



# Ottawa County Recovery Zone Facility Bond (RZFB) Allocation Report

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February 2010



## **2010 County Board of Commissioners**

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## **BACKGROUND**

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In August 2009, most counties in Michigan, including Ottawa County, were made aware that they would be receiving an allotment of American Recovery and Reinvestment Act (ARRA) Recovery Zone Bonds. The Program consists of two types of bonds – a Recovery Zone Economic Development Program (RZED) for public works projects and a Recovery Zone Facility Bond Program (RZFB) for certain private sector initiatives.

The Recovery Zone Bonds are not grants nor do they provide liquid funding. They are a capped amount of tax-exempt bonds that the IRS and federal government are allowing counties to allocate to qualified entities that can then legally issue bonds to investors who are interested in purchasing them.

Ottawa was the first county in Michigan to allocate a Recovery Zone Bond allotment. This was a \$5.6 million RZED allocation to the City of Grand Haven for their Washington Street Project. To date, only six RZED and RZF Bonds have been issued in the entire state. Four of the six bond issues are for RZED projects. The two RZFB projects are a jail expansion, and a movie production campus. Oakland County has allocated bonds for two private-sector projects. This was accomplished through an Inducement Resolution<sup>1</sup> that is also used by the Michigan Economic Development Corporation (MEDC) to allocate bonds through the Michigan Strategic Fund (MSF).

The low number of recovery zone bond allocations is due, almost entirely, to the fact that counties are requiring developers to provide a firm commitment-to-purchase the bonds or a Letter-of-Credit from a solid financial institution. Most counties have indicated they will not waiver from their position because they do not know of another method that would ensure the project is financially viable (**Attachment A**). These counties have also said they do not want to become the scapegoat for projects that may result in defaulted bonds. Ottawa County has adopted similar financial requirements as a part of their RZFB Threshold Criteria.

## **APPLICATION PROCESS**

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Thus far, Ottawa County has received four applications for RZFB allocations. The four applicants are the Alden Place Project in Spring Lake Village, Beechtree Commons (Challenge Machinery) in Grand Haven, Continental Dairy Products in Coopersville, and the Hilton Garden Inn & Conference Center in Grand Haven.

The Planning and Performance Improvement Department has been involved in frequent communications with the applicants in order to provide a complete and accurate report of proposed projects. A substantial effort has been made to provide each applicant with every possible opportunity to provide a complete application. It has been necessary that applicants provide thorough and accurate information in order to demonstrate they have met federal requirements, have the ability to secure bond financing, and have shovel-ready projects.

<sup>1</sup> An Inducement Resolution is adopted, "inducing" the company to proceed with the project. If the applicant is able to secure a letter of credit based on the Inducement Resolution, an Allocation Resolution is then approved.

## PROJECT OVERVIEWS

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After reviewing and analyzing each application and investigating the details of each project, it has become evident that there are still outstanding factors associated with the projects which prevent them from meeting the Threshold Criteria that was established by the Board of Commissioners (**See Attachment B**). Additionally, it is evident from reviewing the Evaluation Criteria and scores for each project that distinct differences exist between each application.

The individual factors that have been identified, up to this point, that are problematic for the applicants are as follows:

### **Alden Place (\$843K- \$1.7 million request)**

#### Threshold Criteria

- No letter-of-credit or firm commitment from a financial institution or bond underwriter to purchase the bonds (credit-worthiness)
- Architectural drawings have not yet been created for the project's second phase (readiness)
- Required rezoning has not been obtained (readiness)
- The property is not yet owned by the applicant (readiness)
- Documentation verifying other sources of financing has not been provided (readiness)

#### Evaluation Criteria

- No Dun and Bradstreet company rating classification (credit-worthiness)
- Since the Alden Place could not specify a construction date for the second phase of their project, the applicant's total number of employees, total tax revenue and total project investment was calculated with a minimum and maximum value (**Attachment C1-C2**). The minimum value represents the jobs, tax revenue and investment that would occur if the second phase does not transpire. The maximum value represents the jobs, tax revenue and investments that would occur if the second phase does transpire (readiness)

### **Beechtree Commons (\$7.6 million request)**

#### Threshold Criteria

- No letter-of-credit or firm commitment from a financial institution or bond underwriter to purchase the bonds (credit-worthiness)
- Other sources of financing have not been secured (readiness)

#### Evaluation Criteria

- No Dun and Bradstreet company rating classification (credit-worthiness)
- Since Beechtree Commons does not yet have contracts/leases with **all proposed** retail/industrial tenants, the applicant's total number of employees was calculated with a minimum and maximum value (**Attachment C1-C2**). The minimum value represents the jobs that would occur **with the two contracts/leases that are approved**. The maximum value represents the jobs that would occur if **all of the proposed** contracts/leases are approved (readiness)

### **Continental Dairy Products (\$31.1 million request)**

#### Threshold Criteria

- No letter-of-credit (credit-worthiness)
- Other sources of financing have not been secured (readiness)

#### Evaluation Criteria

All responses were satisfactory

## Hilton Garden Inn & Conference Center (\$22 million request)

### Threshold Criteria

- No letter-of-credit or firm commitment from a financial institution or bond underwriter to purchase the bonds (credit-worthiness)
- Project cash-flow for the Pro-Forma is dependent on a newly proposed athletic center that has not been approved by the Grand Haven Planning Commission (readiness)
- Documentation verifying other sources of financing has not been provided (readiness)

### Evaluation Criteria

- No Dun and Bradstreet company rating classification (credit-worthiness)
- Since the Hilton Garden Inn does not have contracts with outlying restaurants which are projected to locate on their site, the applicant's total number of employees and total tax revenue was calculated with a minimum and maximum value (**Attachment C1-C2**). The minimum value represents the jobs and tax revenue that would occur if the contracts/leases do not transpire. The maximum value represents the jobs and tax revenue that would occur if the contracts/leases do transpire (readiness)

Based on the information that has been collected, it is evident that the Alden Place and Beechtree Commons projects will require a substantial amount of additional work (i.e. zoning, leases, financing, Dun & Bradstreet ratings) in order to be shovel-ready. The Hilton Garden Inn & Conference Center is closer to being shovel-ready than the Alden Place and Beechtree Commons projects but still has factors that raise questions regarding their readiness and ability to issue bonds at this time (i.e. athletic center, Dun & Bradstreet ratings, pro-forma). Continental Dairy is still securing financing for the project but has addressed all other application requirements.

