

# MICHIGAN COMMUNITY REVITALIZATION PROGRAM GUIDELINES

## PROGRAM GOALS

The Michigan Strategic Fund (MSF) Act, MCL 125.2011 et. seq. was amended to add Chapter 8C to create and operate the Michigan Community Revitalization Program (MCRP), administered by the Michigan Economic Development Corporation (MEDC) on behalf of the MSF. Community revitalization will accelerate private investment in areas of historical disinvestment, contribute to Michigan's reinvention as a vital, job-generating state, foster redevelopment of functionally obsolete properties, reduce blight, support the rehabilitation of historic resources, and protect the natural resources of this state. The focus of the MCRP is to encourage and promote capital investment and redevelopment of brownfield and historic preservation sites located in traditional downtowns and high-impact corridors.

## ELIGIBLE APPLICANTS

Any person or multiple persons may apply to the MSF for approval of a MCRP incentive associated with a project.

## PROJECT CONSIDERATIONS

The Michigan Strategic Fund (MSF) may provide support for a project in the form of a grant, direct loan or other economic assistance such as a loan participation or equity investment. All awards shall be performance-based.

Grants may be awarded for up to \$1.5 million as determined by need and competitiveness of the proposed project. A grant may include flexible terms and conditions. Grants shall also include provisions requiring grant funds to be paid back to the MSF when certain requirements are not met. Disbursement of grant funds will follow construction completion and issuance of a "Certificate of Occupancy" and completion of other performance-based criteria.

A loan participation arrangement requires the presence of a Senior Lender willing to lead the lending relationship and operate within the underwriting standards of the MEDC. It is anticipated the MSF's investment may have different terms from the Senior Lender's portion, but operate under the same loan agreement(s).

Equity investments may be considered for projects located in geographic markets considered transitional or tertiary by MEDC staff or projects with HUD/FHA financing as the primary source of financing.

Direct loans will only be used under special circumstances where a loan participation arrangement is not desirable. They may include flexible terms and conditions, all of which must be acceptable to the MSF Board or its delegates, including without limitation, below market interest rates, extended grace and repayment provisions, forgivable terms and no security, or some security (which also may be subordinated). These loans typically require that funds are disbursed following construction completion and issuance of a "Certificate of Occupancy", and completion of other performance-based criteria.

All projects are competitively evaluated. The most competitive projects will meet the [Community Development Guidance](#) standards including being located in an engaged or certified Redevelopment Ready Community. In addition to meeting or exceeding the Community

Development criteria, the following financial conditions will be considered by staff when determining a project's competitiveness for MCRP support.

1. Senior Financing: Maximize all available senior financing with preference through a federally insured and regulated senior lender.
2. Fees: Minimize or defer all developer and other related-party fees.
3. Equity: Provide significant owner equity investment.
4. Debt Service Coverage Ratio: Ensure that the projected cash flow after MCRP incentive is applied is adequate to service debt.

The following statutory criteria will be evaluated by the MSF for all projects to the extent reasonably applicable:

1. The applicant's financial need for the incentive and whether the project is financially and economically sound (*Sec 90(b)(4)(d) & Sec 90(b)(4)(h)*).
2. The importance of the project to the community, the amount of local financial support to the project, and the level of private sector and other contributions to the project, such as federal tax credits (*Sec 90(b)(4)(a), Sec 90(b)(4)(c), and Sec 90(b)(4)(g)*).
3. Whether the project incorporates basic tenants of urban design by promoting mixed-use development, walkable communities and/or increasing the density of the area (*Sec 90(b)(4)(j) & Sec 90(b)(4)(i)*).
4. Whether the project will redevelop a brownfield and/or historic resource and/or a vacant structure; if historic, whether the project will follow the federal secretary of the interior's standards for rehabilitation of historic buildings, 36 CFR 67 (*Sec 90(b)(4)(e), Sec 90(b)(4)(m), and Sec 90(b)(4)(q)*).
5. Whether the project promotes sustainable development (*Sec 90(b)(4)(l)*).
6. The level and extent of environmental contamination (*Sec 90(b)(4)(p)*).
7. If the project will act as a catalyst for additional revitalization and/or addresses area-wide redevelopment strategies (*Sec 90(b)(4)(b) & Sec 90(b)(4)(n)*).
8. Creation of jobs (*Sec 90(b)(4)(f)*).
9. Whether the project addresses underserved markets of commerce; converts abandoned public buildings to private use; and if the project will compete with or affect existing Michigan businesses (*Sec 90(b)(4)(o), (Sec 90(b)(4)(k), & (Sec 90(b)(4)(r)*).
10. Any other additional criteria approved by the board that are specific to each individual project and are consistent with the findings and intent of this chapter (*Sec 90(b)(4)(s)*).

