

Local Economic Development Incentives and Resources

Downtown Development

Downtown Development Authority (DDA). The state of Michigan passed the Downtown Development Authority Act (PA 197 of 1975) to give municipalities a tool for improving the quality of downtown areas. The DDA is responsible for the planning and implementation of economic development and prevention of deterioration in the downtown business district. The Gaylord DDA, established in 1985 has utilized Tax Increment Financing (TIF) to construct and expand streetscapes, improve underground utilities, construct the Pavilion on Court, support façade improvements and host and promote activities designed to boost retail traffic in the district. A TIF district allows the DDA to capture property taxes on the taxable value above the value of the district when it was established.

Commercial Redevelopment and Commercial Rehabilitation Tax Abatements. Both of these acts allow the City to grant a tax abatement similar to an Industrial Facilities Tax abatement (50% reduction of local mills levied, but excludes land and personal property for new projects and freezes existing taxable value for rehabilitated buildings, but also excludes land and personal property) for certain qualified projects in the downtown district. These abatements are an additional incentive that would have to be judiciously used since a TIF district is in effect in the Gaylord downtown business district.

Façade Improvement Program. The Michigan Economic Development Corporation (MEDC) Community Assistance program makes available Community Development Block Grant funding to improve facades in the traditional downtown business district (zero lot line buildings). The program will provide up to \$400,000 in grant funds with a minimum 25% match although the MEDC wants to see a higher match amount and will rank projects accordingly. Improvements funded include front and rear façade elements including stucco, wood trim, cedar shake shingles, painting, windows, doors, lighting and all associated framing and structural work. Signage is not eligible. Matching funds are required and can consist of owner cash and/or investments in HVAC, plumbing, electrical, roofs and other building improvements are eligible for use as matching funds. Architectural design (final design) and construction management are also eligible as match.

The program is structured so that the building owner chooses a local architect who enters into a preliminary design agreement with the Gaylord DDA. The architect prepares a preliminary design for the building façade improvement and cost estimate based on the Gaylord Alpine motif. The building owner will need to determine the level of investment he or she is willing to make and identify how much will be “in-kind” building renovation and how much will be in cash. Once we have identified the project’s source and uses of funds we will submit a proposal package to the MEDC for review. If the MEDC accepts our proposal, we will be invited to submit a Notice of Intent (a pre-application) to apply for the grant funding. Once the NOI is submitted and approved, we will be invited to submit a full grant application and complete an environmental review. The project will commence once the application has been approved and environmental review completed. Based on the past two years we would anticipate a May start for final design with construction completed by November.

Signature Building Program. Grants are available for communities seeking acquisition of vacant, partially vacant or substantially underused buildings located in traditional downtowns for rehabilitation into a commercial/mixed use building that will result in job creation. CDBG funding can only be utilized for property acquisition activities and the community must demonstrate the financial capacity to rehabilitate the building in order to qualify.

The Downtown Signature Building Program enables a community to secure a building that is a focal point within the downtown for commercial rehabilitation purposes that will result in job creation, and once redeveloped, would become an asset and make a significant contribution to the overall downtown area.

The CDBG funding allows the community to acquire property that a developer would not typically purchase and redevelop due to the substantial amount of money required, that its current owners are experiencing challenges with developing and/or maintaining, and is currently being underused. Therefore, this program gives the community availability/accessibility to funding to stimulate economic opportunity within a downtown.

Priority will be given to communities that: show that the project is a signature, troubled building in the downtown; location is in a historic district or is historically registered; has been vacant, partially vacant or underused for three years or more; has sufficient parking for a rehabilitated building; a structural analysis has been completed for the building; local organizational capacity exists to successfully complete this project including the adoption of a downtown plan; have a full time downtown development professional; demonstrate prior commitment to using downtown economic incentives; and demonstrate that the project is located in a strategically valuable location of the traditional downtown.

