

MICHIGAN

ENGINEERING



2019 Executive Budget Recommendation

Presentation to the House Appropriations Subcommittee on
General Government
March 6, 2018



Integrated Strategies for Growth



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION | PURE MICHIGAN®

 **MSHDA**
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

 **TALENT**
INVESTMENT AGENCY

 Michigan Land Bank
Fast Track Authority

MAXIMIZING MICHIGAN'S MOMENTUM

- **Success: Over 540,000 private sector jobs created since 2010**
 - What's Next: Talent attraction, retention, and growth in the talent pipeline to meet demand in advanced manufacturing, information technology, health services, and professional trades
- **Success: Community and Housing Development - \$2.1 billion in private investment in the last four years**
 - What's Next: Integrated strategies for all communities to redefine their economic possibilities, moving tax reverted properties back to the tax rolls, and an increased focus on workforce housing needs
- **Success: \$1.5 billion in economic impact from the Pure Michigan campaign in FY16**
 - What's Next: Continue to leverage the Pure Michigan campaign's success
- **Success: Ranked as a top seven state for major new and expanded facilities for the last three years**
 - What's Next: Leverage Michigan's dominance in automotive research and development and global leadership in autonomous vehicle technology initiatives to drive increased investment in the state and support talent attraction and retention

FY2019 Budget Overview

- Strategic investments in one-time priorities, with focused reductions in ongoing spending to maintain balanced budget



Ongoing Funding Reductions*

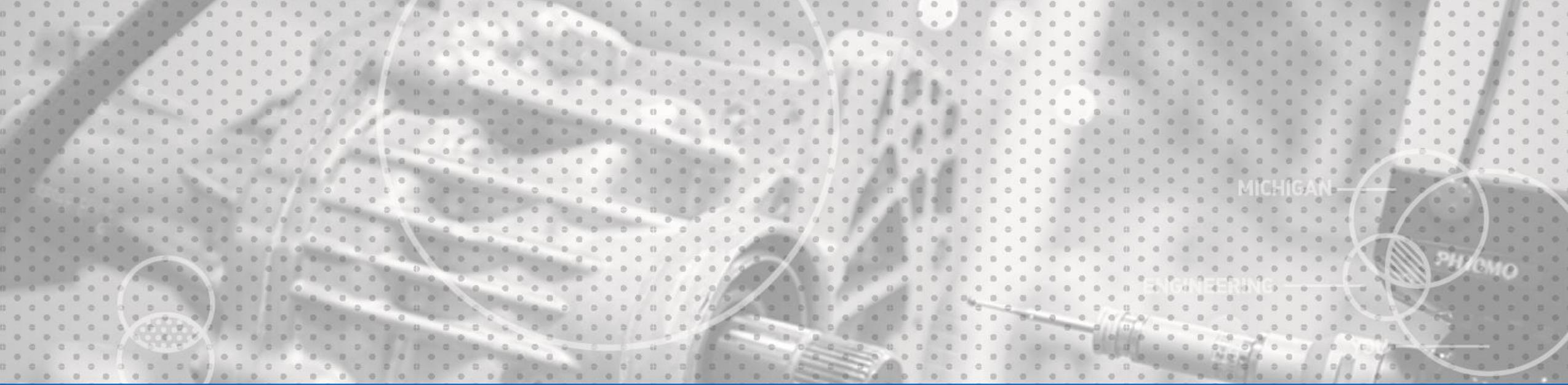
- Business Attraction and Community Revitalization: \$5.1 million
- Entrepreneurship: \$4 million
- Community Ventures: \$3.3 million
- Land Bank: \$1 million

Funding Priorities*

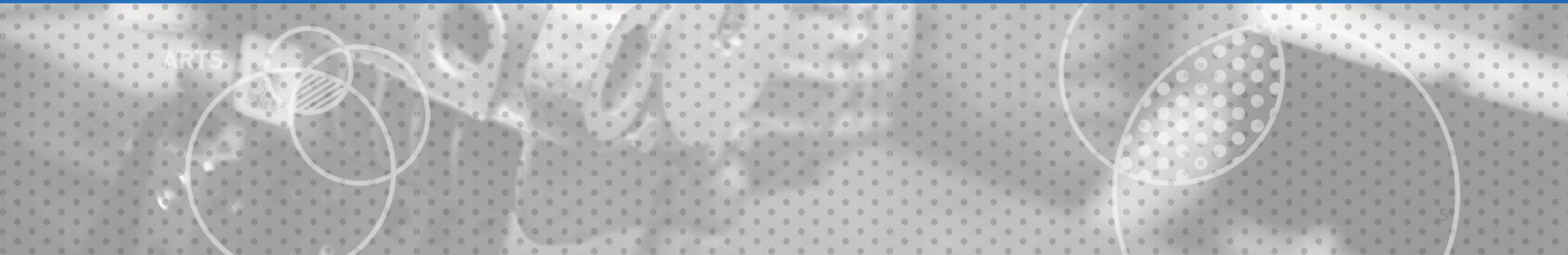
- Project Rising Tide: \$2 million
- International Business Accelerator: \$2.5 million
- Going Pro: \$10 million**



* Gross funding only
**GF funding shift ongoing



FOCUS: TALENT





Talent Retention, Growth and Attraction

Meet the current and future critical talent demands of Michigan companies to accelerate Michigan's economy into the future:

