



## MICHIGAN STRATEGIC FUND

# MICHIGAN BUSINESS DEVELOPMENT PROGRAM PROGRAM GUIDELINES

### PROGRAM OVERVIEW

The Michigan Strategic Fund (MSF), Act 270 of 1984, (the "Act") was amended to add Chapter 8A (Section 125.2088r) to create and operate the Michigan Business Development Program (MBDP), administered by the Michigan Economic Development Corporation (MEDC) on behalf of the MSF. This tool is designed to provide grants, loans and other economic assistance to businesses for highly competitive projects in Michigan that create jobs and/or provide investment toward a net-positive return to Michigan.

### PROGRAM GOALS

The MBDP supports the vision of making Michigan's economy the nation's fastest growing, most equitable, and most resilient by structuring deals that will create long-term economic opportunities critical to keep Michigan competitive in the dynamic business development environment. The program is utilized in business growth and attraction efforts, offsetting costs and encouraging Michigan investment. Companies requiring near-term cash to support new, relocation or expansion opportunities may utilize the MBDP to ensure the opportunities occur in Michigan. The focus of the funding is to encourage diversification of the economy, to encourage capital investment in the state, strengthen pathway opportunities, and to promote the creation of qualified new jobs in the state.

### ELIGIBLE APPLICANTS

Any Qualified Business, which may include more than one business as determined by the MSF. A Qualified Business means a business that demonstrates to the MSF that it is located in, will locate to, operates in, or will operate in, Michigan.

### ELIGIBILITY REQUIREMENTS

The following statutory criteria will be evaluated by the MSF for all projects:

- The municipality makes a staff, financial, or economic commitment to the project, as determined by the MSF.
- The Qualified Business provides a business plan or demonstrates the need for the grant, loan, or other economic assistance.
- The Qualified Business agrees to provide the data described in the written agreement necessary for the fund to report to the legislature.
- Whether the project results in Qualified Investment, Qualified New Jobs or both (See Appendix A).

If the Qualified Business is seeking to qualify for MSF Support based on creation of Qualified New Jobs, the project must meet one of the following categories:

- 1) **Standard:** The Qualified Business must commit to the creation of 50 Qualified New Jobs.
- 2) **Rural:** The Qualified Business must commit to the creation of 25 Qualified New Jobs and the project must be located in a rural county in which the population is 90,000 or less based on the most recent census data.



- 3) **Innovation:** The Qualified Business must commit to the creation of 25 Qualified New Jobs and the project must fall within an “innovation industry<sup>1</sup>.”
- 4) **Micro:** The Qualified Business must commit to a number of Qualified New Jobs acceptable to the MSF, and must meet one of the following: (i) the Qualified Business must be within a MEDC Strategic Focus Industry or a Regional Impact Industry, as each are identified below; (ii) the project must be located in a Geographically Disadvantaged Area<sup>2</sup>; or (iii) the project is located in a city, township or village with a population of less than 15,000; or the project is located in a city, township or village with a population of 25,000 or more and unemployment rate greater than the state’s average.

### **PROJECT CONSIDERATIONS**

The program may provide support (“MSF Support”) to Qualified Businesses in making Qualified Investment(s), creating Qualified New Jobs, or both (See Appendix A) in furtherance of the MBDP goals noted above. Additional considerations may include but are not limited to the following:

#### ***Qualified Business Considerations:***

- Supports MEDC’s Strategic Focus Industry, which includes, without limitation: Mobility and Automotive Manufacturing; Medical Device Technology; Engineering, Design and Development; Technology; Advanced Manufacturing; and Professional and Corporate Services.
- Supports a Regional Impact Industry, which includes, without limitation, Agribusiness, Tourism, Logistics, Financial Services and Other Manufacturing. Demonstrates characteristics related to technology/innovation utilization, resiliency to recessions and automation, or special importance to Michigan.
- Qualified Business is in need of additional assistance for deal closing or gap financing.
- Qualified Business is in need of assistance in support of second stage or growth opportunities.
- Is not a retail business.
- Performance under other MSF incentives over the past five (5) years is acceptable to the MSF (if applicable)

#### ***Local and Regional Impact Considerations:***

- Located in a Geographically Disadvantaged Area; businesses located in SBA designated HubZones and Michigan Opportunity Zones Located in an area with an unemployment rate higher than the state average
- Project supports the region-wide economic development strategy or initiative
- Project supports the supply chain needs of Michigan industry sectors
- Qualified Business recruits and/or provides special assistance to economically disadvantaged populations (however, not based on granting preferential treatment on the basis of race, sex, color, ethnicity, or national origin).
- Qualified Business has a strategy to improve job access to local workforce including but not limited to public transportation, childcare, or wrap-around services with local non-profits or service providers
- Whether the Qualified Business is locating in an existing facility and/or brownfield site
- Qualified Business is not relocating from one Michigan community to another without a business reason acceptable to the MSF.
- Qualified Business works with and/or funds local/regional special training or employment programs.

