

MISCELLANEOUS GRANT AND LOAN PROGRAMS

*21st Century Jobs Fund
Federal and State Brownfield Grants and Loans*

21st CENTURY JOBS FUND

Enabling Act, Statutory Citation

2005 PA 232; M.C.L. 12.257

Summary Program Description

The 21st Century Jobs Fund seeks to diversify and grow the state's economy by encouraging the development and commercialization of competitive edge technologies, and increasing capital investment and commercial lending activities. The Fund is administered by the Michigan Economic Development Corporation (MEDC) through the Strategic Economic Investment and Commercialization (SEIC) Board.

Eligibility and Benefits

General Eligibility:

Michigan institutions of higher education, non-profit research institutions and non-profit corporations are eligible for grants, unless the proposed project has an apparent for-profit intent, in which case loans, convertible loans and other investment tools may be provided. For-profit organizations are only eligible for loans.

Out-of-state applicants that wish to relocate or that have a substantial portion of their business in Michigan are eligible to apply, but must have a presence in Michigan at signing of contract.

Development and commercialization of competitive edge technologies

The 21st Century Jobs Fund invests in basic and applied research, technology transfer, and commercialization of products, processes and services in 4 competitive-edge technologies at institutions of higher education, non-profit research organizations, non-profit corporations and for-profit businesses. The four competitive-edge technologies are:

- Life Sciences
- Alternative Energy
- Advanced Automotive, Manufacturing and Materials
- Homeland Security

Technologies and activities related to the research and development of any competitive edge technology products are also eligible for 21st Century Jobs funding (e.g., design, engineering, testing).

Capital investment activity

The 21st Century Jobs Fund invests in or alongside qualified equity, mezzanine or venture capital funds to create or retain jobs in competitive edge technologies in Michigan.

Commercial lending activity

The 21st Century Jobs Fund reestablished the Capital Access Program for small businesses and may create commercial loan enhancement programs to stimulate additional commercial lending to support competitive edge technology activities.

Terms and Performance Guarantees

Proposals will be peer reviewed by a panel of scientific experts, technology transfer specialists, venture capitalists and entrepreneurs recruited by the American Association for the Advancement of Science and

approved by MEDC. Proposals will be reviewed on 4 criteria of equal weight: scientific and technical merit, personnel expertise, commercialization merit, and ability to leverage other resources. Applicants are required to match investments with cash or in-kind contributions. Cash contributions need not come directly from the applicants themselves.

Applicants are encouraged to collaborate. Applied research proposals *must* include high-value collaboration between the eligible applicant and another, preferably Michigan-based entity. If the collaboration is between non-profit and for-profit entities, the stage of technological development and determination of which entity receives the economic benefit will be considered to ascertain whether the applicants are eligible for grants or loans.

Commercialization and basic and applied research funding may be requested for up to 3 years. Commercialization Services, which provide funds for specialized business resources to ensure successful commercialization, may be requested for up to 2 years.

If a recipient leaves the state within three years of the award, it will be considered a breach of contract; repayment and other penalties may apply.

Data and Source

According to the Michigan Economic Development Corporation, 505 proposals were received and 179 interviews were conducted for the 2006 round. In September and October 2006, 85 successful proposals were awarded a total of \$135 million from the 21st Century Jobs Fund as follows:

<i><u>Competitive-Edge Technology</u></i>	<i><u>Number of Awards</u></i>	<i><u>Total in Millions</u></i>
Advanced Automotive, Manufacturing, Materials	37	\$57.5
Life Sciences	32	\$54.6
Homeland Security	9	\$12.2
Alternative Energy	7	\$12.6

Discussion

In addition to \$400 million in securitized tobacco settlement revenues, the 21st Century Jobs Fund is a 10-year initiative to diversify Michigan's economy. Each fiscal year from 2008-2015, \$75 million in tobacco settlement revenues will be invested in the Fund. The initiative builds on former programs such as the Michigan Life Sciences Corridor and the Michigan Technology Tri-Corridor.