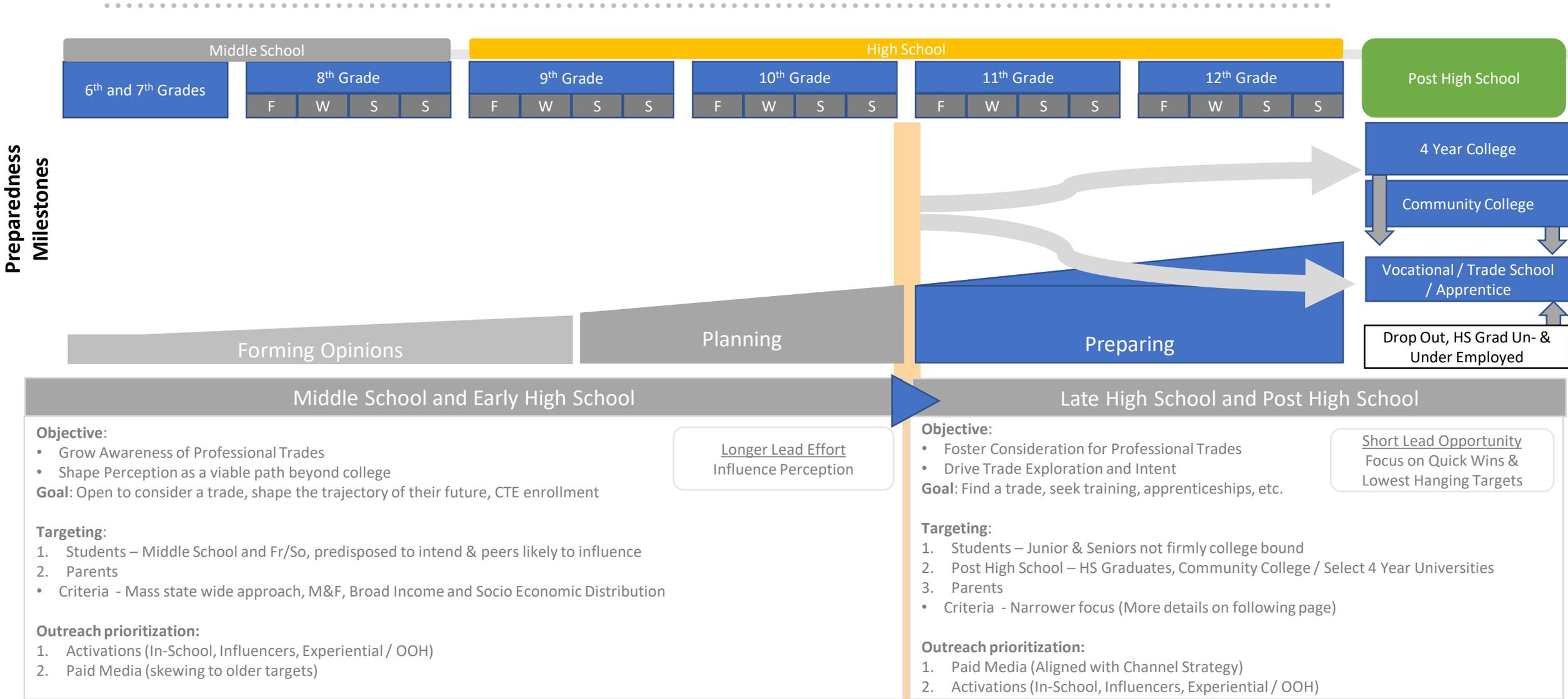
1. Encouraging students and parents to consider Professional Trades career pathways through Going PRO
2. Retaining and attracting current and future Michigan STEAM talent

