

Aerotropolis Development Corporation Overview

The Detroit Region

AEROTROPOLIS



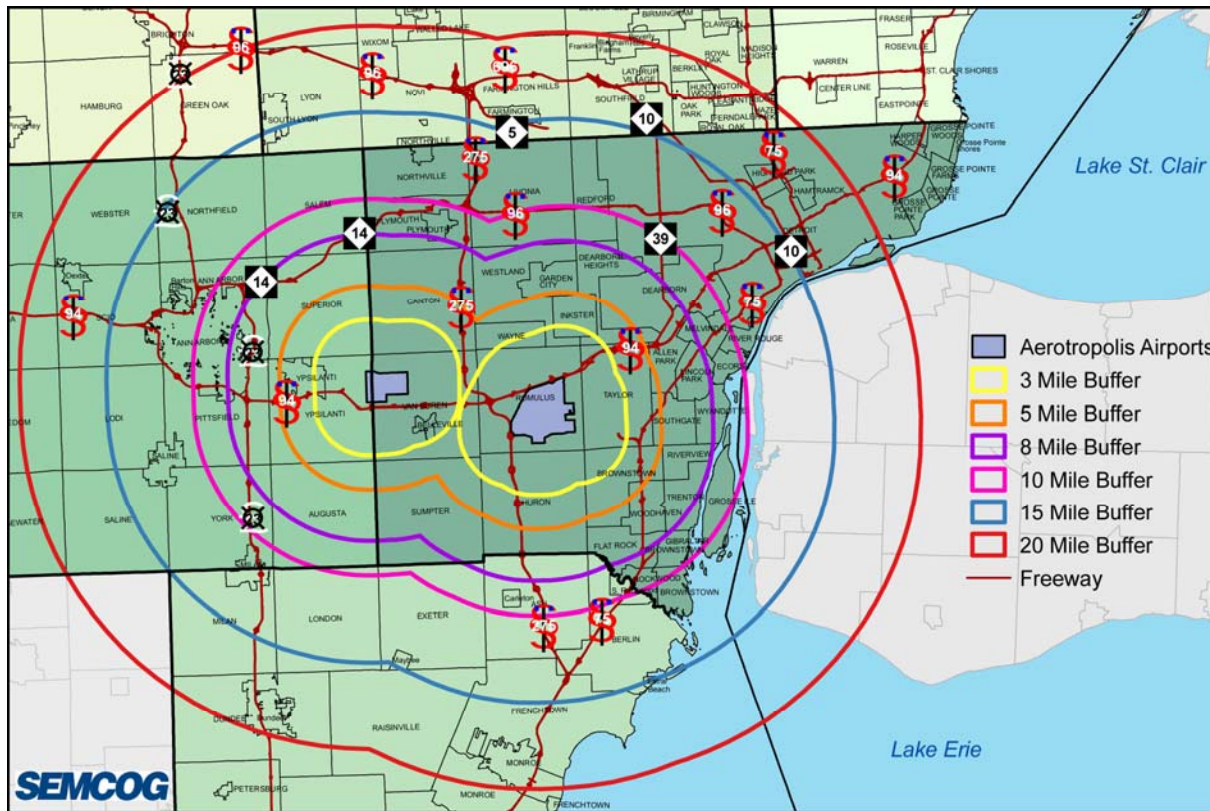
Presentation to Prospective Signatory Governments

October, 2008

Develop the areas between and surrounding Detroit Metro and Willow Run Airports into an Aerotropolis or “airport city,” serving as a global logistics hub for the movement of people, products and information to support the economic development of southeastern Michigan and generate thousands of jobs.



An Aerotropolis is an emerging type of urban form comprised of aviation-intensive businesses and businesses that need to be readily connected to their customers. They typically extend outward 15-20 miles from a major airport and are powerful economic development engines.