Survey of Economic Development Programs in Michigan

FEDERAL AND STATE BROWNFIELD GRANTS AND LOANS

MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY BROWNFIELD REDEVELOPMENT GRANTS AND SITE RECLAMATION

Enabling Act, Major Amendments, Statutory Citation

1988 P.A. 328, 1994 P.A. 451; 2003 P.A. 253; M.C.L. 324.195 (Environmental Protection Bond), M.C.L. 324.196 (Clean Michigan Initiative), M.C.L.324.201 (Environmental Remediation)

Program Description

Clean Michigan Initiative Brownfield Redevelopment Grants (CMIBRG), Site Assessment Grants (SAG) and Site Reclamation Grants (SRG) are awarded to local units of government, Brownfield Redevelopment Authorities and other authorities created pursuant to state law for investigation and remediation of known contaminated sites that will be used for a determined economic development.

Eligibility and Benefits

Sites must be facilities as defined by part 201 of the Natural Resources and Environmental Protection Act 381 of 1994. Grants up to \$1 million are available for response activities such as investigation, assessment and due care activities at facilities where an economic development that creates jobs, private investment and/or increases property tax has been identified.

Terms and Performance Guarantees

Proposals are accepted on a continual basis. The Director of the Michigan Department of Environmental Quality (MDEQ) approves projects. Only one project per applicant will be awarded within a fiscal year. Both grants are administered by the MDEQ Environmental Science and Services Division. The Clean Michigan Initiative Bond Fund of 1998 funds CMIBRG. The Environmental Protection Bond Fund of 1988 funds SAG and SRG, but minimal funding remains. For more information on grant revenue sources, see the description on page 124.

Data and Source

Fiscal year 2007 CMI funding appropriations equaled \$8.8 million. On average, MDEQ awards \$6-7 million in Brownfield Redevelopment Grants per year.

Source: MDEQ

MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY BROWNFIELD REDEVELOPMENT LOANS & REVITALIZATION REVOLVING LOAN PROGRAMS

Enabling Act, Major Amendments, Statutory Citation

1988 P.A. 328, 1994 P.A. 451; 2003 P.A. 253; M.C.L. 324.195 (Environmental Protection Bond), M.C.L. 324.196 (Clean Michigan Initiative), M.C.L. 324.201 (Environmental Remediation).

Program Description

Clean Michigan Initiative Brownfield Redevelopment Loans (CMIBRL) and Revitalization Revolving Loans (RRL) are awarded to local units of government and Brownfield Redevelopment Authorities for assessments, demolition and other remediation activities at sites with known or suspected contamination.

Eligibility and Benefits

The Clean Michigan Initiative Bond Fund of 1998 funds CMIBRL programs and the Environmental Protection Bond Fund of 1988 funds RRL programs; therefore, each loan has distinct criteria. CMIBRL projects must have identified economic development; RRL projects must be used to promote economic development, but are not required to have an identified development. Eligible response activities of both loans include investigation, assessment, interim response activities and demolition to reach contaminants; however, CMI-funded loans also allow for due care responses while RRL programs do not. CMIBRL loans award up to \$1 million whereas RRL programs do not cap the amount an applicant may borrow.

Terms and Performance Guarantees

CMIBRL and RRL are low-interest loans offered at no more than 50% of the prime rate. The current rate is 2%. No interest is due in the first 5 years; interest accrues at the beginning of the 6th year. Loan periods are 15 years. Loans are limited to one project per applicant per fiscal year. The Michigan Department of Environmental Quality (MDEQ) Environmental Science and Services Division administers CMIBRL and RRL programs.

These loans represent an opportunity for local units and authorities to use tax increment financing to repay loans (See section on Brownfield Authorities and the Brownfield Redevelopment Financing Act of 1996 on page 73 and the text box on tax increment financing on page 80.)