Leverage Successful Going PRO Program

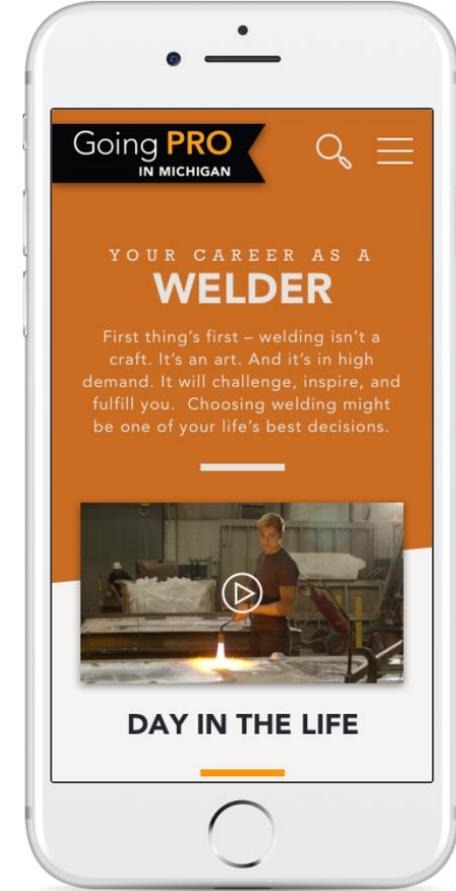
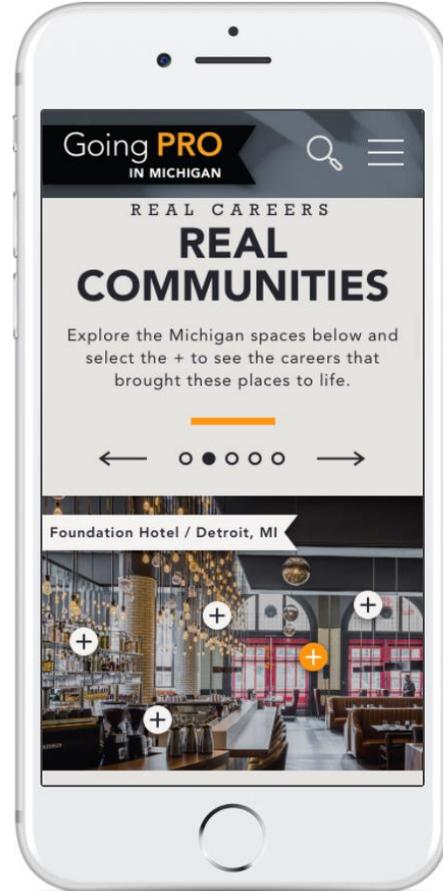
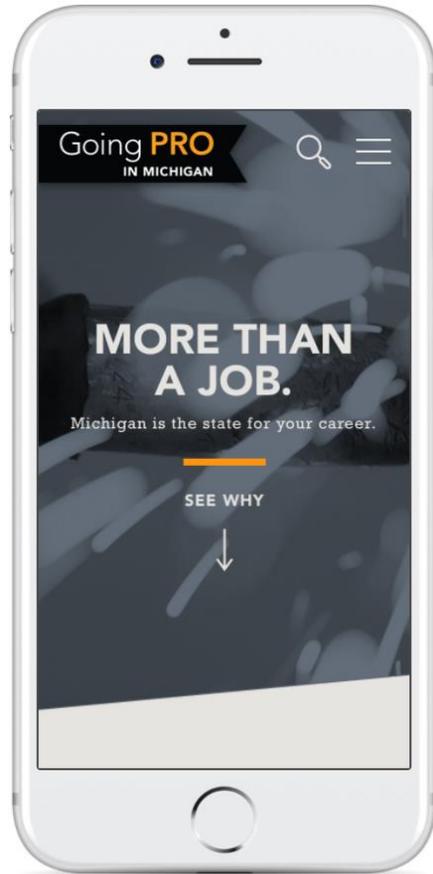
- **Going PRO / Skilled Trades Training Fund: \$40.9 million total (\$10 million one-time)**
 - Increase funding for innovative program grants that support new hires, creation of apprenticeships and increased worker wages
 - Expand marketing of professional trades to parents, students, and educators
 - Continuation of the highly successful program, Jobs for Michigan Graduates, that helps lower high school drop out rates and connects students with career opportunities
 - Targeted funds for high-need populations to remove barriers to employment and reconnect unemployed workers to jobs more quickly
- **Successes:**
 - 2,234 companies receiving awards since 2014
 - Over 1,000 going to companies with less than 100 employees
 - \$962 per person average training cost
 - Over 45,000 workers have received assistance from the program (2014-2017)



Going PRO Communications and Targeting Strategy



Going-PRO.com launches in August





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FOCUS: PLACE



Project Rising Tide

- **\$2 million – One-Time Funding**
 - Builds upon one-time funding from 2018
- Intensive technical assistance for struggling Michigan communities focused on economic, community and talent development.
- Involves all TED agencies and partnerships with DNR & MDOT.
- Graduates
 - Grayling
 - River Rouge
 - Charlotte
 - Paw Paw

risingtide



NEWBERRY



CENTRAL LAKE



GRAYLING



EVART



HARRISON



SANDUSKY



CHARLOTTE



PAW PAW



HILLSDALE



RIVER ROUGE

Land Bank Fast Track Authority

Efficiently and strategically return parcels to productive use:



Highland Park visionary and community revitalist, Mama Shu

- Create strong relationships with state agencies, private developers and local governments
- Updated property information
- Improved disposition process
- Added expertise and capacity to handle challenging properties

Operations have been focused on blight elimination:

- Blight Elimination: \$29,154,498
- NSP: \$41,125,176
- Hardest Hit Fund: \$11,289,322
- DeHoCo: \$2,029,095
- HDF/EPA RLF: \$1,190,000
- Total: \$84,788,091



Hamtramck property across from local elementary school

Land Bank Priorities



FY2019 Budget: \$1 M reduction

- **Not likely to impact short-term operations, but will potentially impact long-term redevelopment strategies**

Strategic priorities for 2019:

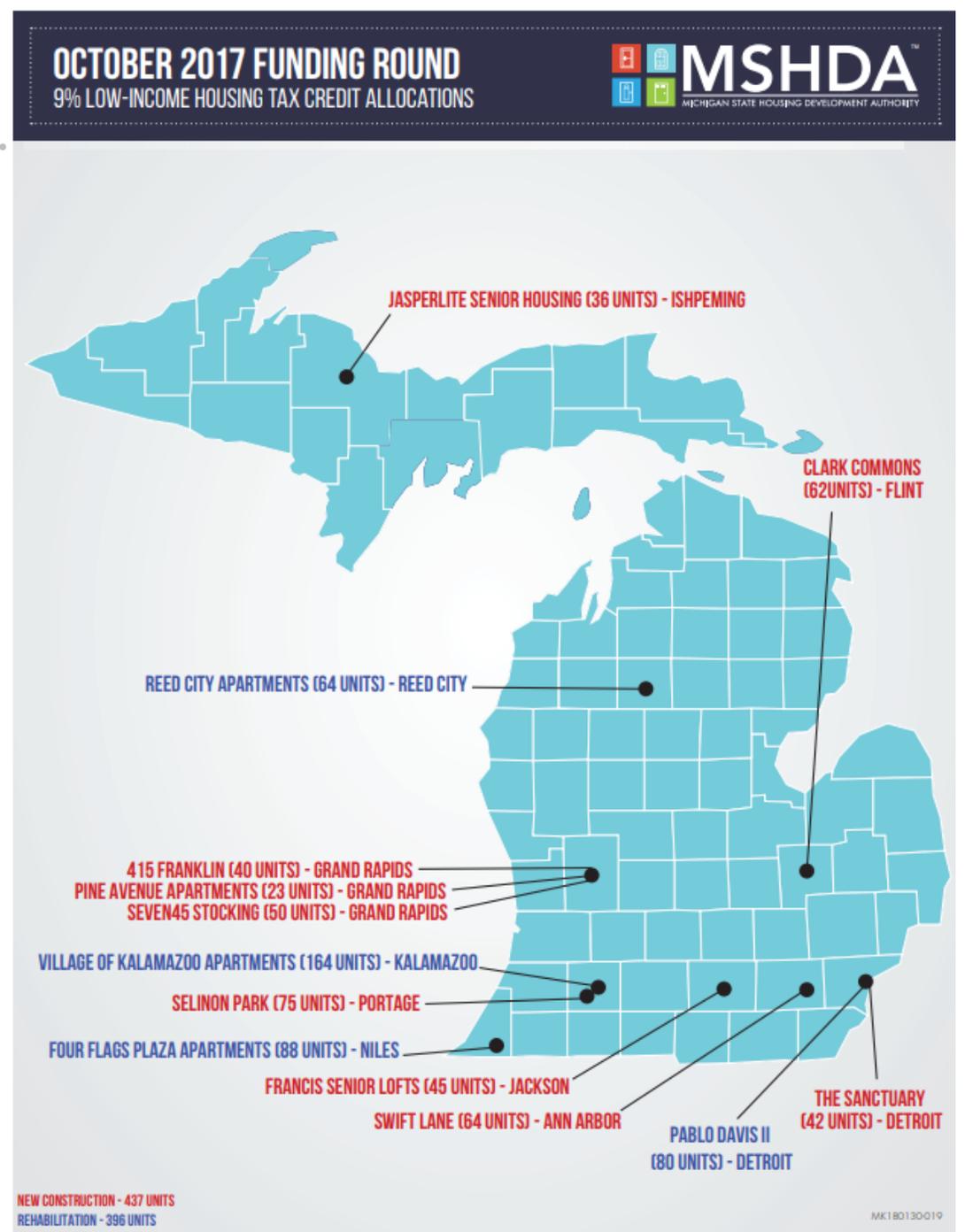
- **Disposition and redevelopment of State Fairgrounds and Detroit House of Corrections facilities**
- **Active participant in redevelopment of Highland Park**
- **Formalize partnership with Department of Corrections on the redevelopment of their surplus properties**



Housing Development

Low Income Housing Tax Credit

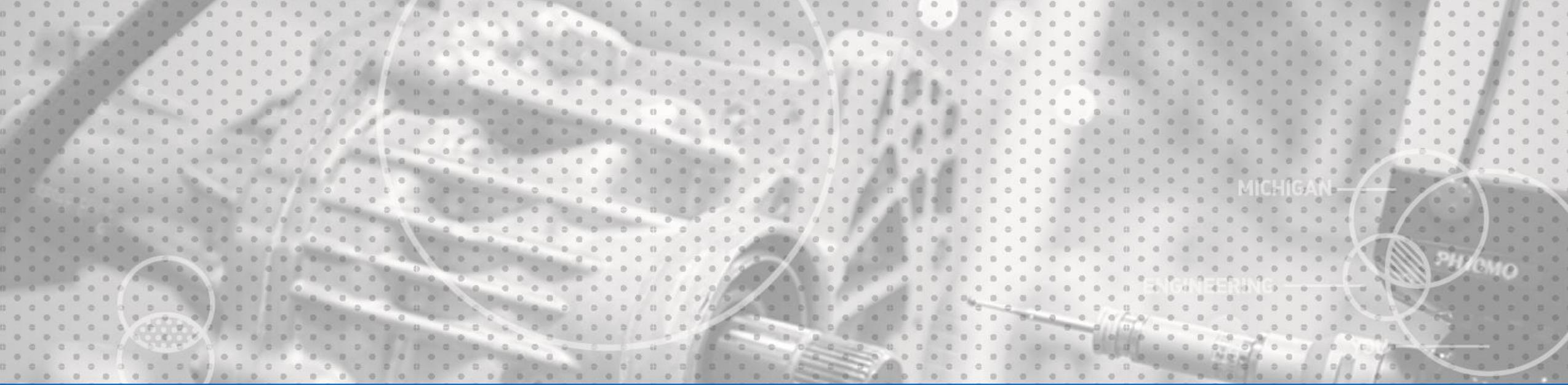
- In 2017 MSHDA awarded \$24 million in Federal LIHTC to developers.
 - This leveraged **\$297 million** in project development investment.
 - And created or rehabbed **1,700 units** of affordable housing across the state.
- Additionally, we financed **\$122 million** in direct lending tax-exempt loans to developers:
 - Leveraging non-MSHDA funding sources totaling **\$100.5 million**
 - Creating an additional 1,746 units