Aerotropolis Industries

- Time-sensitive manufacturing
- E-Commerce fulfillment
- Logistics and distribution
- Offices for business people who travel frequently by air
- Agriculture
- After market service providers

With an aggressive business attraction effort and incentives, the Aerotropolis presents enormous economic opportunity for the region—and state.

Jones Lang LaSalle Economic Impact Analysis		
Annual Economic Impact of Primary Development Sites (\$ million)		
	One-Time Construction Impact	On-Going Operational Impact
Economic Activity	\$173	\$10,100
Wages	\$78	\$3,800
Jobs	1,464	64,422
 Annual Fiscal Impact at Full Build Out (\$ million)		
Annual Tax Revenues	\$97	
Property Tax Revenues	\$74	

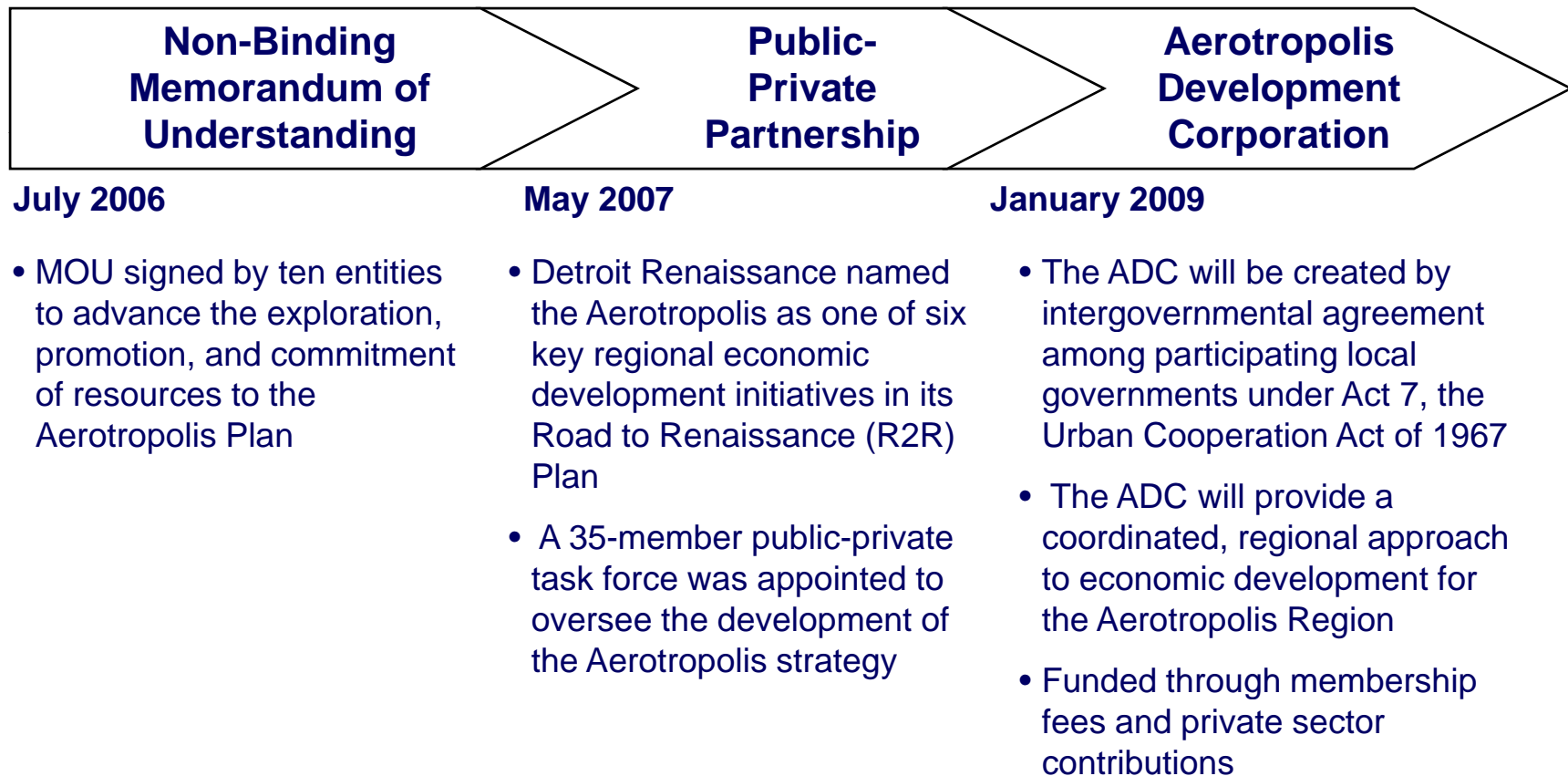
“There is no ‘magic bullet’ in economic transformation. True transformation comes about when people across and within all sectors (government, education, business/industry, not-for-profit, arts and culture) come together in genuine partnerships for the common good. It comes about when bureaucratic impediments are swept aside. It comes about when, intertwined with basic improvements, a few bold experiments are launched. And it comes about when the public and private sectors come together to invest the resources needed to stimulate transformation.”