Data and Source

As of September 2006, \$17.5 million in loan funds were available for appropriation.

Press Releases

On June 29, 2006, Grand Traverse County was awarded a \$1 million Brownfield Redevelopment Grant and a \$1 million Brownfield Redevelopment Loan for the investigation, cleanup and development of 5 properties in Traverse City. The development anticipates private investments over \$75 million for property acquisition and construction and \$12 million in public investment for a new parking deck. Additionally, the project is expected to create 600 new permanent jobs in Traverse City.

On August 8, 2006, the Genesee County Land Bank Authority was awarded a \$164,000 Brownfield Redevelopment Grant and a \$376,000 Brownfield Redevelopment Loan for investigation and response activities on 6 brownfield sites. The redevelopment is expected to result in almost \$6.5 million in private investment and create 70 new jobs.

Survey of Economic Development Programs in Michigan

On November 15, 2006, the City of Lansing was awarded a \$249,750 Brownfield Redevelopment Grant to rehabilitate a contaminated warehouse in Old Town to serve as the new home of Lansing Habitat for Humanity. The proposed “green” redevelopment is expected to generate over \$500,000 in private investment.

On December 21, 2006, Clare County received \$416,000 in Brownfield Redevelopment Grants and Loans to facilitate the reuse of a contaminated property in the City of Harrison. The grant will be used to demolish old buildings; the loan will be used to address contamination caused by a cement mixing facility. The project will result in the Harrison Area Economic Development Corporation Industrial Park, \$13 million in private investment and the creation of 100 new jobs.

Source: MDEQ

Discussion

Since inception, the Brownfield Redevelopment Grant and Loan Program has supported more than 300 projects statewide and has provided \$132 million in funds (12/21/06 MDEQ Press Release).

The MDEQ also initiates state-funded cleanups: The MDEQ Remediation and Redevelopment Division administers the Environmental Cleanup and Redevelopment Programs, which foster cleanup of environmentally contaminated sites when the liable party is either financially unable or refuses to act in a timely manner and public health necessitates immediate action. The MDEQ annually proposes projects to the Legislature; projects are approved through appropriation bills. Cleanup projects are prioritized by the magnitude of the public health or environmental risk and by the potential for redevelopment.

REVENUE SOURCES FOR MDEQ BROWNFIELD REDEVELOPMENT GRANTS AND LOANS

Environmental Protection Bond Fund

In 1988, voters passed Proposal C, the Environmental Bond Issue, which authorized MDEQ to use \$660 million in general obligation bonds for environmental protection (established by PA 328 of 1988; Part 195 of PA 451 explains uses of bond proceeds). \$425 million was specifically reserved for environmental cleanup. As of September 2005, nearly \$35 million in bonds remained.

Clean Michigan Initiative (CMI)

In 1996, voters approved a \$675 million bond initiative for brownfield redevelopment and cleanup; to protect and enhance lakes, rivers and streams; reclaim waterfront; improve state and local parks and recreation activities; and prevent pollution and hazards from lead (Part 196 of PA 451). CMI has 6 main categories: response activities, waterfront improvement (grants exhausted), lake and river sediment cleanup, nonpoint source pollution control grants, clean water programs and pollution prevention programs. 2003 PA 253 significantly increased the amount of CMI grant and loan funds available to local units; \$335 million is now reserved for brownfield cleanup, including:

- \$155 million for site cleanup and redevelopment,
- \$37.5 million in grants and \$37.5 million in loans for local units of government for response activities at suspected or known contaminated sites with redevelopment potential,
- \$93 million for cleanup of sites that pose danger to public health or the environment, and
- \$12 million in grants to local units for landfill remediation at sites listed on the National Priorities List (the “Superfund” list).

