

SMARTZONE AMENDMENTS EVALUATION AND TIF POLICY

This appendix is intended to be used by the reader as policy and guidance for submitting amendment requests to existing SmartZones. MEDC SmartZone Program staff will evaluate Act 281 amendment requests by each SmartZone, taking into consideration the Development and Tax Increment Financing (TIF) Plan (“The Plan”), applicable laws, regulations and established policy. No provision of this guidance document should be construed to limit the MEDC's authority to require additional information. This guidance document shall replace and supersede any previously established guidance document. Upon a detailed evaluation of the request and affiliated paperwork, the MEDC will make a determination of eligibility for approval based upon the content of The Plan and any other relevant factors.

EXTENSION REQUESTS (5 Years OR 15 Years with new satellite)

MEDC will provide a recommendation based on the following:

- Past Performance:
 - Compliance with Agreement, including but not limited to, reporting fully and timely
 - Number and type of high-tech businesses assisted – companies with a technology at the core of their product or service
 - Number and type of high-tech businesses locating or expanding – industry of the business
 - Number and type of high-tech jobs created/retained – FTEs receiving a W-2 from the company at the time of the Zone engagement are considered retained, and FTEs hired after the engagement are considered created
 - Average wage – average wage of W-2 FTE equivalents as reported voluntarily by the company. Does not include the founder or other employees not receiving cash payment at the time of reporting
 - High tech job impact on the region and state – this is the opportunity to utilize a narrative to tell the story of the SmartZone’s impact
 - Nature and extent of any nontechnology businesses operating within the zone.
 - Number and industry type of other non-high-tech jobs created
 - Number of on-going and completed research projects – Federal agency grant funded projects and patents by SmartZone clients
 - Number of on-going and completed commercialization projects – new commercial products a company sells and those still in process
 - Amount of investments by Zone and companies assisted by Zone – Amount of investments within the zone and additional capital invested in a company following company creation and induction into the SmartZone.
 - Use and outcomes of any state money and TIF made available to the zone
 - Revenues received – LDFA TIF capture and any other state monies received
 - Expenses paid by type of funding - LDFA Expense Activity
 - Fund balances – LDFA fund balance from audit report

- The amount and maturity date for all outstanding obligations – debt and similar obligations
 - The amount paid on outstanding obligations – amount paid including interest
- A list of all the parcels included in each TIF district allocation area and the base assessed value and incremental assessed value for each parcel in the list
- Map defining eligible property within SmartZone
- An analysis of the Zone’s overall contribution to the technology based economy in Michigan and the region to be provided by the SmartZone Plan for future performance – include in TIF/Development plan
- The proposed use of the Tax Increment Financing fund for the extension period by year, including map identifying targeted parcels for growth within existing boundaries – include in TIF/Development plan
- Demonstration that Regional cooperation and local support, including but not limited to, Interlocal agreements, local planning strategies highlighting SmartZone focus, and required local approvals – include in TIF/Development Plan
- Submission of an updated business plan with a clear strategy for growth during extension period and how they will continue to attract a specific high-tech business. This will include information on how the institution of higher education will be involved in the implementation of this plan. Demonstration of administrative capacity to continue to implement the business plan and the zone will transition to become self-sufficient. – include in TIF Development Plan

If approved, amended/restated agreements shall be executed to include the following:

- Funds expended according to MEDC SmartZone LDFA TIF Guidance and TIF Capture Policy.
- Consistent, set date all reports will be due including additional reporting information requested.
- Require any geographic expansion after the approval of the TIF plan to be approved via amendment to the agreement. Geographic expansions would have to demonstrate a strong tie to the mission of the Smart Zone creating high-tech jobs.

NEW SATELITE REQUESTS

MEDC will provide a recommendation based on the following criteria for new SZ designation and to be utilized in the TIF plan review. The SZ designation is evaluated first and then TIF request following a recommendation for designation:

- Submission of a business plan that establishes a clear strategy for long-term growth and self-sufficiency
- Budget, including detailing the proposed use of the Tax Increment Financing
- Demonstration that the designation of the zone will lead to a cooperative effort with the lead zone, specifically outlining roles and responsibilities
- Demonstration that the designation creates an opportunity to attract high-tech businesses, including a list of partnerships
- Demonstration of the capacity of the applicant and the institution of higher education’s ability to implement the business plan
- Demonstration that the designation will lead to a contribution to the technology based economy in Michigan and the region.

Agreement on behalf of the applicant will include the following:

- Funds will be expended according to MEDC SmartZone LDFA TIF Guidance and TIF Capture Policy.
- Consistent, set date all reports will be due including additional reporting information requested.
- Require any geographic expansion after the approval of the TIF plan to be approved via amendment to the agreement. Geographic expansions would have to demonstrate a strong tie to the mission of the Smart Zone creating high-tech jobs.

SMARTZONE TIF PLAN REQUIREMENTS

Upon evaluation of the TIF Plan, the following protocol will apply:

1. All new Satellite TIF requests – approve first 10 years at 50% capture and then reducing by 10% increments each year for the remaining years (Year 11: 40%, Year 12: 30%, Year 13: 20%, Year 14: 10%, Year 15: 0%) unless a re-evaluation by MEDC and Treasury staff determine that a different level of support is warranted.
2. Time Extensions for existing Host SmartZones (5 or 15 years) – would limit new growth to 25% of the new tax capture, while maintaining the last TIF year as their funding base unless a re-evaluation by MEDC and Treasury staff determines that a different level of support is warranted.
3. Reserves shall not exceed 15% of total annual capture for the SZs that have both local and state proportional capture. Tax Increment Revenue identified for SZ eligible activities that are multi-year projects are not considered reserves.

In instances where there is an overlay of TIF authorities and local capture is not directed to the SZ, up to 10% of annual capture may be allocated to reserves provided that funds are matched with a local contribution. Tax Increment Revenue identified for SZ eligible activities that are multi-year projects are not considered reserves. Documentation must be provided that demonstrates the matching funds were allocated to the SmartZone for operational reserves. Any capture that was not matched by local contribution will be diverted back to all applicable taxing jurisdictions. Any capture that is not expended in the year it was captured will be diverted back to all applicable taxing jurisdictions.