Staying a Step Ahead: Higher Education Transforming North Carolina’s Economy, Pappas Consulting Group, July 2006



Partnering for Success

Our public-private partnership has evolved and matured over the past several years, and is now ready to be formalized through an intergovernmental agreement.



The mission of the Aerotropolis Development Corporation is to drive economic development and job creation in the Aerotropolis region in a sustainable and cooperative manner.

To do this, the ADC will:

- Promote long-term partnership between member communities
- Build relationships with existing businesses in the Aerotropolis region
- Promote cooperation with other economic development entities in Michigan.
- Work with the State to provide attractive economic incentives to attract businesses

To carry out its economic development mission, the Development Corporation will be charged with collaborating with the local governments on four primary functions.

Marketing & Business Attraction
(IGA 5.07)

- Promotion of local units
- Advertising & Marketing
- Target firm research & identification
- Logo & brand development
- Website Development
- Client Management

Master Planning & Development Criteria
(IGA 5.01, 5.02, 5.03, 5.05)

- Building / Development criteria
- Design Standards
- Master Design Plan
- Utilities & Infrastructure Development
- Aerotropolis Development Zone and Aerotropolis Development Area Designation

Regulatory Assistance & Incentives
(IGA 5.09)

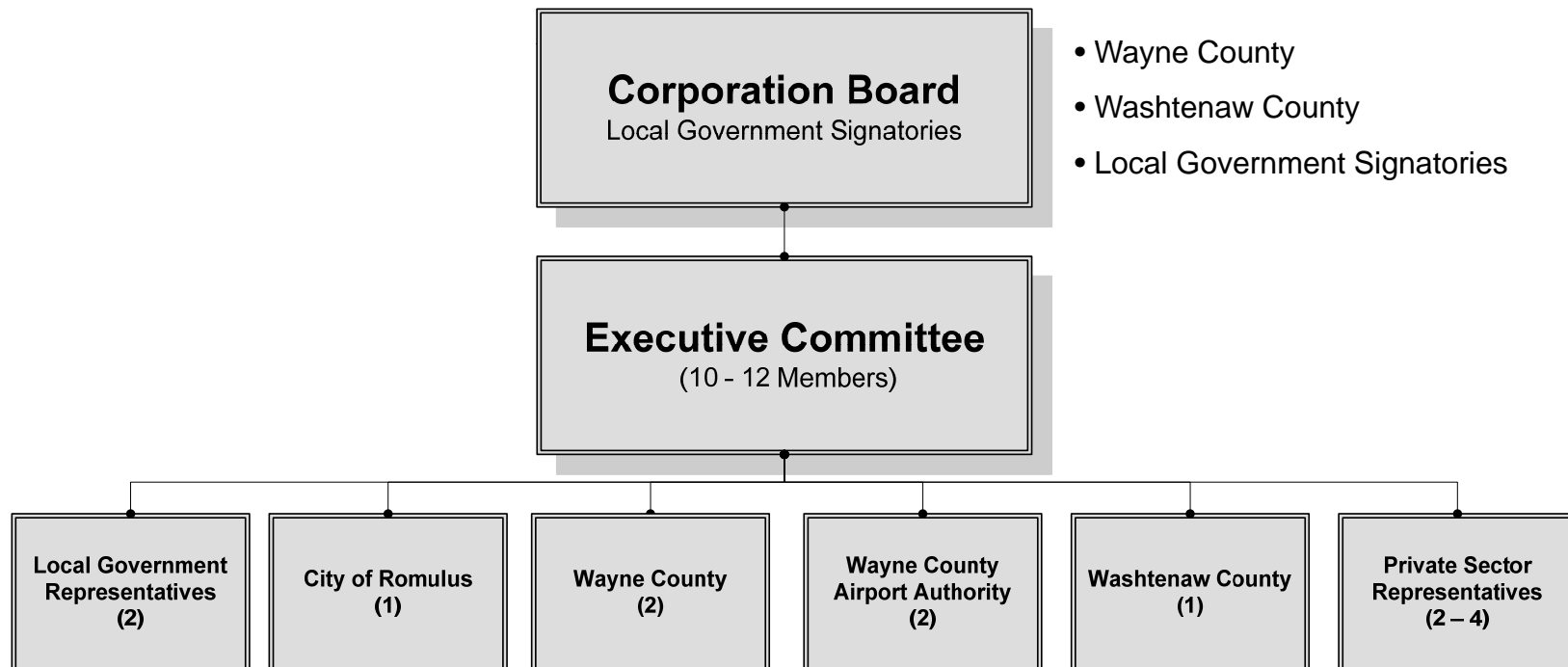
- Permitting & Entitlements
- Incentive Application Criteria
- Incentive Packages
- Site Selection
- LDFA & TIF Investments
- Real Estate Development
- Grants Management

Intergovernmental Communication & Coalition Building

- DDA / LDFA Coordination
- MEDC, MSF, MEGA
- Existing businesses in Aerotropolis
- Citizen Outreach
- Landowner Outreach
- Federal Government Outreach
- Private / Nonprofit Outreach
- Cooperation with Academia

