

SMARTZONE ELIGIBLE COST GUIDANCE

This appendix is intended to be used by the reader as a comprehensive listing of eligible costs provided by the Local Development Finance Authority Act (Act 281 of Michigan of 1986) and supported by the Michigan Economic Development Corporation. This guidance will also facilitate consistent, accurate, efficient and timely completion of the TIF Ratification approval process where the capture of state school taxes is desired. MEDC SmartZone Program staff will evaluate Act 281 TIF eligible costs submitted 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 and state school tax capture based upon the content of The Plan and any other relevant factors.

ELIGIBLE PROPERTY

Eligible Property is defined as: Land Improvements, building, structures, and other real property, and machinery, equipment, furniture, and fixtures, or any part or accessory thereof whether completed or in the process of construction comprising an integrated whole, located within an authority district, of which the primary purpose and use is or will be one of the following:

- I. Manufacture of goods or materials or the processing of goods or materials by physical or chemical change
- II. Agricultural processing
- III. A high technology activity
- IV. The production of energy by a facility that is primarily fueled by biomass or wood waste
- V. A business incubator
- VI. An alternative energy technology business
- VII. A transit-oriented facility
- VIII. An eligible next Michigan business

TIF ELIGIBLE COSTS

The cost of funding **public facilities** (125.2152(ff)) related to, or for the benefit of eligible property located within a Certified Technology Park or Certified Alternative Technology Park.

PUBLIC FACILITIES

A Public Facility means one of the following:

- I. A street, road, bridge sewer, etc.
- II. The acquisition and disposal of land that is proposed or intended to be used in the development of eligible property or an interest in that land, demolition of structures, site preparation, and

relocation costs.

- III. All administrative costs related to real and personal property acquisition and disposal costs related to a public facility, including, but not limited to, architect's, engineer's, legal, and accounting fees as permitted by the district's development plan.
- IV. An improvement to a facility used by the public which improvement is made to comply with the barrier free design requirements of the state construction code under the Stalle-DeRossett-Hale act.
- V. The following MEDC approved costs:
 - I. Business incubator operational costs
 - II. Costs related to acquisition, improvement, preparation, demolition, disposal, construction, reconstruction, remediation, rehabilitation, restoration, preservation, maintenance, repair, furnishing, equipping of land and other assets for the following:
 - i. Business Incubator (located in a Certified Technology Park or Certified Alternative Energy Park)
 - ii. Laboratory Facilities, Research and Development Facilities, Conference Facilities, Teleconference Facilities, Testing, Training Facilities, and Quality Control Facilities (that are or support Eligible Property, Owned by a public entity, and are located in a CTP)
 - iii. Publicly Owned Facilities that support an alternative energy technology business (Located in a CAEP and have been or will be conveyed, by gift or sale, by such public entity to an alternative energy technology business)
- VI. Operating and Planning Costs of marketing within the district and attracting development of eligible property within the district.

TIF LIMITATIONS

- I. All new Satellite TIF requests – approve first 10 years at 50% capture and then reducing by 10% increments for each of the remaining years (year 15=0%), unless a re-evaluation by MEDC and Treasury staff determines that a different level of support is warranted. (Specific to school operating and State Education Tax)
- II. 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 original TIF year as their funding base, unless a re-evaluation by MEDC and Treasury staff determines that a different level of support is warranted. (Specific to school operating and State Education Tax)
- III. 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.
- IV. Reserves shall not exceed 15% of total annual capture for those 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.
- V. The following costs are not permitted:
 - i. Microloans or any funding directly provided to a business.
 - ii. To fund the costs of direct subsidies, programs or services provided to or for tenants in the Business Incubator such as research stipends or grants, employee compensation subsidies, or grant proposal assistance.
- VI. In the instance where local capture is reduced in any given year, the State portion of capture shall be reduced proportionally.

- VII. Any reduction or expansion of a Plan, the LDFA shall seek input from MEDC prior to any local action taken. Any expansion of a Plan, the LDFA shall demonstrate a direct impact on high-tech growth in the expanded area.

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