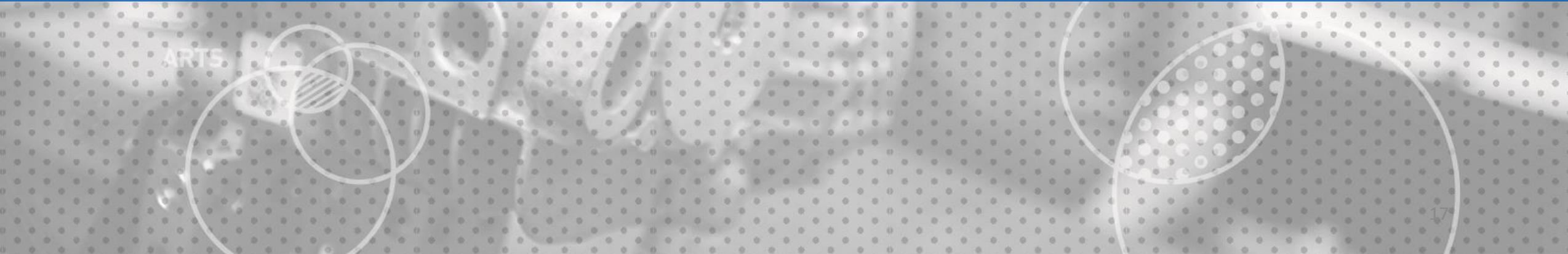


On the Horizon: Workforce Housing

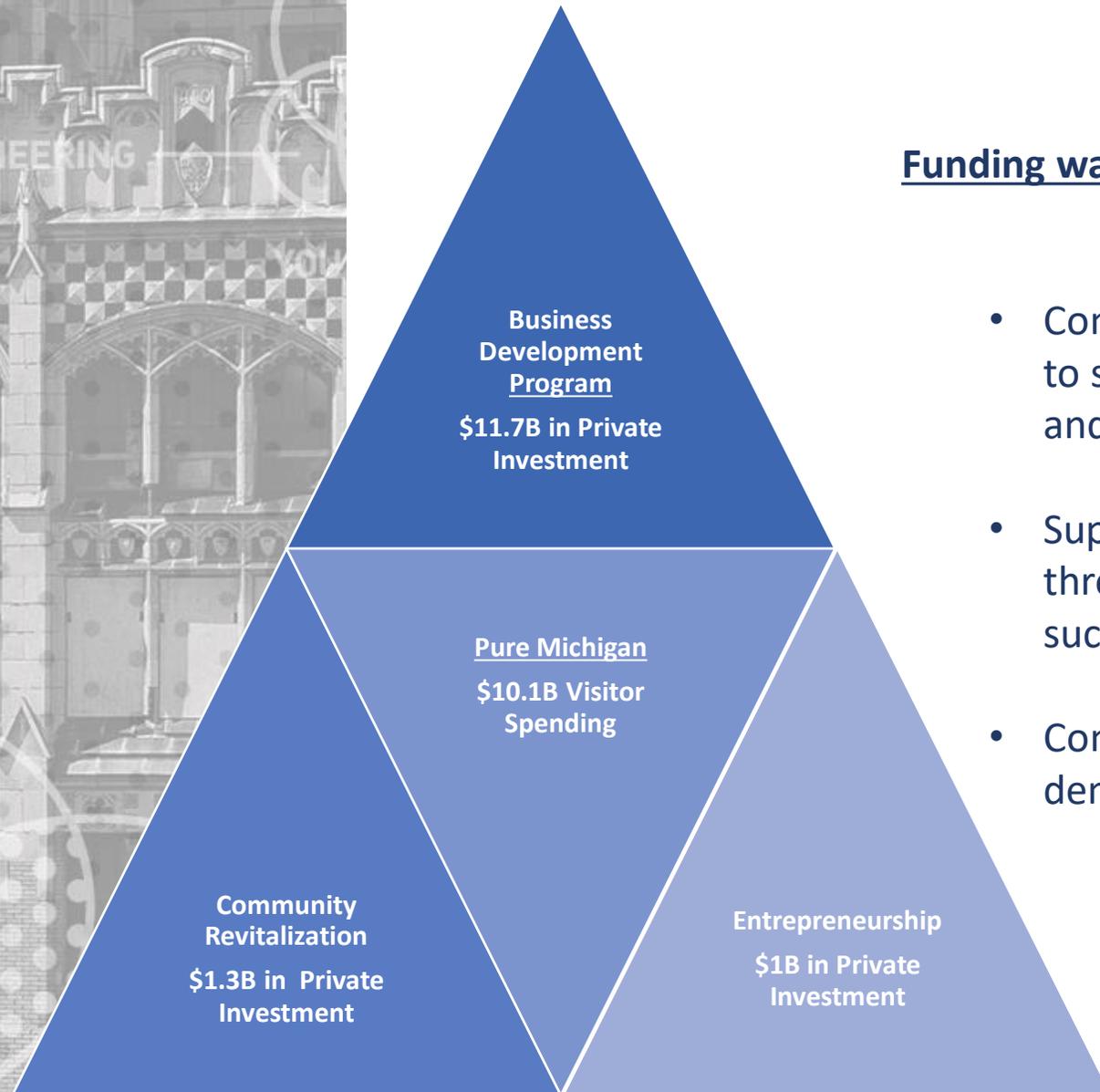
- Exploring creative solutions for attractive and obtainable workforce housing.
 - Mixed-use and mixed-income multifamily developments
- Ongoing conversations with targeted partners including MEDC and foundations to determine potential investments
- Funding Components:
 - MSHDA Tax-Exempt Bond Loan
 - MSHDA Gap Financing
 - MEDC Financing
 - Local Funding
 - Local Tax Incentives (Payment in Lieu of Taxes and/or Tax Increment Financing)
 - Foundation and/or other Social-Impact Investment (to assist in reducing interest rate on bonds)
 - 4% Low Income Housing Tax Credit (to leverage private equity)
 - Developer/Owner Contribution



