



Michigan House *New Economy and Quality of Life* Committee April 28, 2010; 9:00 am
Rep. Ed Clemente – Chair

Submitted by: Tino Breithaupt, Senior Vice President of Economic Development, Traverse City Area Chamber of Commerce

1. **We need to have a continued, streamlined state economic development initiative that doesn't miss a beat between changes in Governor.**
 - a. **Northern Michigan Business Climate is Very Diverse**
 - i. Manufacturing, Agriculture, Tourism (Wineries & Vineyards), Retail
 - ii. Economic Gardening & Regional Broadband our two huge areas of focus in Northern Michigan.
 - b. **It's a Difficult Business Climate**
 - i. Companies need help...mostly in the area of working capital financing
 - ii. Michigan's Business Climate is not attractive and we need world class programs and incentives to assist our companies in growing their businesses.
 - c. **Michigan Needs to Simplify its Tax Structure**
 - i. The uncertainty and difficulty of our State's tax structure is detrimental to our businesses.
 1. We see a need for an immediate change in the following three issues with the MBT.

- a. Remove the surcharge on businesses. This charge has created an unfair impact on many small and mid-sized businesses.
- b. Create investment and in-state growth opportunities. Currently the MBT guidelines promote out of state business and do not create any incentive for in state investment.
- c. Simplify the tax. The cost to Michigan businesses have increased because of the complexity and confusion of the MBT.
 - i. "The changes in the SBT tax to the MBT tax basically doubled our tax from \$35,000 to \$70,000 per year or approximately the cost of an FTE...this was implemented after we had done our budgeting for the year so we were forced to make budget cuts in other areas to compensate for the increased taxes, we also had to pay our accounting firm approximately \$5,000 to figure out how to comply with the new law." **Matt Anderson, Global Marine Insurance Agency, Traverse City.**
 - ii. "Out of state fabricators don't pay MBT so they can sell cheaper to all the same dealers I do. Cuts us out of business I use to get. I could sell cheaper to out state dealers, but that puts our in state dealers in a bad buying position. All dealers compete for the same work all over the country, this tax works to move business out of state, when we could be bringing other states money here to us." **Terry Berden, Great Lakes Stainless, Traverse City.**
 - iii. "We are spending lots of dollars on accounting bills trying to interpret the new law and still don't know yet. This is a transaction cost we could do without." **Jim MacInnes, Crystal Mountain Resort and Spa, Thompsonville.**

d. What's State Tools Have Worked:

- i. Pure Michigan—Northern Michigan benefits substantially. Since its beginning in 2007, the "Pure Michigan" campaign has proven highly effective in attracting new visitors and helping many of our communities to weather some very difficult economic times. Travel and tourism is one of the top three industries in Michigan with annual revenues over 18

billion dollars, employing over 240,000 Michigan residents and will be a leader in Michigan's economic recovery. Every dollar invested in tourism promotion returns close to three dollars in new tax revenue to the Michigan Treasury mostly within the same fiscal year of the expenditure.

- ii. We need a permanent Funding Source, which is why we supported the \$2.50 airport car rental fee proposed by MEDC to support the effort to create a permanent funding source for travel and tourism promotion.
- iii. MEGA
 - 1. Altus Brands—Relocation from Westcliffe, Colorado
 - a. 25 Jobs Created; \$545,000 Private Investment
 - 2. Skilled Manufacturing—Considered CA and AZ
 - a. 73 Jobs Created; \$8.5 Million Private Investment
 - 3. Hagerty Insurance—Considered AZ
 - a. 226 Jobs Created, \$20.9 Million Private Investment
 - 4. Northern United Brewery—Considered Indiana & Ohio
 - a. 158 Jobs Created; \$5.4 Million Private Investment
- iv. Loan Diversification Fund—Skilled Manufacturing
- v. Expansion of CDBG Program to allow for funds to be used for Workforce Training and M&E purchases...based on Job Creation commitment. MEDC has had the foresight to broaden this program (within HUD rules) to be utilized by companies and communities beyond its traditional infrastructure usage.

e. What State Tools Haven't Worked or are Not Working (or what are we lacking as a state)

- i. State's Revolving Loan Fund—Too Many restrictions in the areas of Use of Funds, Davis Bacon Wage Rule requirements related to financing the construction of new facilities,
- ii. Working Capital Financing—A real need for this but no existing program.
- iii. Tourism MEGA's—The income tax credit on the wage of tourism jobs created are not an incentive for companies to apply, since the cost of applying typically out-weigh the benefit of a tax credit.

iv. VC Capital—We have not seen any positive traction in Northern Michigan on Venture Capital investment interest in the State's targeted industry sectors in the areas of Alternative Energy or Homeland Security.

1. Salamander Technologies—Homeland Security Technology
2. Tool North—Wind Turbine Systems Integration Manufacturing

f. Agricultural Processing, Permitting, etc. – We need consistent messages coming from state government offices. Too many times we hear from our companies that they are receiving different information from a field office staffer than they received from Lansing. Different interpretations of laws, rules and policies are being given to our companies in Northern Michigan and as a result, their cost of doing business is increasing.

g. Exploration of other incentives beyond manufacturing and Technology Companies

i. Rewarding vertical and horizontal sectors

1. Target Industry Sectors but also have incentives for any company that is growing and creating jobs above a certain wage (ie, 4x the minimum wage)
2. Expand PA 198 to include other companies that are creating jobs above a certain wage amount. (ie, 4x minimum wage)

ii. Look for additional ways to assist our tourism companies in Northern Michigan grow their business. Consider using “blight” or “functionally obsolete” properties like we do with the Brownfield Program as an incentive for these companies to redevelop old facilities into new modern, green facilities.