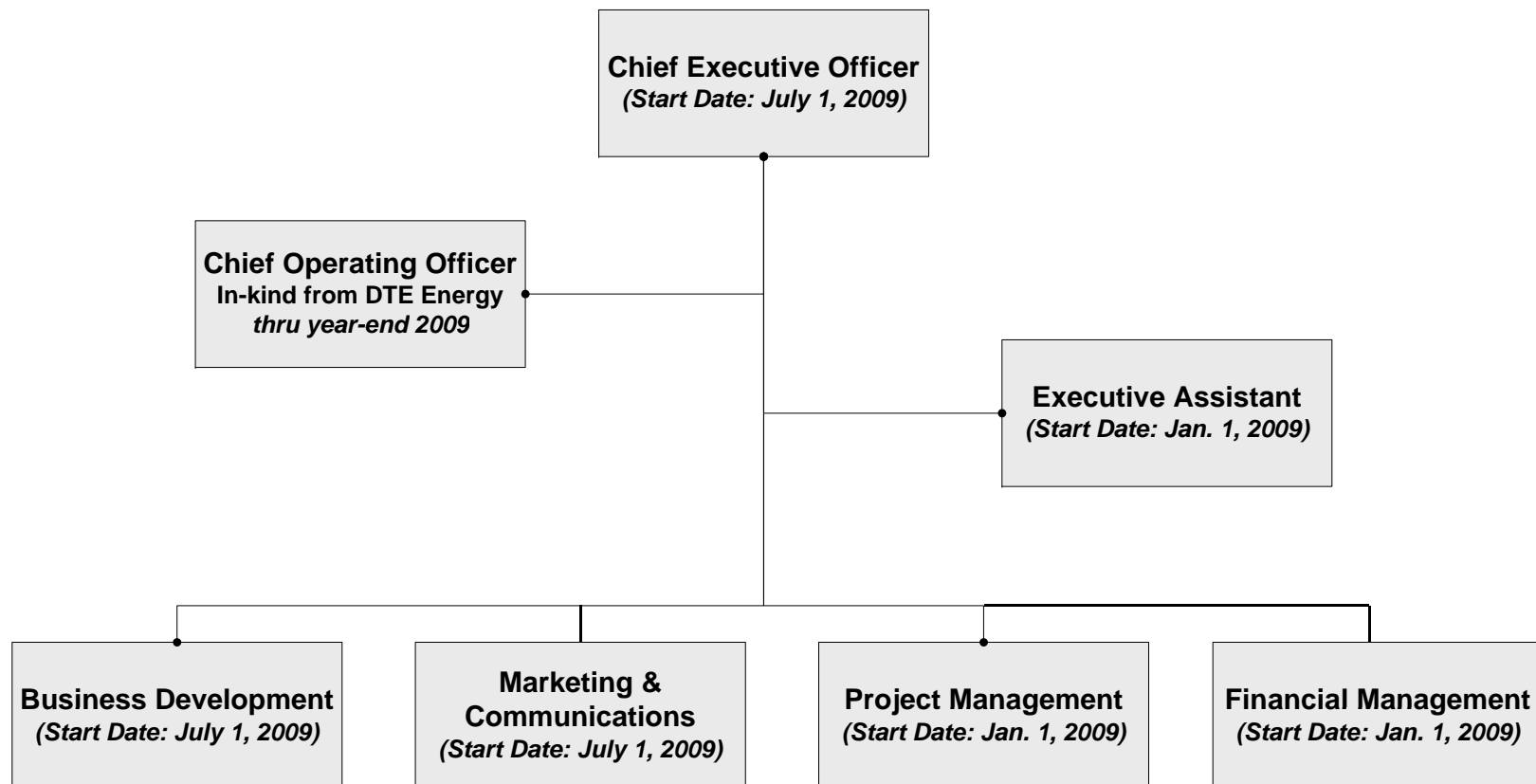
Governance Structure

Similar to the MEDC, the ADC will be governed by an Executive Committee of public and private sector members which will provide the ongoing oversight of the Development Corporation's activities.



Potential Operating Structure

Day-to-day operations will be carried out by a CEO hired by the Executive Committee. The CEO will have lean, but sufficient, resources to support the ADC core mission.



The initial ADC Operating Budget will be raised through public and private sector member fees and other monetary or in-kind contributions. Additional revenue sources will also be pursued.



The intergovernmental agreement provides flexibility for paying membership fees to ensure that all parties can participate.

Fixed Entry Fee

\$50,000 Waived for all Initial Signatories

Annual Membership Fees

\$50,000 Local Government Parties

\$150,000 per County Party Exec Com Seat

\$100,000 per Private Sector Exec Com Seat

Payment Options

- Up to 1/3 of the annual fee shall be paid first from the Aerotropolis Tax Increment Revenues attributable to the Local Government Party, if available
- Up to 1/3 of the annual fee may be paid through in-kind contributions of personal property, assets or services upon approval of Executive Committee
- Long-term payment arrangements may be entered into for up to 3 years with Executive Committee approval provided the Party consents to participate in the Aerotropolis LDFA plan
- Annual fees may be reduced or deferred for hardship upon approval of the Executive Committee
- The Executive Committee may make other accommodations as necessary

Preliminary 3 Year Budget

The ADC anticipates a \$1 million operating budget the first year.