## **LEVEL OF SUPPORT**

MSF support for a single project shall not exceed 25% of the eligible investment, and in no event shall the MSF support exceed a total of \$10,000,000 for any project (including any combination of loan, grant or other economic assistance). However, in a city, village, or township with a population of 15,000 or less (based on the most recent federal decennial census), the amount of community revitalization incentives for a project shall not exceed 50% of a project's eligible investment up to \$10,000,000. Additionally, the statute also allows that annually the MSF or its delegates may consider support for up to three single projects that shall not exceed 50% of the eligible investment for the specific purpose of historic preservation. Further, no part of the MSF support that is in the form of a grant shall exceed \$1,500,000 for any project.

## **ELIGIBLE PROPERTY**

Documentation that the project is located on an eligible property is required at the time the pre-application is submitted. Eligible property includes one or more of the following:

**Facility:** As defined in Public Act 451 of 1994, MCL 324.20101, means any area, place, or property where a hazardous substance in excess of concentrations that satisfy the cleanup criteria for unrestricted residential use has been released, deposited, disposed of, or otherwise comes to be located. A Phase I and Phase II Baseline Environmental Assessment is used to determine whether the property is a facility. The MEDC will confirm with the Michigan Department of Environment, Great Lakes and Energy (DEGLE) who will certify the property as a facility after adequate documentation is received from the developer.

**Historic Resource:** A publicly or privately owned historic building or structure, individually listed, or located within a historic district designated by the National Register of Historic Places, the State Register of Historic Sites, or a local unit acting under the Local Historic Districts Act, 1970 PA 169. Documentation is required to verify any of the above designations.

**Functionally Obsolete:** Property that is unable to be used to adequately perform the function for which it was intended due to a substantial loss in value resulting from factors such as overcapacity, changes in technology, deficiencies or super adequacies in design, or other similar factors that affect the property itself, or the property's relationship with other surrounding property as determined by a Michigan Advanced Assessing Officer or a Michigan Master Assessing Officer.

**Blighted:** Property that meets any of the following criteria as determined by the respective unit of government, building official, or assessor when applicable:

- Has been declared a public nuisance in accordance with a local housing, building, plumbing, fire, or other related code or ordinance;
- Is an attractive nuisance to children because of physical condition, use, or occupancy;
- Is a fire hazard, or is otherwise dangerous to the safety of persons or property;
- Has had the utilities, plumbing, heating, or sewerage permanently disconnected, destroyed, removed, or rendered ineffective so that the property is unfit for its intended use;
- Is tax reverted property owned by a qualified local governmental unit, by a county, or by this state;
- Is property owned, by or under the control of, a land bank fast track authority under the Land Bank Fast Track Act, 2003 PA 258; and
- Has substantial subsurface demolition debris buried on site so that the property is unfit for its intended use.

**Adjacent or Contiguous:** Other parcels that are adjacent or contiguous to qualifying property described above that is part of the same project and all properties are improved.

**Neighborhood and Commercial Corridor Food Initiative (“Urban Grocery):** Property that will be used primarily as a retail supermarket, grocery store, produce market, or delicatessen that is located in a downtown area or in a development area as defined in section 2 of the [Corridor Improvement Authority Act](#). The qualifying project must not be less than one mile from another grocery provider and must provide unprocessed USDA-inspected meat and poultry products or meat products that carry the USDA organic seal, fresh fruits and vegetables, and dairy products for sale to the public.

