

# ECONOMIC INCENTIVES

## A competitive business case for Michigan.

Michigan offers one of the best pro-business environments in the country. We have been ranked one of the Top 10 states for corporate tax competitiveness due to our simple, fair and efficient 6% corporate income tax and \$500 million in annual business savings through the elimination of industrial personal property tax.

Michigan provides millions of dollars in support each year for business expansions and growth through our resources, incentives and loans.

### Michigan Economic Development Corporation (MEDC)

The MEDC serves as Michigan's primary statewide economic development resource. Each year, Michigan provides millions of dollars in support for business expansions and growth through its resources, incentives and loans. Entrepreneurs and startups also have access to business services and financial support through MEDC's business incubators, each anchored by an academic institution.

The MEDC also is responsible for promoting and administering the Michigan Business Development Program, the state's business incentive program.

**NOTE:** All economic incentive programs outlined in this proposal are existing and approved for use. No additional legislative approval is required for any of the included programs.

## Michigan Business Development Program

**Value of Incentive:** \$40,000,000

**Type of Incentive:** Job-creation performance based grant

**Timeline for Approval:** 6 to 24 weeks after the offer letter has been accepted.

**Description:** The MBDP is designed to provide a grant, loan, or other economic assistance to

qualified businesses that make qualified investments or create qualified new jobs, or both in Michigan.

**Granting/Administering Authority:** While the program is operated and funded under the Michigan Strategic Fund (MSF), recommendations for awards under the program are presented by the MEDC to the MSF.

**Eligibility Requirements:** Qualified new jobs are Michigan residents that are employed by the Company with Michigan income tax withheld, hired after the MSF approval. A minimum of 50 qualified new jobs and local support are required.

**Method of Calculating Value:** The MEDC is utilizing a per job cost projection based on the community average wage, project size, and business case.

**Administrative Requirements:** Annual progress reports are required to be submitted online. To request a disbursement of funds, a milestone application will be required to verify job creation based on payroll documents.

## Transformational Brownfield Program\*

**Value of Incentive:** \$364,545,486

**Type of Incentive:** Tax Capture/Reimbursement Incentive

**Timeline for Approval:** 22 weeks after application is submitted

**Description:** This program affords developers the opportunity to be reimbursed for a portion of specific incremental taxes generated from large-scale transformational projects for a specified period of time. The incentive outlined is a direct benefit to Amazon.

**Granting/Administering Authority:** While the program is operated under the Michigan Strategic

Fund (MSF), recommendations for awards under the program are presented by the MEDC to the MSF for consideration, and require local approval.

**Eligibility Requirements:** Eligible projects will have a transformational impact on local economic development and community revitalization. Must be a mixed use development project with planned integration of retail, office, residential, or hotel uses.

**Method of Calculating Value:** 50% Personal Income Tax Withholding Capture Reimbursement, Construction Period Income Tax Capture, Construction Period Use Tax Exemption, Construction Period Sales Tax Exemption generated by Phase 1 and Phase 2 of the project.

**Administrative Requirements:** This incentive is subject to underwriting, economic and fiscal analysis, annual reporting, and any other requirements of the agreement.

\*Transformational Brownfield Program only eligible in the City of Grand Rapids

## Good Jobs for Michigan Program

**Value of Incentive:** \$200,000,000

**Type of Incentive:** 50% Withholding Tax Capture Reimbursement

**Timeline for Approval:** 8 to 24 weeks after the application has been submitted

**Description:** The Good Jobs for Michigan program was created to allow companies to capture withholding tax capture for a period of time.

**Granting/Administering Authority:** While the program is operated and funded under the Michigan Strategic Fund (MSF), recommendations for awards under the program are presented by the MEDC to the MSF.

**Eligibility Requirements:** Company must create a minimum of 3,000 new jobs, pay an average annual wage equal or greater than the Prosperity Region Average Wage (currently at \$20.46), maintain the number of jobs in the state prior to the expansion, obtain local support, and present a business case.

The project must also be financially viable and result in a positive return to the State.

**Method of Calculating Value:** The calculation is based on 50% of the withholding tax capture revenues for the creation of 15,000 jobs paying an average weekly wage of \$1,923 for a period of 10 years. This calculation assumes the jobs are ramped up in increments of 3,000 jobs per year until the total 15,000 has been reached.

**Administrative Requirements:** The company submits annual job creation reports, annual progress reports, and any other requirements of the agreement.

