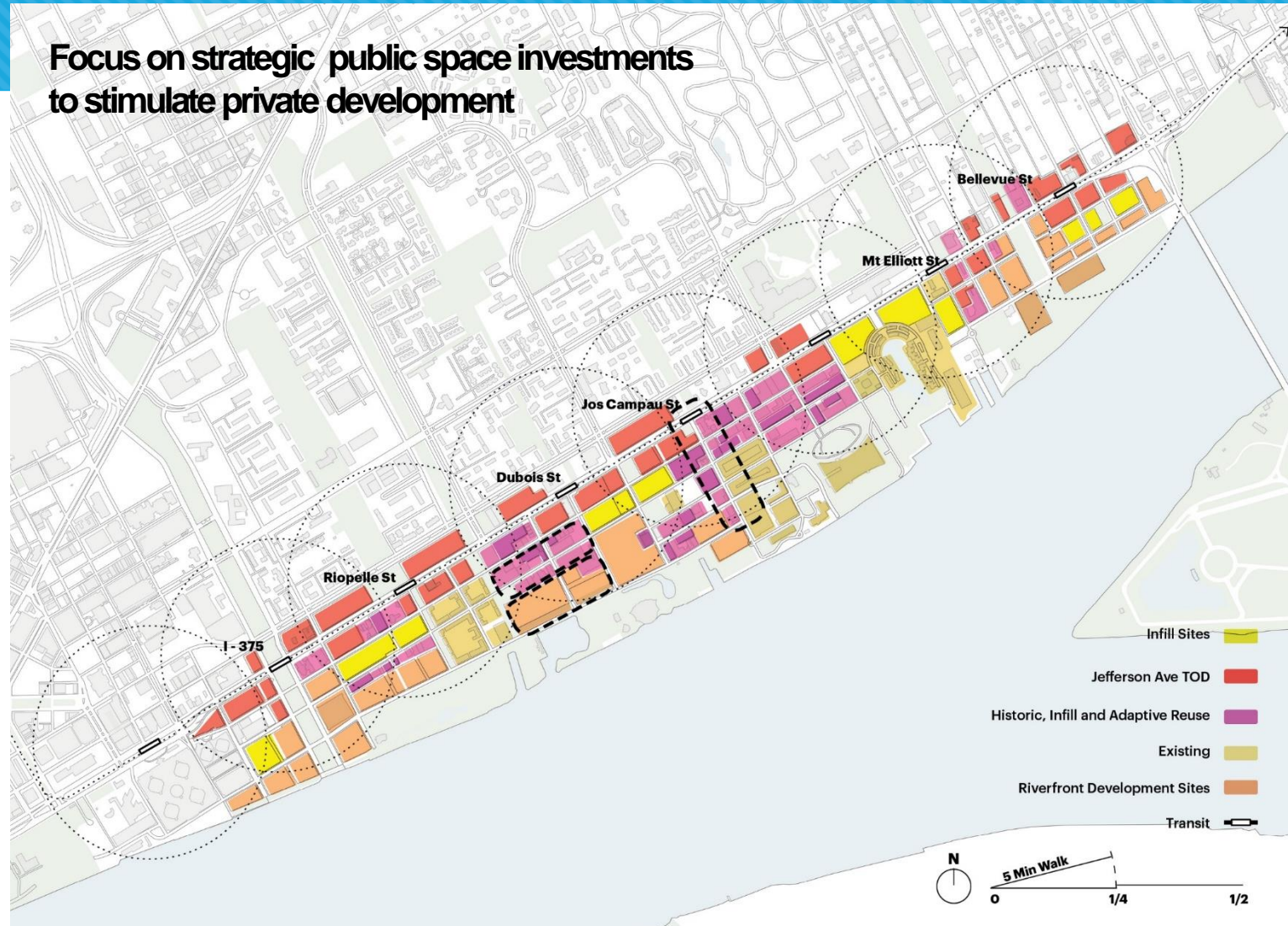


W. Vernor &
Grand Blvd.

East Riverfront

Focus on strategic public space investments to stimulate private development

- DEGC leading economic development for the East Riverfront.
 - East Riverfront Master Planning underway
 - Phase I development focused on Joseph Campau & Franklin
 - RFP EDC Parcels on Atwater & Stone Soap Building
 - Engage developers (Stroh, Basco, Boutros, Syncora)
- Additional Key components
 - Continuous Riverwalk and public greenspace south of Atwater
 - Increase connections and pedestrian connections through greenway enhancements
 - Streetscape and infrastructure investments on Jefferson, Riopelle, Franklin, Joseph Campau



Gordie Howe International Bridge



- Project Lead for the City of Detroit as liaison to Michigan Department of Transportation for land acquisition.
- Project Budget \$2.2 Billion
- Services
 - Business and Residential Relocation
 - Utility relocation facilitator for the Canadian Funded Right of Way Acquisitions
- Project Scheduled to be completed 2021

RIVERSIDE PARK PARTIAL LAND CONVERSION



- The City of Detroit requested EDC to manage the park conversion process of two city owned parcels (3.783 acres) in Riverside Park in exchange for a new additional 4.71 acre parcel added to the park.
- The conversion is necessary to permit the twin spanning of the Ambassador Bridge and to allow for the expansion of Riverside Park.
- The conversion requires approval from the Michigan Dept. of Natural Resources and the National Parks Service.
- The proposed conversion will expand the size and recreational value of the park providing a connection to the Detroit Riverwalk.
- The total value of this project is \$5 million dollars.

Project Pipeline



Statler Building, Downtown

- Developer: Jonathon Hultzman
- 290 Units with restaurant and retail
- Investment: \$62 million
- Incentives: NEZ abatement & PA 210



Elton Park , Corktown

- Developer: Soave Enterprise