<u>Revenues</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Assumptions</u>
Membership Fees	\$650,000	\$750,000	\$800,000	4 locals in 2009, 6 in 2010, 7 in 2011
Contributions for Airport-Related Marketing	\$150,000	\$150,000	\$150,000	Airport Authority Contribution
Private Sector Contributions	\$200,000	\$400,000	\$400,000	2 private sector seats in 2009, 4 in 2010 and 2011
Tax Increment Revenues	\$0	\$0	\$10,000	Nominal revenue due to declining property values
Grants	\$50,000	\$100,000	\$200,000	
Revenue Generating Activities	\$0	\$10,000	\$20,000	
Total Revenue	\$1,050,000	\$1,410,000	\$1,580,000	
<u>Expenses</u>				
Salaries/Benefits/Contractual Services	\$515,000	\$820,000	\$830,000	
General Operations	\$200,000	\$210,000	\$230,000	
Rent, Equipment, Furniture, Computers, Software				
Utilities / Internet / Phone				
Printing, Postage, Supplies				
Subscriptions & Membership Dues				
Insurance				
Travel	\$30,000	\$30,000	\$40,000	
Business Attraction Visits				
Mileage & Parking Reimbursement				
Conventions & Conferences				
Marketing	\$200,000	\$220,000	\$230,000	
Business Attraction Campaigns				
Collateral Materials				
Website, Map & Site Selection Tool				
E-Newsletter				
Master Design Plan Development	\$30,000	\$20,000	\$20,000	
Legal & Consulting Services	\$75,000	\$100,000	\$100,000	
Infrastructure Development	\$0	\$10,000	\$130,000	
Total Expenses	\$1,050,000	\$1,410,000	\$1,580,000	

Local Government Approvals

Provisions for Local Government checks and balances have been established throughout the agreement and are detailed below.

ADC Function/Incentive	IGA Section	Statutory Cite / Bill	Local Government Role in Process
Development of Aerotropolis Master Design Plan	1.10 5.03	None	<ul style="list-style-type: none"> The Aerotropolis Master Design Plan shall have no binding force or effect within any portion of the territory of any Local Government Party except to the extent expressly approved by resolution of the Local Government Party.
Promulgation of Design Standards	5.02	None	<ul style="list-style-type: none"> Design standards to be applied to property and developments which receive economic development incentives shall be submitted to the Local Government Parties for approval prior to implementation.
Promulgation of Streamlined Permitting Processes	5.10	None	<ul style="list-style-type: none"> Local Government Parties shall approve ADC's recommendations
Designation of Aerotropolis Development Zones (ADZ)	5.12	1996 PA 376 § 8g(2) Renaissance Zone Act HB 6507	<ul style="list-style-type: none"> Within the first year after adoption of Legislation, each Local Government Party is entitled to request by resolution and receive designation by the ADC for one ADZ within its territory. Prior to the ADC designating subsequent property as an ADZ, the Local Government Party must provide a resolution of approval Within 30 days after written notice of initial designation, the Local Government Party has the right to disapprove, requiring the ADC's withdrawal of initial designation.
Designation of Aerotropolis Development Areas (ADA)	5.13	1986 PA 281 § 12(7) Local Development Financing Act HB 6510	<ul style="list-style-type: none"> Prior to the ADC designating an ADA, the Local Government Party must provide a resolution of approval Within 30 days after written notice of initial designation, the Local Government Party has the right to disapprove, requiring the ADC's withdrawal of designation. Tax increment revenues may not be used outside territory of Local Government Party whose levy generated the revenues without the written consent of the local unit.

More Local Government Approvals

When granting Aerotropolis incentives, the ADC has an obligation to provide written notice of action to all Local Government Parties.