FOCUS: BUSINESS



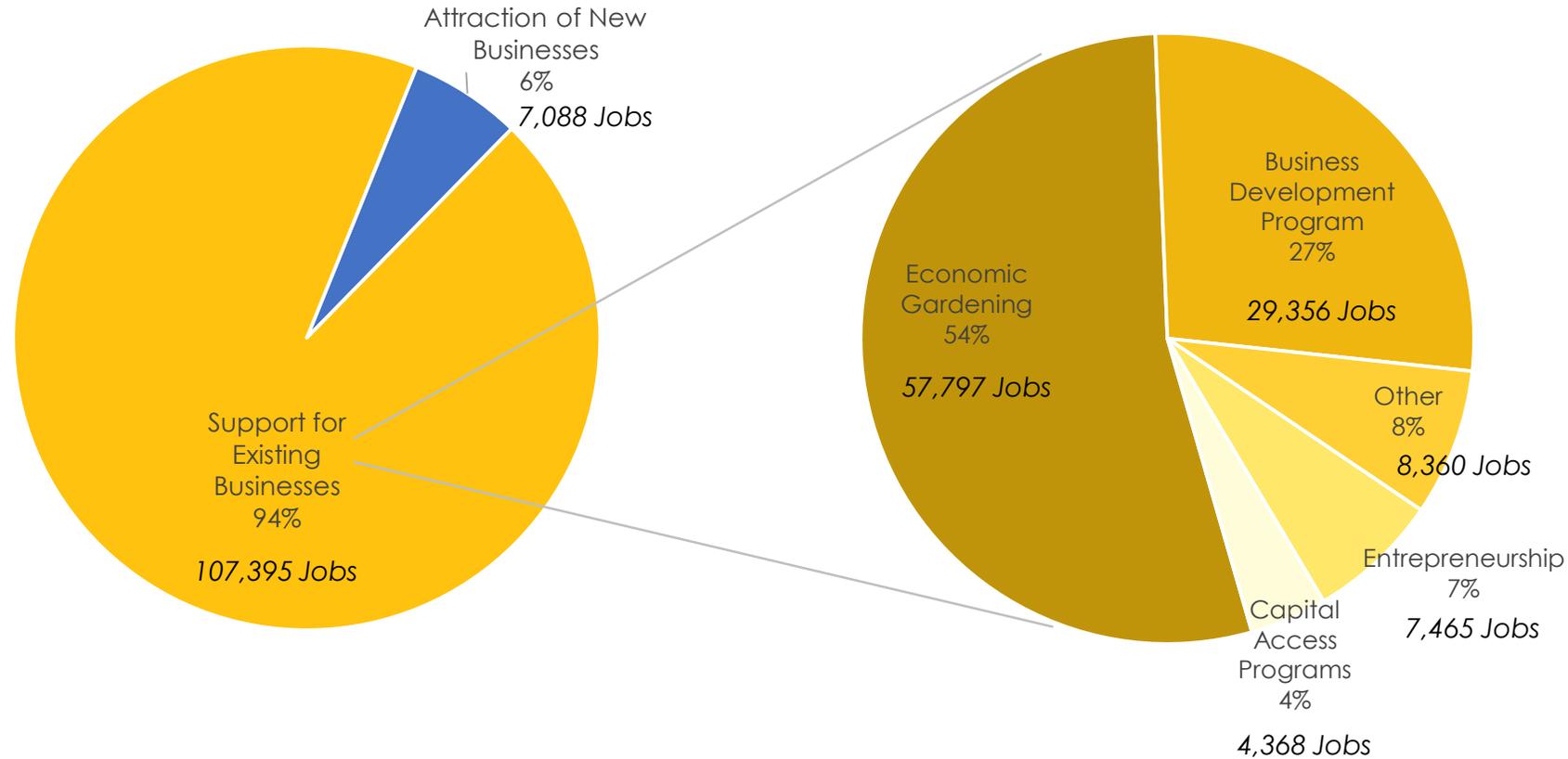
Driving Results...Flagship Economic Development Programs



Funding was reduced overall, but critical priorities remain...