---

<sup>1</sup> An “innovation industry” is comprised of 32 industry groups categorized at the 4-digit NAICS code level (See Appendix B).

<sup>2</sup> Geographically Disadvantaged Areas are defined as economically distressed and historically underinvested census tracts and counties, especially in urban and rural areas, that tend to experience relatively high unemployment and low household incomes. MEDC and the State of Michigan operationalize geographically disadvantaged areas to constitute Treasury-designated Opportunity Zones and Small Business Administration-defined HUBZones (Historically Underutilized Business Zones). [Click here](#) to see a public map of Michigan’s Geographically Disadvantaged Areas.



### ***Equitable, High-wage Growth Considerations:***

- Qualified Business pays above average wages relative to the industry and region.
- The number of Pathway Jobs proposed by the Qualified Business. A Pathway Job<sup>3</sup> is categorized as either “targeted” or “promising.”
  - A targeted job is a Qualified New Job in which the [wages](#) generally allow a family to sustain life needs such as food, shelter, utilities, transportation and childcare, etc. to support a modest life style, and also includes an employer sponsored health program and/or other employer sponsored benefits. Identifying a target job is generally determined using third-party resources and analyses then utilized by the MEDC.
  - A promising job is a Qualified New Job in which the wage is below a wage generally considered a “targeted” wage threshold for the applicable county, however, is designed to provide a career pathway to a “targeted” job within a reasonable period of time, such as over a five (5) to ten (10) year period. Identifying a “promising” job is generally determined through identified proposed training that is expected to result in industry-recognized credentials, or third-party resources and analyses then utilized by the MBDP.
- Qualified Business provides training, apprenticeship programs and career pathways to higher wage jobs.
- Qualified Business provides training that leads to an industry-accepted certification or credential.
- Qualified Business has demonstrated and/or structured employee advancement programs.
- Qualified Business engages service providers/programs and targets recruitment of, economically disadvantaged populations, disabled individuals, veterans, and ex-offenders-or other underrepresented populations (however, not based on granting preferential treatment on the basis of race, sex, color, ethnicity or national origin).
- Level of employer-paid benefits provided to employees.
- Proposed wages in relation to required skill level of positions, job accessibility for lower skilled workers.

### ***Economic and Financial Considerations:***

- Qualified Business has demonstrated an acceptable financial viability to undertake the project
- Qualified Business is considering other project locations or alternatives
- Whether there is a financial or competitive disadvantage for Michigan, or the project is not feasible without financial support
- The level of staff, economic or financial support the community provides as demonstration that the project is a priority
- Other potential funding sources and economic development tools have been explored and considered
- The project results in a net-positive return in Michigan
- The project will result in near-term job creation that takes into consideration factors such as project size, industry and other impacts; project ideally should promote job creation within three to five years.
- Amount of private investment made by Qualified Business
- The project is generally ready to proceed with the contemplated MSF funding support
- The community and region’s infrastructure can support the project

## **FINANCIAL STRUCTURE AND AWARD LIMITATIONS**

The MSF support for a project will be in the form of a grant, direct loan or other economic assistance and shall not exceed \$10,000,000. All awards shall be performance-based.

In accordance with the MSF Act, all final written agreements shall include provisions requiring repayment of grant funds upon the occurrence of certain events of default, including, but not limited to, eliminating Qualified New Jobs or failing to meet a milestone.

---

<sup>3</sup> The Brookings Institution conducted research and analysis around job quality and durability of occupations and industries across Michigan. Click [here](#) to access research analysis.



Loans may be considered to Qualified Businesses. Loans shall include terms and conditions, all of which must be acceptable to the MSF, including without limitation to, below market interest rates, extended grace and repayment provisions, forgivable terms, convertible notes and no security, or some security (which also may be subordinated).

Economic Assistance (other than loans or grants) may include an alternative structure as deemed appropriate by the MSF to support the Qualified Businesses. Examples of such economic assistance may include, but are not limited to, MSF participation to enhance loans being made by other lenders.

The MEDC shall provide administrative services to the MSF for the program, including conducting due diligence and compliance processes, and coordinating [pre-closing background checks](#) as may be required by the MSF. The program requires applicants to be in compliance with laws and regulations regarding labor, employment and environmental matters. Additionally, the program may require applicants to pay reasonable application fees, and any other expenses incurred in administering the program, to the MEDC.