ADC Function/Incentive	IGA Section	Statutory Cite / Bill	Local Government Role in Process
Designation of Qualified Aerotropolis Businesses	5.14	1996 PA 376 § 8g(3) Renaissance Zone Act HB 6507	<ul style="list-style-type: none"> • Within 30 days after written notice that the ADC made a QAB designation, Local Government Party in which proposed QAB is to be located has right to disapprove, requiring the ADC's withdrawal of initial designation. • A QAB shall be designated only with respect to a particular proposed project. A business must receive a new QAB designation for each new project.
Designation of Plant Rehabilitation and Industrial Development Districts / Issuance of Industrial Facilities Exemption Certificates	5.15	1974 PA 198 §§ 2, 4, 5, 6 and 7 (note that §§ 5, 6 and 7 are not amended by this legislation) HB 6504	<ul style="list-style-type: none"> • Within 30 days after written notice of district establishment, Local Government Party in which proposed district is to be located has right to disapprove, requiring the ADC's withdrawal of district. • Local Government Party approves individual QAB for 198 tax abatements per IGA Section 5.14, Designation of Qualified Aerotropolis Business .
Granting of Act 206 Personal Property Tax Abatements	5.16	1893 PA 206 §9f HB6505	<ul style="list-style-type: none"> • Within 30 days after written notice of 206 tax abatement, Local Government Party in which proposed exempt property is to be located has right to disapprove, requiring ADC's withdrawal of approval. • Local Government Party approves individual QAB for 198 tax abatements per IGA Section 5.14, Designation of Qualified Aerotropolis Business. • 198 tax abatements may only be granted in Aerotropolis Development Areas that were approved by the Local Government Party per IGA Section 5.13.

Key Near-Term Milestones

- **Aerotropolis Incentive Legislation Adopted by State Legislature** Dec 2008
- **Launch Aerotropolis Development Corporation** Jan 2009
- **Develop/Refine Aerotropolis Master Design Plan** Q1 2009
 - Development Criteria
 - Design Standards / Green Standards
 - Infrastructure Plan
- **Designate Aerotropolis Development Zones** Q1 2009
- **Create “Business-friendly” Regulatory Environment** Q1 2009
 - One-stop shopping—land, incentives, permitting
- **Implement unified branding and communications campaign** Q1 2009
- **Designate LDFA Authority District and Aerotropolis Development Areas** Q2 2009
- **Continue business attraction efforts / develop anchor tenants** Ongoing

Appendix A: Glossary of Terms

Aerotropolis Development Corporation (ADC) – Development Corporation being created under the Urban Cooperation Act (P.A. 7 of 1967), a separate legal entity and public body corporate and politic, to administer the economic development objectives of the Aerotropolis partners.

Intergovernmental Agreement (IGA) – Agreement being drafted between the county and local government Aerotropolis partners to form the Aerotropolis Development Corporation (ADC).

Qualified Aerotropolis Business (QAB) – Defined generally to mean an air-commerce linked business, supply chain business, or business needing to be physically located near an airport for business purposes. According to proposed legislation, the definition expressly excludes a casino, retail establishment or professional sports stadium.

Aerotropolis Development Zone (ADZ) – A Renaissance Zone (P.A. 376, 1996) for a Qualified Aerotropolis Business (QAB) that is designated by the Aerotropolis Development Corporation (ADC) and approved by the Michigan Strategic Fund.

Authority District - Area or areas within which a Local Development Financing Authority exercises its powers.

Aerotropolis Development Area (ADA) – Land that is eligible to capture the tax increment revenues generated by new development that follows major roads and adjacent property, and which may include existing certified technology parks.

Tax Increment Financing (TIF) Plan – Document that contains description of project that will be funded and dictates where the money will be captured.

