Strategic Economic Development with Your Community’s Backstory

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Where is your favorite place?
What do you like about this place?
What was there before?
What stories can be told?
How are good cities built up?
What about your community’s future history?
What is your personal stake?
What do you admire?
Putting it All Together

- Local Inventory
- Prioritization
- Next Steps
Tools of the Trade

- **Local Funds** — strategic funds, local millages, TIFs, bonds
- **Foundation Grants**
- **Private Funds** — traditional lending, equity investments, CDFIs, private capital, incl Public Private Partnerships
- **Community Economic Development Agencies & Associations**
- **State Programs**
- **Crowdfunding**
Specialty Funds

- Tax Increment Financing (TIF)
- Brownfields & OPRA
- Bonds & Millages
- CDBG
- Strategic Funds
- Façade Grants
- Neighborhood Enterprise Zones
Foundation Grants, Part 1

Kellogg Foundation
Kresge Foundation
Mott Foundation
Robert B. Wilson Foundation
Local Family Foundations
Foundation Grants, Part 2

Community Foundations - Donor Advised Funds
Corporate Foundations
Local Utility Charitable Arm
Credit Union/Banking Foundations

Key Strategy: Cultivate meaningful relationships with fund managers and connect to their interests
Private Funds

Traditional Lending
Bridge Loans
Limited Liability Corporations, other entities
“Complex Capital Stacks”
→ Tax Credit Deals
→ Match with State and Local Incentives
Complex Capital Stacks

THE EVOLUTION OF THE CAPITAL STACK

- Sponsor equity: 10% to 20%
- Mezzanine debt: 20% to 30%
- Senior debt: 60% to 70%

- Sponsor / joint venture equity: 20% to 60%
- Preferred equity / EB-5 funding: 15% to 30%
- Mezzanine debt: 15% to 30%
- Senior debt: 40% to 50%

Source: TheRealDeal.com
What are Opportunity Zones?

- NOT A PROGRAM
- Created as part of federal tax bill in 2017 to provide incentives for investment in low-income communities
- Designated by the governor of each state and approved by US Department of Treasury in 2018
- Mapped according to census tract boundaries
- Nearly 9,000 nationally
- Investments must be channeled through a certified Opportunity Fund
Timeline for Opportunity Zones

Year 1
2018
Roll over gain into Opportunity Fund (defer tax on gain)

Year 5
2023
Tax on original capital gain is reduced by 10%

Year 7
2025
Tax on original capital gain is reduced by another 5%
(15% total reduction)

Year 10
2028
All capital gains taxes are now eliminated on potential profits from Opportunity Fund

Apr 15, 2027
Pay taxes on original deferred capital gains (minus the 15% reduction)

Source: Fundrise

We love where you live.
Possible Approaches for Local Leaders

**Baseline**
- Make sure desired zoning and other policies are in place
- Raise awareness among potential investors, partners

**Intermediate**
- Promote specific investment opportunities with a prospectus
- Align other development incentives with Opportunity Zones

**Aggressive**
- Forge partnerships with Opportunity Fund(s)
- Create a local or regional Fund

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The Best OZ Advice for Local Governments:

1. **Inventory** what you’ve got – and work regionally if you can!
2. **Articulate** your vision through zoning and target sites
3. **Plan** for affordable and workforce housing from the outset
4. **Layer, layer, layer** the incentives (OZ is only one in a complex stack)
5. **Get RRC Certified** to clarify your community goals and streamline development processes
Michigan State Housing Development Authority (MSHDA)

- Financing Programs & Incentives
- Landbank Fastrack Authority
- Resources on:
  - Housing Market Analyses
  - Opportunity Zones
  - Historic Preservation

https://www.michigan.gov/mshda
Michigan Economic Development Corp (MEDC)

- RRC Certification Program
- Predevelopment Assistance for Certified RRC communities
- Community Revitalization Program (CRP)
- Community Development Block Grants (pass through admin)
- Michigan Main Street Program
- Pro Forma 101

Fact Sheets at: https://www.miplace.org
Other Specialty Fund Sources

- Community Capital/Crowdfunding
  http://www.crowdfundingmi.com
- USDA Rural Development Grants
  https://www.rd.usda.gov/mi
- DNR Trust Fund Grants for Recreation Projects
- Rails to Trails/Greenway Funds
- Federal and New Markets Historic Rehab Tax Credits
- Certified Local Government Program
  www.michigan.gov/shpo
- PACE Financing
  https://leanandgreenmi.com
Educate Thyself
Michigan Municipal League

Information Bureau

http://www.mml.org/resources/

Developing Great Places

Success stories and how-to guides:

http://www.placemaking.mml.org/great-places

• “How to RFQ” Guide and Template
• User’s Guide for Zoning Reform
• Case Studies for Redevelopment
Collaboration is not a dirty word

Community Economic Development Agencies & Associations

- MML
- MEDC & MSHDA
- MEDA
- CEDAM
- Regional EDAs
- Many, many more…

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Michigan Economic Development Association - MEDA

Resources for local development financing such as tax abatements, bond financing, tax increment financing, special improvement districts and the provision of public infrastructure.

https://www.medaweb.org/iedcrealestate
Nonprofit trade association serving the community economic development (CED) industry in Michigan. Focus is on financially empowering communities for equitable and vibrant development.

- Nonprofit affordable housing developers
- Main Street organizations
- Community Development agencies
- Community Foundations
- Local governments and municipalities

http://cedamichigan.org/
Go from “you could” to “here’s how”

• Start with collaboration
• Engage your experts
• Be specific
• Highlight assets
• Use data
• Identify barriers to redevelopment and ways to overcome them
• Be realistic – this is your long game
Know the backstory. Weave it in.
THANK YOU!

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