- Continued investment in strategic partners providing critical services to small and medium sized businesses, through the entrepreneurial and business development programs
- Supporting community development and business attraction through various service and program delivery models to support success for Michigan communities of all sizes
- Continued support for Pure Michigan with over 10 years of demonstrated return on investment

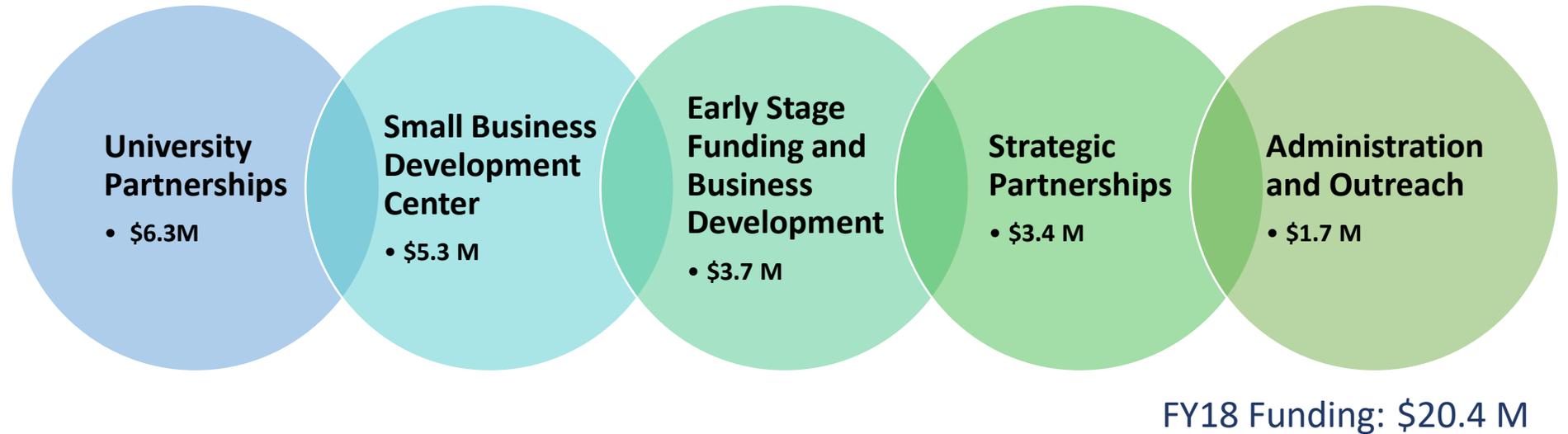
Business Development – Job Creation (FY14-FY17)



Targeted strategy

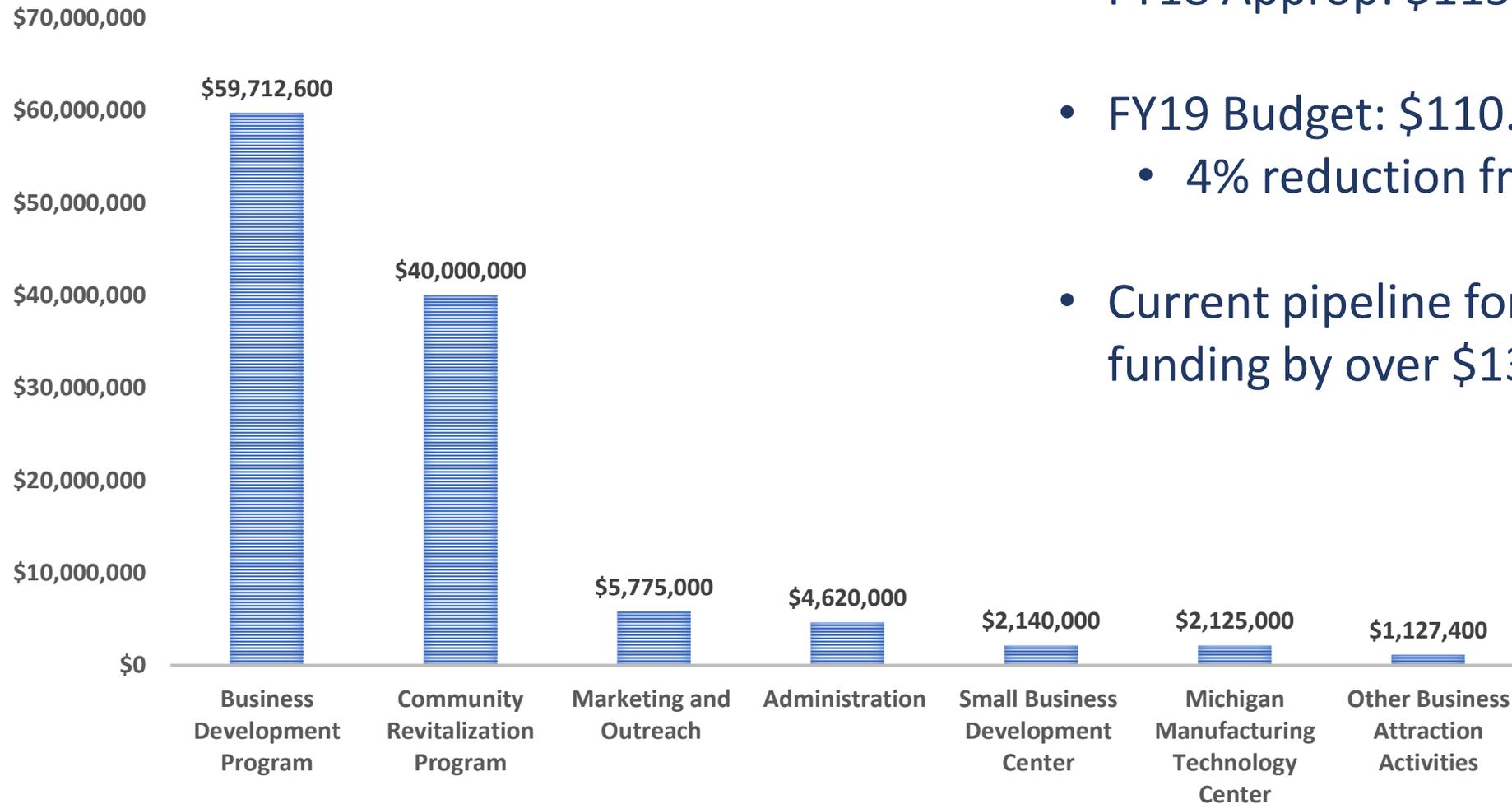
- Focused on retention and growth for existing Michigan businesses
- State funding used to support strategic partners in growing small and medium sized businesses in communities across the state
- Funding in Entrepreneurship and Business Attraction/Community Revitalization line items support these strategies