Appendix B: Incentive Legislation

Public Act	Bill Reference	Change Made	Description of Change
Michigan Economic Growth Authority Act, 1995 PA 24	HB 6511 Rep. Clemente	Amends §§3 and 8	Expands the definition of “eligible business” (i.e., a business eligible to receive MEGA credits) to include a Qualified Aerotropolis Business (“QAB”).
Local Development Financing Act, 1986 PA 281	HB 6508 Rep. Clemente	Amends §2	Defines Aerotropolis Development Area (“ADA”) and Aerotropolis Development Corporation (“ADC”) for LDFA purposes and incorporates Aerotropolis concepts and terms into several existing definitions; expands the use of TIF funds to include certain activities within an ADA.
	HB 6503 Rep. Byrnes	Amends §§3 and 4	Enables an ADC to establish an LDFA within the ADC’s territory; sets forth the procedure for an ADC’s establishment of an LDFA; provides that an ADC board will act as LDFA board; enables non-signatories to an ADC agreement to opt out of TIF capture.
	HB 6509 Rep. Clemente	Amends §5 and adds §12c	Exempts an ADC-LDFA board from certain structural and procedural requirements that apply to other LDFA boards; requires an ADC to notify MEDC of the establishment of an ADC-LDFA; provides for the lease or conveyance of public facilities below market value; enables ADC member municipalities to pledge their full faith and credit in support of LDFA bonds.
	HB 6510 Rep. Hildenbrand	Amends §12	Adds ADC and ADA concepts to the TIF plan requirements and provides that TIF revenue generated within an ADA may be spent on projects outside the ADA, provided the revenue is spent within the boundaries of the jurisdiction whose levy generated the TIF revenue.
Renaissance Zone Act, 1996 PA 376	HB 6502 Rep. A. Smith	Amends §3	Defines ADC, Aerotropolis Development Zone (“ADZ”) and QAB.
	HB 6507 Rep. Clemente	Adds §8g	Provides for the establishment of an ADC by 2 or more local units located within 3 miles of a major airport (1 million or more annual passenger enplanements) or within 3 miles of a subordinate airport owned or operated by a public entity which owns or operates the major airport. Provides for the establishment of up to 15 ADZs within an ADC’s boundaries with MSF approval; provides for MSF certification of QABs.
	HB 6506 Rep. Hildenbrand	Amends §10	Provides that, within an ADZ, only property owned or leased by a QAB and business activity conducted by a QAB may be eligible for Renaissance Zone incentives.
Plant Rehabilitation and Industrial Development Districts Act, 1974 PA 198	HB 6504 Rep. Hopgood	Amends §§2 and 4	Adds definitions of ADC and QAB and incorporates Aerotropolis concepts into certain existing defined terms in the statute; enables an ADC to establish a limited number of Act 198 abatement districts.
General Property Tax Act, 1893 PA 206	HB 6505 Rep. Leland	Amends §9f	Enables an ADC board to grant personal property tax exemptions for eligible businesses; adds ADA, ADC and QAB definitions to the statute.

Q: Why does the ADC have a two-tiered Board Structure?

A: The ADC Corporation Board & Executive Committee are modeled after the MEDC's board. Under an Act 7 Corporation, only the signatory government parties can serve on the Corporate Board. The addition of an Executive Committee allows for private sector involvement in decision-making which was seen as crucial to garnering financial support from our private sector partners.

Q: How will a new Aerotropolis LDFA impact my existing LDFA district?

A: Local units and the ADC will work together to define new LDFA territory. In the event that an the Aerotropolis LDFA overlaps an existing LDFA, the obligations of the existing LDFA will take precedence over the Aerotropolis LDFA. All tax increments generated in the Aerotropolis LDFA will be invested directly into that local unit (unless specified otherwise) for infrastructure improvements or to offset membership dues owed to the ADC.

Q: Will the ADC take away any local authority over zoning?

A: No. The ADC can only make recommendations for changes in zoning ordinances, and only local units can approve these changes.

Q: Can the ADC award tax abatements directly?

A: No. The ADC has the ability to develop incentive packages and facilitate site selection for new business opportunities, but all tax abatements must be approved by the local unit where the development will take place and the Michigan Strategic Fund President.