MSHDA Apartment Rehab Program. The Rental Rehabilitation is designed to provide funding assistance to improve investor-owned (landlord) properties. This program is accessed through the Otsego County Housing Committee. MSHDA is giving preference in funding for downtown rental rehabilitation. Minimum grant investment is \$1,000 per unit. Maximum per unit dollar limits are the lesser of \$25,000/unit or 75% of project costs for existing units or the lesser of \$35,000/unit or 75% of project cost for newly created units. MSHDA funding is generally structured as a loan to be totally forgiven at the end of five years, as long as property owner meets terms and conditions of the lien; May be structured as a full or partial loan; Grantee may adopt stricter guidelines than those set by MSHDA if program is marketable. A lien period and period of affordability exists for a 5 year lien period; however 51% of units must be affordable only at time of initial occupancy. If the property is sold, the new owner may either pay back the entire amount of the loan or continue meeting lien requirements for the remaining time period & not repay the assistance.

Brownfield MBT Tax Credits. Significant redevelopment of a downtown building (such as the Hallmark Building) may be eligible for Brownfield MBT tax credits of potentially up to 20% of eligible project investments. The Otsego County Brownfield Redevelopment Authority is the conduit for accessing this assistance and determining eligibility.

Non-Historic Rehabilitation Tax Credits. The 10% rehabilitation tax credit is available for the rehabilitation of non-historic buildings placed in service before 1936. As with the 20% Historic

rehabilitation tax credit, the 10% credit applies only to buildings-not to ships, bridges or other structures. The rehabilitation must be substantial, exceeding either \$5,000 or the adjusted basis of the property, whichever is greater. And the property must be depreciable. The 10% credit applies only to buildings rehabilitated for non-residential uses. Rental housing would thus not qualify. Hotels, however, would qualify. They are considered to be in commercial use, not residential. A building that was moved after 1935 is ineligible for the 10% rehabilitation credit. (A moved certified historic structure, however, can still be eligible for the 20% credit.) Furthermore, projects undertaken for the 10% credit must meet a specific physical test for retention of external walls and internal structural framework:

- At least 50% of the building's external walls existing at the time the rehabilitation began must remain in place as external walls at the work's conclusion, and
- At least 75% of the building's existing external walls must remain in place as either external or internal walls, and
- At least 75% of the building's internal structural framework must remain in place.

Redevelopment Liquor License. Public Act 501 of 2006 creates new Redevelopment Liquor License (RLL). The RLL is a non-transferable Class C license available to eligible businesses within the City of Gaylord Downtown Development District and is not subject to the normal Liquor Control Commission (LCC) quota system and has a fixed cost of \$20,000.

To secure a RLL a business must meet the following requirements:

- The licensed business must demonstrate that it is engaged in dining, entertainment, or recreation.
- Is open to the general public at least 10 hours per day, 5 days per week.
- Has a seating capacity of not less than 50 persons.
- Has least \$75,000 for the rehabilitation or restoration of the building over a period of the preceding five years or documentation that this amount will be expended prior to the issuance of the RLL.
- Demonstrates to the LCC that it has attempted to secure an on-premise escrowed license or quota license issued under section 531 of the Liquor Control Act and that one was not readily available within the local unit of government

An applicant for an RLL will have to meet all other normal liquor license application requirements as well as secure approvals from the City of Gaylord and DDA.

South Otsego Avenue Redevelopment

Corridor Improvement Authority (CIA). The CIA is a DDA type authority that can use Tax Increment Finance (TIF) to fund public and private improvements in established commercial corridors. A CIA has not been established for the South Otsego Corridor, but would be a potential tool to support a major redevelopment project in this area. The CIA would be the body that would plan as well as finance public and some private improvements using tax increment revenues. The CIA is a board established by the City of Gaylord.

Commercial Redevelopment Act (CRA) Tax Abatement. The CRA allows the City to grant a tax abatement similar to an Industrial Facilities Tax abatement (50% reduction of local mills levied, but excludes land and personal property for new projects and freezes existing taxable value for rehabilitated buildings, but also excludes land and personal property). The CRA abatement is an additional incentive that would have to be judiciously used if a TIF district were established as part of a CIA. The CRA is also handled through the City.