## Michigan Strategic Fund Designated Renaissance Zone

**Value of Incentive:** Varies by location

**Type of Incentive:** Real and Personal Property Tax Abatement, and Local Income Tax Abatement

**Timeline for Approval:** 8 to 24 weeks after the application has been submitted

**Description:** These zones were created specifically for significant projects that could be located anywhere throughout the state and creates a virtually tax free region for a company.

**Granting/Administering Authority:** While the program is operated and funded under the Michigan Strategic Fund (MSF), recommendations for awards under the program are presented by the MEDC to the MSF, and require local approval.

**Eligibility Requirements:** The MSF Board will consider designation of a Renaissance Zone for projects that will result in major qualifying investments and/or job creation in Michigan. A qualified investment means an investment to a project in Michigan, and the investment, and its terms and conditions, must be acceptable to the MSF, and require local approval.

**Method of Calculating Value:** Assumptions made for the calculation of the value are as follows: 67% of the total property investment will be real and the remaining 33% will be personal; total investment

was discounted by 25% and the resulting values were multiplied by 50% to reflect taxable value. Schedule was run for 30 years and took into account investments by phase.

**Administrative Requirements:** The MEDC will require annual reporting of data, financial information, and any other information required to facilitate reporting to the MSF Board, Department of Treasury, and Michigan legislature.

## **PA 328\*\***

**Value of Incentive:** \$171,298,490

**Type of Incentive:** Personal Property Tax Abatement

**Timeline for Approval:** 12 weeks after application is submitted

**Description:** Allows designated communities, county seats, and certain border county communities to abate personal property taxes on new investments made by eligible businesses.

**Granting/Administering Authority:** Businesses may apply for the abatement through their local taxing unit if located in an eligible community, such as Grand Rapids. Locally approved applications are filed with the State Tax Commission, which must approve or deny the local resolution within 60 days.

**Eligibility Requirements:** New personal property is defined as property not previously subject to property taxes in any other jurisdiction in Michigan.

**Method of Calculating Value:** Assumptions made for the calculation of the value are as follows: 67% of the total property investment will be real and the remaining 33% will be personal; total investment was discounted by 25% and the resulting values were multiplied by 50% to reflect taxable value. Schedule was run for 30 years and took into account investments by phase.

**Administrative Requirements:** The local community and the business negotiate the length of abatement for the new personal property tax.

\*\* Only the City of Grand Rapids is eligible to offer a PA 328.

## Incentive Details

### ***Grand Rapids Downtown Campus***

Incentive Programs	Incentive Value
Good Jobs for Michigan (10 year/100%)	\$200,000,000
Renaissance Zone (30 years)	N/A
Business Development Program (\$10M for each Phase)	\$40,000,000
PA 328 (30 years)	\$171,298,490
Transformational Brownfield (TBP)	\$364,545,486
<b>TOTAL SITE INCENTIVES</b>	<b>\$775,843,976</b>

### ***Site 36***

Incentive Programs	Incentive Value
Good Jobs for Michigan (10 year/100%)	\$200,000,000
Renaissance Zone (30 years)	\$1,821,131,808
Business Development Program (\$10M for each Phase)	\$40,000,000
PA 328 (30 years)	N/A
Transformational Brownfield (TBP)	N/A
<b>TOTAL SITE INCENTIVES</b>	<b>\$2,061,131,808</b>

### ***Gerald R. Ford International Airport***

Incentive Programs	Incentive Value
Good Jobs for Michigan (10 year/100%)	\$200,000,000
Renaissance Zone (30 years)	\$1,458,570,707
Business Development Program (\$10M for each Phase)	\$40,000,000
PA 328 (30 years)	N/A
Transformational Brownfield (TBP)	N/A
<b>TOTAL SITE INCENTIVES</b>	<b>\$1,698,570,707</b>

#### **\* Incentive Disclaimer:**

These calculations are based on information contained in the Amazon HQ2 RFP. These estimates contained herein should not be construed as an offer for incentives, but rather as an indication of the mechanics by which the State of Michigan and local municipal incentive programs function and could benefit Amazon's project. Additional information is available upon request.

All incentives and amounts are contingent upon the ability of the project to meet program requirements and subject to local and state applications and approvals. All incentive amounts are subject to availability at the time of application.

Numbers for Transformational Brownfield Program based on assumptions. Third party underwriting will validate financial gap and different third party firm will validate economic impact.