- Multi-Phased Project - \$125 million total investment
- 1st Phase: 150 Residences & Retail
- Investment: \$43 million
- Incentives: \$6.9 million loan and tax abatement



3rd & Grand, New Center

- Developer: The Platform – Peter Cummings
- Investment: \$53 million
- 231 apartments and 20,000 sq. ft. of retail
- Incentives: \$2 million CRP equity investment & tax abatement. Invest Detroit sub-debt



The Scott, Midtown

- Developer: Broder-Sachse
- Investment: \$65 million
- 199 apartments and 15,000 sf ft. of retail
- Incentives: \$1.5 million CRP loan, tax abatements, and sub debt from Capital Impact Partners and Invest Detroit.

TOWN HALL Q&A



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Thank you



Business Practice Group

The hallmarks of Butzel Long's Business Group are superior, efficient legal representation creative problem solving prompt, effective communication with the client and a level of service that extends beyond the routine client-counsel relationship to build a partnership that's driven by results and is based on a deep investment in our clients success. Bringing to bear years of experience and deep understanding of our clients businesses, we act as a trusted resource for our clients, understanding the challenges they face as business leaders and working to tackle issues ranging from the highly complex to the kind of day to day matters that businesses face on a regular basis.

We advise a range of clients, from Fortune 500 companies to regional enterprises and smaller owner-operated businesses, and count a broad cross-section of manufacturing, healthcare, publishing, real estate and financial concerns as clients. The members of this group also work closely with Butzel Long lawyers in various other practice areas to ensure a sophisticated breadth of legal analysis. Further, the firms' participation in Lex Mundi, a global organization of over 160 independent member firms, enables the group to provide access to legal assistance throughout the world.