Brownfield MBT Tax Credits. Significant redevelopment projects may be eligible for Brownfield MBT tax credits of potentially up to 20% of eligible project investments. Depending on the nature of the site and development, state Brownfield loan or grant funds may also be available for use in defraying the cost of conducting environmental assessments and preparing a baseline environmental assessment. The Otsego County Brownfield Redevelopment Authority is the conduit for accessing this assistance.

Infrastructure Financing. Public improvements may also be able to be funded in part from MDOT Enhancement and MEDC Community Development Block Grant programs although both programs require local matching funds which can be financed through CIA TIF or developer contributions.

Industrial Development

Gaylord Industrial Park. The Gaylord Industrial Park is a fully developed, city-owned, industrial park with municipal water and sewer, natural gas, heavy power, Class A roads, direct access to I-75 from two exits, adjacent to the Otsego County Airport and zoned Industrial. Development of Phase I of the park has been completed and sites are ready for occupancy. There are five 4+ acre sites, twenty-six 2.5+ acre sites, and eleven 1+ acre sites. Larger sites can be created by combining lots or in the adjacent undeveloped area. Lots are priced at \$35,000 per acre. Protective covenants are in place to ensure good development. The City pays a 5% commission to Real Estate brokers involved in a sale. The park has been established as an industrial development district for the purposes of granting tax abatements.

Infrastructure Financing. The local municipality (City, Township or Village), working with the Otsego County Economic Alliance, will work with the Michigan Economic Development Corporation and Michigan Department of Transportation to access federal funds in the form of state-administered Community Development Block Grants and Transportation Economic Development Funds for infrastructure improvements (water, sewer, road, rail, gas and electric) necessary to locate a project to industrial sites. The amount of the grant funding depends on the number of jobs created and the amount of private investment. A local match is also usually required.

Redevelopment Renaissance Zone. The entire G-P property has been designated by Bagley Township and Otsego County as a Redevelopment Renaissance Zone under Act 376 of 1996 as amended and being specifically MCL 125.2688a.6(b)(iii). This designation exempts all property in the zone from the Michigan Business Tax and all property taxes except for those that are used to pay bonded indebtedness. The tax benefits are phased out at 25% increments during the Zone's final three years of existence. Property owners are still responsible for property taxes levied to pay for local bonded indebtedness, school sinking funds, and special assessments

Industrial Facilities Tax Abatement. Manufacturing projects locating in the Gaylord Industrial Park, Gaylord Air Industrial Park, one site in Waters and the industrially zoned areas in the Village of Vanderbilt and Corwith Township are eligible under Public Act 198 of 1974, as amended, for a 12 year 50% abatement of real and personal property taxes that would be levied on all new investment in a project. This would abate 50% of all locally levied property taxes. With agreement from the state, the 6 mill state education tax could also be abated. A recent amendment to the Act allows the granting of an abatement on one existing industrial building in Otsego County that has been vacant for at least four years (Kimball Bldg. - GAIP, Glen's Warehouse - Waters and Dozer Construction – Vanderbilt).

Michigan Business Tax Personal Property Tax Reductions. Under the Michigan Business Tax (MBT) industrial personal property is exempt from the 6 mill state education tax and is also exempt from up to 18 mills levied for school operating purposes. Commercial personal property is exempt from up to 12 of the mills levied for school operating purposes. Additional MBT Credits Available Based on Eligible Personal Property Taxes Paid. A taxpayer may claim a credit against the MBT equal to 35% of the eligible industrial personal property taxes paid.

Pollution Control Equipment Tax Exemption. Certified air and water pollution abatement equipment is 100% exempt from property taxes in Michigan. Certification is approved by Michigan Department of Environmental Quality.

Michigan Economic Growth Authority (MEGA). MEGA was created to promote high quality economic growth and job creation. Since their inception in 1995, MEGA tax credits have spurred an estimated \$5.1 billion in private investment, creating 29,000 jobs and spinning off another 35,000.

If you are an employer in manufacturing, R&D, wholesale trade and office operations or electronics, communications, medical science and other high technology fields whose company devotes at least 25% of operating expenses to research and development, and you need a reason to expand or locate in Michigan rather than another state, you may be eligible for a high-tech job creation tax credit against the SBT. Each credit may be awarded for up to 20 years and for up to 100% of the tax related to the project.