#### **PROJECT EVALUATION, PROCESS AND MSF SUPPORT**

The MBDP requests for MSF Support is based on, but not limited to, a high-level application and selection process outlined below. For a more detailed process, please refer to [michiganbusiness.org](http://michiganbusiness.org).

- 1) To receive consideration for funding under the MBDP, the Qualified Business' initial contact should be made with the local economic development office or the applicable MEDC business development manager.
- 2) Applicant provides initial intake documentation.
- 3) MEDC reviews project based on the statutory criteria and project considerations outlined above (see also Appendix A and Appendix B).
- 4) MEDC provides an indication of support, when appropriate.
- 5) Applicant provides completed application with additional supporting documents.
- 6) MEDC completes its review, and if appropriate provides a proposed term sheet to the Qualified Business.
- 7) MEDC prepares a recommendation as appropriate to the MSF Board or its authorized delegates for project approval.
- 8) After all due diligence is satisfactorily completed, MEDC drafts the appropriate legal agreement for execution.
- 9) Applicant completes performance-based milestones outlined in the MSF agreement, including those related to the disbursement of funds following completion of compliance verification.
- 10) Applicant completes the reporting.
- 11) MEDC completes compliance verification, including final headcount verification for project closeout.

All MSF support shall be memorialized by final written agreement with terms and conditions in accordance with the MSF Act, these guidelines, MSF approval, and any other applicable laws. These terms and conditions shall otherwise be satisfactory to the MSF, and shall include, without limitation, performance-based milestones governing disbursements; repayment provisions and periodic reporting to facilitate the MSF's report to the Michigan legislature.

These guidelines are effective for all new MBDP incentives approved by the MSF from and after April 1, 2021.



## APPENDIX A

---

### QUALIFIED INVESTMENT

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.

### QUALIFIED NEW JOB

"Qualified new job" means a new full-time<sup>4</sup> job performed by an individual who is either:

1. A resident of this state whose Michigan income taxes are withheld by an employer, or an employee leasing company or professional employer organization on behalf of the employer, or
2. An individual who is not a resident of Michigan and is employed by a business at a project location that is located in this state, provided that the business certifies in writing at the time of the MSF disbursement that not less than 75% of the employees of that business are residents of Michigan.

In both cases, the Qualified New Job must be in excess of the number of jobs maintained by the Qualified Business prior to the expansion or location as determined and verified by the MSF.

Provided however, the final MSF written agreements shall include considerations prohibiting the calculation of a Qualified New Job for a Qualified New Business from including (i) the transfer of a job (or otherwise resulting from an elimination) between or among the Qualified Business and appropriate affiliates and (ii) resulting from an acquisition of assets of another entity by the Qualified Business if the job existing in Michigan prior to the acquisition of assets, and/or (iii) any other considerations from calculation acceptable to the MSF.

---

<sup>4</sup> A full-time job is defined as a job performed by an individual who is paid for 35 hours or more per week. "Hours" include all hours paid including, without limitation, straight time, overtime, vacation, personal time, sick time, holiday, bereavement, jury duty, etc. "Week" is defined as any week in which the individual was paid. The actual calculation of "hours" and "weeks" shall include the timeframe from the hire date of the applicable position through the applicable record pull date used on a milestone submission or other applicable head count date.



## APPENDIX B

---

### PROJECT CRITERION FOR INNOVATION INDUSTRIES:

The list of the innovation industries is captured below. These industries have been prioritized to serve as a catalyst for continued innovation and economic growth.

NAICS	Description
3251	Basic Chemicals
3252	Resins and Synthetic rubbers, Fibers, and Filaments
3253	Pesticides, Fertilizers, and other agr. Chemicals
3254	Pharmaceuticals and Medicine
3259	Other Chemical Products
3261	Plastics Products Manufacturing
3331	Agr., Construction, and Mining Machinery
3332	Industrial Machinery
3333	Commercial and Service Industry Machinery
3336	Engines, turbines, and Power trans. equipment
3339	Other General-Purpose Machinery
3341	Computers and Peripheral equipment
3342	Communications equipment
3343	Audio and Video equipment
3344	Semiconductors and other electronic Components
3345	Navigation, Measurement, and Control Instruments
3359	Other electrical equipment and Components
3361	Motor Vehicles
3362	Motor Vehicle Bodies and trailers
3363	Motor Vehicle Parts
3364	Aerospace Products and Parts
3369	Other transportation equipment
3391	Medical equipment and Supplies
5112	Software Publishers
5174	Satellite telecommunications
5182	Data Processing and hosting
5191	Other Information
5413	Architecture and engineering
5415	Computer Systems design
5417	Scientific research and development
6215	Medical and diagnostic laboratories