

If you have questions regarding the information in this alert or would like to receive further information regarding our Investment Incentives and Tax Savings practice, please contact:

Richard A. Barr

313.465.7308 or
rbarr@honigman.com

Lynn A. Gandhi

313.465.7646 or
lgandhi@honigman.com

June Summers Haas

517.377.0734 or
jhaas@honigman.com

Mark A. Hilpert

517.377.0727 or
mhilpert@honigman.com

Denise J. Lewis

313.465.7464 or
dlewis@honigman.com

Stewart L. Mandell

313.465.7420 or
smandell@honigman.com

Megan Conlon McCulloch

313.465.7444 or
mmcculloch@honigman.com

Lawrence D. McLaughlin

313.465.77474 or
lmclaughlin@honigman.com

H. Kirk Meadows

517.377.0739 or
hkmeadows@honigman.com

Mitchell R. Meisner

313.465.7478 or
mmeisner@honigman.com

Steven C. Nadeau

313.465.7492 or
snadeau@honigman.com

Alan M. Valade

313.465.7636 or
avalade@honigman.com

Patrick R. Van Tiflin

517.377.0702 or
pvantiflin@honigman.com

First Quarter Update on Michigan's New Community Revitalization Program

Replacement for the Michigan Business Tax Brownfield Redevelopment Tax Credits and Historic Tax Credits

The Brownfield Redevelopment Tax Credit and Historic Tax Credit Programs have been replaced by the Michigan Community Revitalization Program (CRP). The CRP differs from the previous tax credit programs in the type of assistance provided to projects. Instead of providing a tax credit against state business taxes, the CRP can provide (1) grants; (2) loans with favorable terms, such as below market interest rates, extended grace and repayment provisions, forgivable terms, and no security or some security, which may be subordinated; and (3) other support such as assistance with access to capital.

Eligibility

As with the former brownfield credit and historic credit programs, a project's eligibility for CRP assistance depends on the location of the real property involved, the condition of the real property, and whether the proposed project meets the purpose of the CRP as determined by the Michigan Economic Development Corporation (MEDC) and the Michigan Strategic Fund (MSF) based on the program guidelines. For the real property to qualify as eligible property, it must be one or more of the following:

- Facility (i.e., environmentally contaminated property meeting certain criteria)
- Blighted
- Functionally obsolete
- Historic resource
- Adjacent or contiguous to property that is a facility, blighted, functionally obsolete, or a historic resource, and its development is estimated to increase the taxable value of the facility, blighted, functionally obsolete, or historic resource property

CRP's primary (but not exclusive) purpose is urban revitalization of downtown and traditional commercial centers. Related to this purpose, CRP places heavy emphasis on the location of a project in downtown or traditional commercial centers. CRP guidelines provide that projects outside of downtown or traditional commercial centers will not be supported, but these are only guidelines and may be subject to varying application in practice. MSF may modify or apply the criteria with a varying degree of stringency depending on compelling project factors, the number and types of projects applying for assistance and the amount of assistance available from time to time.

Financial Assistance

A project may receive CRP financial assistance of up to 25% of its eligible investment. Eligible investment includes most hard costs and some soft costs. Loans up to \$10,000,000 and grants up to \$1,000,000 are available, but the total amount of financial assistance for a project cannot exceed \$10,000,000. Note that disbursement of grant funds and loan proceeds occurs after completion of the project.

The MEDC and MSF may consider equity investments, profits participation and loan enhancement support for projects as well.

Keys to New Program

Please be aware of the following keys to the CRP program:

- **Local Financial Support:** While local involvement in the form of financial support (e.g., tax abatements, tax increment financing) was considered in the past, it is now a prominent requirement of the new CRP. Arranging local support prior to applying for assistance from the program is critical to the success of an application.
- **“But For” Test:** The applicant must demonstrate financial need for the incentive, but also be able to build a compelling business case that with the receipt of financial incentives, the project is financially and economically sound. Great care should be taken when preparing and submitting a sources and uses or pro forma statement for a proposed project.
- **Location in Urban Area:** Preference is given to projects that contribute to the revitalization of regional urban areas, but CRP’s financial incentives are not limited to regional urban areas under the authorizing law.
- **Downtown/Traditional Commercial Centers:** In addition to the preference for projects in regional urban areas, a very strong preference is given to projects in a downtown or traditional commercial center. This is a program guideline and also not a statutory requirement.

Projects Approved

The MSF recently authorized its first CRP projects. With a combined budget of \$100,000,000 in the current fiscal year for the CRP and Business Development Program¹ that replaced the MEGA jobs credit program, approval of an increasing number of CRP applications is expected over the next six months.

For questions about Michigan’s new Community Revitalization Program or to discuss whether a project may qualify for the CRP program, please contact Richard A. Barr (rbarr@honigman.com; 313-465-7308), Megan C. McCulloch (mmcculloch@honigman.com; 313-465-7444), Mark Hilpert (mhilpert@honigman.com; 517-377-0727), or another Honigman Investment Incentives & Tax Savings attorney listed on this alert.

¹ The Business Development Program can authorize grants and loans substantially similar to those available under the CRP based instead primarily on the creation in Michigan of at least as many new jobs as previously could have resulted in the approval of MEGA Jobs Credits under the Michigan Business Tax (such as a minimum of 25 new jobs for high tech or rural businesses and 50 new jobs for other businesses). Additional details are available upon request.