**Any Other Property:** “Any Other Property” means property that when redeveloped as proposed will promote community revitalization, as determined by the MSF Board.

## **ELIGIBLE INVESTMENT**

An eligible investment, is defined as at least one, or any combination of, the following expenditures which may have occurred prior to the MSF approval of the application and has not been completely reimbursed to, or paid for on behalf of, the applicant. Collectively these expenditures are eligible investments and are referred to as “Hard Costs”:

- a. Any fees or costs for alteration, construction, improvement, demolition, or rehabilitation of buildings of an approved project, including utility tap fees, and fees and costs paid to a governmental entity for permits, zoning, and inspections;
- b. Any fees or costs for site improvements to an approved project, including, a surface parking lot, parking garage, parking ramp, utilities and public infrastructure, such as roads, curbs, gutters, sidewalks, landscaping, lighting, grading and land balancing;
- c. Any fees or costs for the addition of machinery, equipment or fixtures to an approved project; or
- d. Professional fees or costs for an approved project for architectural services, engineering services, Phase I environmental site assessment, Phase II environmental site assessment, or Baseline Environmental Assessment, or surveying services.
- e. Professional fees associated with obtaining a third-party certification for environmentally sustainable design, building materials and/or development practices.

The MSF or MSF Fund Manager, on its behalf, may impose additional terms and conditions involving any Hard Costs that meet eligibility for reimbursement under any tax increment financing, including requiring those costs to be repaid to the MSF, or excluding any such costs from Hard Costs.

In no event shall any of the following, which are collectively referred to as “Soft Costs”, be deemed any part of the Hard Costs:

- a. acquisition fees or costs for real property,
- b. developer fees or costs,
- c. closing fees or costs,
- d. legal fees or costs,
- e. professional fees or costs (other than those included above as part of the Hard Costs),
- f. title commitment fees or costs,
- g. title insurance fees, premiums or costs,
- h. management fees or costs (including Project management and related party construction management),
- i. appraisal fees or costs,
- j. bank or other lender financing, interest, or inspection fees or costs,
- k. leasing or sales commission fees or costs,
- l. shared savings, or fees or costs arising from penalties or other reductions in payment from any contract for improvements to the Project,
- m. performance bond and other risk contingency fees and costs,
- n. marketing fees or costs,
- o. zoning fees or costs (other than those zoning fees or costs paid to a governmental entity included above as part of the Hard Costs),
- p. taxes, or
- q. hazard, liability or any other insurance fees and costs.

## **PROJECT EVALUATION, PROCESS AND MSF SUPPORT**

MCRP requests for MSF support will go through the following general process:

1. Applicant provides pre-application including proforma, and initial supporting documentation.
2. MEDC leadership considers project based on Community Development Guidance standards and financial need.
3. MEDC provides Letter of Interest, when appropriate.
4. Applicant provides completed application package with all supporting documents.
5. MEDC completes statutory review, full financial review and provides proposed financial structure and term sheet.
6. Michigan Strategic Fund Board considers project.
7. If project is approved, applicant pays pre-closing fees.
8. MEDC drafts appropriate legal agreement and agreements are executed at closing.
9. Applicant completes milestones necessary for disbursement of funds by MEDC.
10. Applicant completes required reporting following project completion.
11. MEDC completes compliance verification and project closeout.

All MSF support shall be memorialized by final written grant, loan or other economic assistance agreements, with terms and conditions in accordance with state law, these guidelines and otherwise satisfactory to the MSF, including, without limitation, requiring performance-based milestones which shall govern disbursements; and requiring periodic reporting of data, financial information, and any other information required to facilitate reporting to the MSF and the Michigan legislature, including periodic reporting after completion of a project. The program may require applicants to pay reasonable application fees, and any other expenses incurred in administering the program.