What the Dollars Support - Entrepreneurship



- FY19 Budget Recommendation – Reduces funding by 19.6% to \$16.4 M
- Reduced funds will result in less funding for entrepreneurial partners
 - Funding allocations will focus on high performing programs, targeted to key industries for growth, and ensuring availability of services for small and medium sized businesses

What the Dollars Support – Business Attraction and Community Revitalization



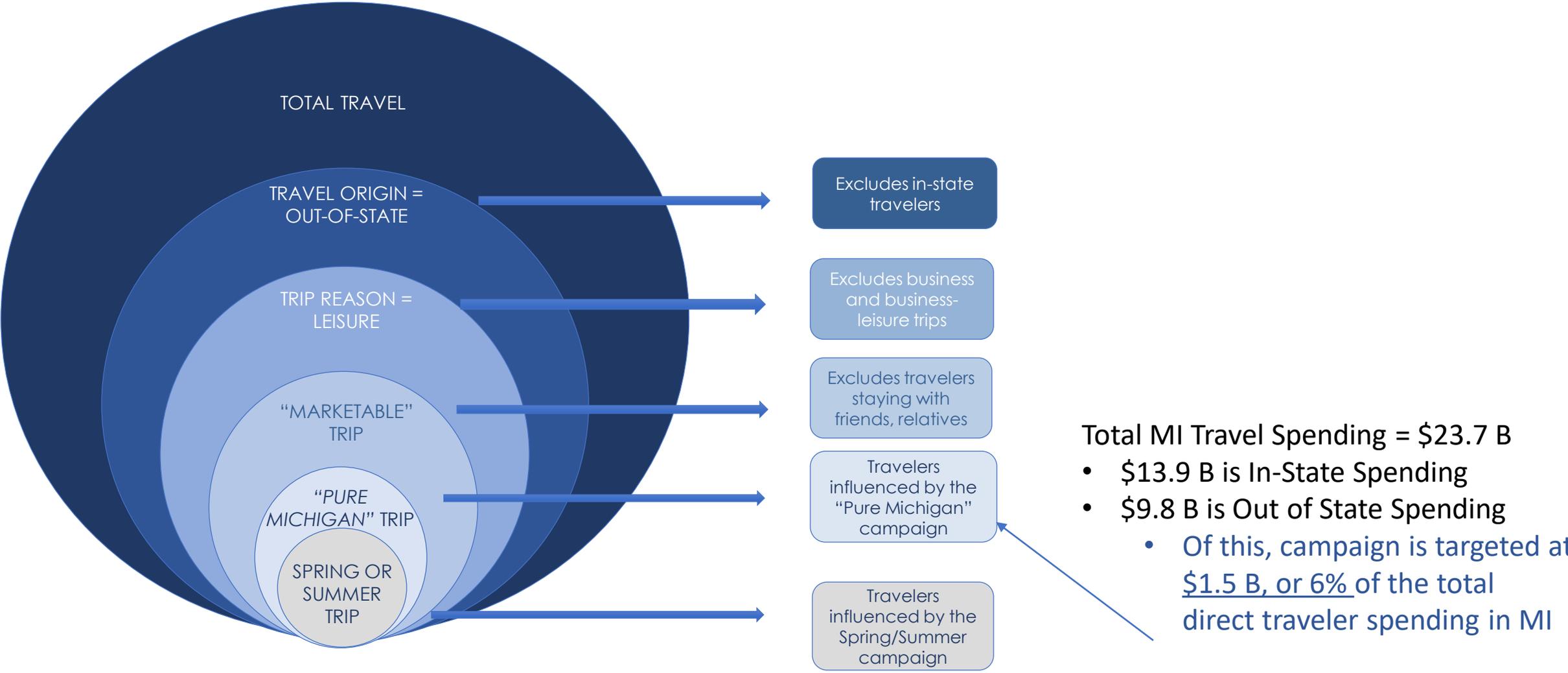
- FY18 Approp: \$115.5 M
- FY19 Budget: \$110.4 M
 - 4% reduction from FY18
- Current pipeline for projects exceeds available funding by over \$130 million

Pure Michigan – Funding Maintained at \$35 M



- Three Major Campaigns – Fall, Winter, Spring/Summer
 - Additional targeted regional and experienced based advertisements, like golf, fishing, and winter sports
- Targeted almost exclusively at international and out of state travelers
- Utilizing digital, print, radio, TV, and outdoor media
- Support from 41 in-state partners increases the overall reach of the campaign
- Increasing social media presence, including Twitter, Facebook, YouTube, and Instagram
- Newly redesigned website generated over 11 million total visits in 2017

Pure Michigan: Return on Investment



Return On Investment: \$8 return for every \$1 invested

TED: Maximizing Michigan's Momentum



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