Butzel Longs attorneys appreciate the business, economic and often public concerns that drive many transactions in today's challenging marketplace and possess the expertise and insight to structure and consummate these increasingly complex deals. Our range of experience includes advising and assisting clients in complying with federal and state securities laws in matters of capital formation and mergers and acquisitions structuring sophisticated finance transactions and relationships for both corporate and public entities involving multi-tiered, multi-lender relationships counseling clients in structuring, restructuring and liquidating corporate and non-corporate entities as well as assisting with entity formation issues such as drafting start-up documentation and negotiating and preparing commercial documents. Butzel Long attorneys have assisted in the creation and growth of some of the largest corporations in the world. We help entrepreneurs and small businesses build a sound foundation for long-term success. And many of our corporate relationships are more than a half-century old -- testimony to the deep commitment we bring to the success of our clients' enterprises.

For more information, please visit www.butzel.com.



ENVIRONMENTAL & NATURAL RESOURCES

Butzel Long's Environment & Natural Resources Practice encompasses the entire spectrum of environmental law, from regulatory compliance to litigation. What sets us apart is our practical experience and intimate knowledge of our client's businesses. With experience as both in-house and outside counsel, the members of our group possess a high level of industry knowledge and can provide insight on a wide array of environmental issues. Our attorneys handle virtually every type of environmental matter, from development issues, such as obtaining wetlands and sewer construction permits, to regulatory matters, such as compliance with permits and emission limits. Our practice includes state and federal regulatory compliance permitting for water discharge and air emissions, Brownfields cost recovery, control of toxic substances such as pesticides, PCBs, and asbestos mold and other indoor air issues, spill reporting requirements, labeling and marketing of consumer chemical products, management of underground storage tanks, insurance coverage for environmental claims, environmental aspects of real estate and business acquisitions, environmental litigation, counsel on tax incentives, and commentary on proposed rules and legislation.

Our clients are as diverse as the matters we handle, including individuals, small businesses and major corporations. Butzel Long has also been retained by other law firms to act as co-counsel or local counsel with regard to a variety of environmental matters. Our reputation, experience and resources give other law firms confidence that they can entrust their clients to our representation. Whether local, regional or national, we tailor our approach depending upon the client's needs.

Butzel Long's environmental law attorneys work closely with lawyers in our other practice areas to provide counsel on interconnected topics. Our group is frequently called upon to negotiate environmental provisions in purchase, lease, and mortgage agreements and to direct environmental assessments of real estate, including Baseline Environmental Assessments. Each attorney is well-versed in the special concerns of buyers, sellers, and mortgage lenders, in commercial, residential and manufacturing acquisitions. We also have a unique expertise in Brownfield Redevelopment and have worked with municipalities to ensure compliance with construction, waste water discharge compliance, operation and maintenance, management and community relations issues. Butzel Long attorneys have been involved in many Superfund cases, have extensive experience with environmental litigation and have significant expertise in the development and production of natural resources..

For more information, please visit www.butzel.com.



Real Estate Practice Team

We provide a broad range of capabilities and deep experience.

Butzel Long's real estate team has worked on virtually every type of project: major urban redevelopment projects, downtown office facilities, greenfield development of office, industrial, research and technical centers, retail, hotels and residential properties as well as signature incentive programs.

Our multi-disciplinary team is comprised of attorneys who have handled real estate activities ranging from the development of community projects, to spearheading tax increment finance, from the creation of sophisticated financial instruments to the drafting of leases, from zoning, condemnation and tax issues to mineral rights, environmental assessments and permitting. Our group has the expertise to navigate the public dollars arena, efficiently and effectively.

Selected Services:

- Entity selection and formation
- Acquisition and disposition
- Corporate real estate issues
- Development, architectural and construction contracts
- Land use restrictions
- Financing and syndication
- Tax related issues
- Leasing of offices, retail stores, restaurants, warehouses and full buildings on behalf of landlords or tenants throughout the country
- Planning, zoning and government relations
- Publicly financed development
- Environmental regulation
- Brownfield redevelopment
- Easements and boundary issues
- Historic preservation issues
- Condominium development and conversion
- Waterfront development
- Condemnation/eminent domain
- Homeowner association issues
- Brokerage and property management
- Foreclosure, workouts and bankruptcy
- Litigation/disputes