U.S. ENVIRONMENTAL PROTECTION AGENCY ASSESSMENT GRANTS

The EPA awards grants of up to \$200,000 to states, local governments, tribal governments and governmental or quasi-governmental entities and authorities for Brownfield site inventory, characterization, assessment and planning and community involvement activities relevant to Brownfields. Applicants may request up to \$350,000 for petroleum-impacted or hazardous substance contamination. The performance period is 2 years.

Cleanup Grants

Applicant eligibility is the same as Assessment Grant eligibility. Applicants must own the property and have conducted a Phase I site assessment prior to proposal submission. Grants up to \$200,000 for no more than 5 sites per applicant are available for cleanup activities. Grants require a 20 percent cost share in the form of monetary resources, labor or materials (may be waived for hardship). The performance period is 2 years.

The EPA recently awarded the MDEQ a Cleanup Grant for a brownfield site in Grand Rapids. The grant was announced in May 2005. By August 2006, the site, Hoff Industries, was mostly demolished and the debris was being removed. The Clean Michigan Initiative matched the grant to fulfill the 20 percent cost share requirement.

Targeted Brownfields Assessments

The Environmental Protection Agency offers funding and technical assistance through its regional offices for certain costs associated with assessment for remediation of certain contaminated sites.

A Targeted Brownfields Assessment may encompass one or more of the following activities:

1. A screening (phase I) assessment, including a background and historical investigation and a preliminary site inspection;
2. A full (phase II) site assessment, including sampling activities to identify the types and concentrations of contaminants and the areas of contamination to be cleaned;
3. Establishment of cleanup options and cost estimates based on future uses and redevelopment plans.

Targeted Brownfields Assessment (TBA) funding may only be used at real property at which redevelopment, reuse or expansion may be complicated by contamination. The Small Business Liability Relief and Brownfields Revitalization Act expanded TBA eligible property to include mine scarred land, properties contaminated by a controlled substance and low risk petroleum contaminated properties

Regional EPA offices have discretion in selecting properties for TBA. Typically, preference is given to publicly owned or abandoned property, low or moderately contaminated sites, projects that include environmental justice issues or that suffer from the stigma of liability, and sites with prospective purchasers willing to buy and pay for cleanup if needed.

Source: EPA at www.epa.gov/brownfields/tba.htm

U.S. ENVIRONMENTAL PROTECTION AGENCY LOANS

Brownfields Cleanup Revolving Loan Fund

In the fall of 2003, the EPA awarded MDEQ with the Brownfield Cleanup Revolving Loan Fund (BCRLF). MDEQ may provide financing up to \$1 million per project under the program. The MDEQ seeks public and private sector and community organization involvement in the cleanup process and requires applicants to demonstrate their intent to involve local residents, organizations and businesses. MDEQ also requires a description of how the cleanup will create and sustain jobs. Public-private partnerships are encouraged; private entities may not apply. The MDEQ Remediation and Redevelopment Division manages the fund and provides a qualified environmental professional to ensure that cleanups meet federal and state requirements. The BCRLF's low interest rate and terms are similar to those that apply to the State's revolving loan program.

Data and Source

In May 2006, the EPA awarded a total of \$699 million in grants to 209 applicants in 44 states for new assessments, cleanups and to capitalize revolving loan funds. Twenty Michigan communities received EPA funds, including:

- City of Alma
- City of Alpena
- Arenac County
- Berrien County Brownfield Redevelopment Authority
- Calhoun County
- Cheboygan County
- Detroit/Wayne County Port Authority
- Dickinson County Brownfield Redevelopment Authority
- Downriver Community Conference, Wayne and Monroe Counties
- City of East Lansing
- Genesee County Land Bank Authority
- Gratiot County Brownfield Redevelopment Authority
- Harbor Shores Community Redevelopment, Inc.
- Kalamazoo County
- City of Kalamazoo
- Little River Band of Ottawa Indians, Manistee Reservation
- Manistee County Brownfield Redevelopment Authority
- Reed City Brownfield Redevelopment Authority
- City of Trenton
- Wayne County Brownfield Redevelopment Authority

Source: MDEQ