These tax credits through MEGA (Michigan Economic Growth Authority) are designed to attract new, innovative and cutting-edge companies that specialize in new technologies. They are available to firms doing advanced computing, biotechnology, electronic device technology, engineering and laboratory testing related to product development, medical device technology, product research and development, advanced vehicle technology or technology that assists in the assessment or prevention of threats or damage to human health or the environment.

Economic Development Job Training. Economic Development Job Training (EDJT) assistance is available through the Michigan Economic Development Corporation. The EDJT program provides a grant for qualified specialized training required by an employer. This is a discretionary program and only provided if a project meets a number of criteria.

Other Incentives and Programs

Michigan Works! Michigan Works! is the locally governed state workforce development program. Our local Michigan Works! office offers several programs designed to assist employers including:

1. Michigan's Talent Bank and Job Bank, an on-line database of people seeking jobs as well as a database of jobs that employers are seeking to fill.
2. On the Job Training (OJT). For qualified employees, the OJT program will reimburse an employer up to 50% of the employees wages during an agreed upon training time period.
3. Work Opportunity Tax Credits. Michigan Works! can assist an employer with meeting eligibility requirements for this tax credit.
4. Subsidized Employment. This is a 100% wage reimbursement to employers hiring Michigan's Work First program participants.
5. Employee recruiting and screening services.

University/M-TEC Education Center. The Center provides a state-of-the-art facility providing seamless academic and career technical training in high-tech, high-wage and high-demand occupations. This Center provides standard and customized employee training, retraining for individuals who have lost their jobs or seeking new technical or vocational skills as well as certificate and degree programs for individuals seeking professional and technical employment. The 47,000 square foot facility offers training in a wide range of technical and industrial areas as well as Certificate, two-year and four-year university degree programs. The facility provides space for customized training for industry as well as interactive television classrooms to access university and community college courses from eight affiliated schools.

Otsego County Brownfield Redevelopment Authority (OCBRA). The OCBRA is established as a local authority in order to allow a company to access financial incentives available from the State of Michigan (MBT Credits, grants and loans) and locally (Tax Increment Finance).

Michigan's Brownfield law is designed to encourage and assist developers who want to return property to productive use more quickly and at a lower cost than before, while still protecting human health and natural resources. Owners and operators of contaminated sites are no longer required to pay for cleanup actions unless they caused the contamination. Flexible cleanup standards give developers the option of proposing a solution to historical contamination based on future use of the property.

The OCBRA can assist a developer with the redevelopment of contaminated, blighted or functionally obsolete properties through the use of TIF to conduct environmental assessments, prepare Baseline Environmental Assessment and Due Care Plans as well as preparing and approving Brownfield Plans necessary for securing Brownfield Tax Credits (from 12.5 to 20 percent depending on the size, type and location of the project).

Small Business Assistance Program. The Otsego County Economic Alliance (OCEA) is an Affiliate Office of the Michigan Small Business & Technology Development Centers of Michigan (SBTDC) Region 3. The Region 3 SBTDC is one of 12 offices statewide, providing

services and support to the Michigan small business community in the areas of counseling, training, research, and advocacy.

Bruce Goldammer, the SBTDC consultant serving Otsego County, provides free, one-on-one assistance to develop business plans, obtaining information, solving problems, building managerial skills, and providing resources and contacts. Access to this assistance is through the OCEA.

Otsego County Economic Alliance On-Line Site and Building Inventory. The OCEA maintains an inventory of vacant industrial, commercial and office buildings and vacant industrial sites on its web site www.gaylord-otsego.com. The OCEA also works to maintain an inventory of available for-lease retail and office space which is also provide on its web site. The OCEA does not broker the sale or lease of properties, but does facilitate and coordinate prospect tours of available properties at a prospect's request. The OCEA welcomes updates from brokers.

For More Information Contact:

Jeff Ratcliffe, Executive Director
Otsego County Economic Alliance
1062 Cross Street
Gaylord, MI 49735
(989) 731-0288
Jeff@Gaylord-Otsego.com
www.Gaylord-Otsego.com