## OPTIONS

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It is fully recognized that every development project is important in today's tumultuous economy. However, Ottawa County must still be discerning in determining how these bond allocations are distributed. The County has established an objective framework (Threshold and Evaluation Criteria) for allocating the Bonds. It is designed to ensure that projects meet federal requirements, are shovel-ready, are credit-worthy, and will provide the greatest benefit to residents of Ottawa County. However, the current state of the economy and the inability of developers to obtain letters of credit must be a consideration in determining the process that is used to allocate Recovery Zone Facility Bonds.

The following options could be utilized to determine the allocations of Recovery Zone Facility Bonds. A visual depiction of these options is provided in (**Attachment D**).

### Option 1 (Letter of Credit)

Maintain the current Threshold Criteria requirements that developers provide a letter of credit or firm commitment to purchase the bonds by a reputable financial institution. Provide bond allocations to the first project(s) that meets the Threshold Criteria requirements.

- Pros:*
- Consistent with the requirements of most counties
  - Reliable indicator that the project is financially viable
- Cons:*
- It is costly for applicants to prepare the documentation necessary to obtain a letter of credit
  - It is possible that no projects would be funded with RZFB by the December 31, 2010 deadline since it is extremely difficult to obtain a letter of credit or firm commitment to purchase the bonds.

### Option 2 (Allocation Resolution to Michigan Strategic Fund [MSF])

Utilize the Michigan Strategic Fund (MSF) to process Ottawa County's RZFB allocation. Ottawa County would allocate all or a portion of its RZFB allocation to the MSF for a specific Ottawa County project(s). The MSF would ensure due diligence has been achieved for each project and complete the process to issue the bonds with the approved applicant(s). The Threshold Criteria requiring a letter of credit would be rescinded. Ottawa County would approve an Allocation Resolution to the MSF for one or more projects that are able to meet minimum qualifications (i.e. letter from bond issuer that bonds are marketable/soft letter of intent, letter from bond counsel confirming the project(s) meets federal statutory requirements, payment for legal services). This option would provide a maximum time-frame for the bonds to be issued and to secure all sources of financing. Otherwise, the RZFB would revert back to the County.

- Pros:*
- It may prevent the County from having to return their bond allocations to the State
  - The MSF will be responsible for due diligence and determining project feasibility
  - Makes it easier for approved applicants to obtain a letter of credit
  - Allocation will revert back to County if project is not approved by the MSF
  - The MSF will provide expertise that Ottawa County does not possess to assess and approve projects in a timely and knowledgeable manner
- Cons:*
- If a project(s) is unable to issue allocated bonds, other projects that are possibly more worthwhile could emerge which could have utilized the bonds. This would be unfortunate if the approved project(s) does not materialize.

## **CONCLUSION**

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As previously mentioned, the Alden Place and Beechtree Development Projects will require substantially more work before they are shovel-ready and able to pursue bond funding.

The Hilton Garden Inn and Conference Center is a substantial project that has the potential to create many jobs. However, it has many substantial hurdles to overcome before it is ready to issue bonds (i.e. athletic center, Dun & Bradstreet rating, pro-forma). Additionally, this project would necessitate that an additional 130,057 square foot structure be constructed at a high-visibility intersection. If this project became defunct, the community would justifiably question a decision to allocate bond dollars and may insist that the unit of government which assisted the development create a plan to remove or utilize the vacated structure.

The Continental Dairy project is the closest to being shovel-ready although it still must secure other sources of financing. Approvals for infrastructure financing are secured. It attained the highest score for Evaluation Criteria (i.e. permanent jobs created, job category, hourly wages, total investment, percent of investment financed with RZFB, and company financial rating), will have a minimal impact on the surrounding community if it defaulted on the bonds since it will be occupying an existing, empty structure, is involved in a industry (i.e. food processing manufacturing) that is ranked highly by the County, and has a positive return-on-investment (ROI). The Continental Dairy Project would also utilize the entire allotment of bonds ensuring that no allotments are returned to the State. Furthermore, the Continental Dairy application was the most complete/prepared from the very start of this process and has not required sustained interaction to clarify conflicting information.

## **RECOMMENDATION**

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In light of the tumultuous economic times in which we live, it is the recommendation of the Planning and Performance Improvement Department that any projects considered for RZFB allocations adhere to a high-threshold standard regarding readiness and financial capabilities.

A decision regarding the allocation process should commence in order to let applicants know whether they are able to depend on these bonds to finance their developments. This will also ensure that the County's RZFB allocation is used for Ottawa County projects and not returned to the State, and will allow Ottawa County to request additional RZFB allocations from the State.

To ensure that a high-threshold standard is achieved, each project's evaluation score, return on investment, and overall consistency and readiness should weigh heavily in determining allocations. These factors, along with other individual project strengths and weaknesses, are outlined in the Project Overview and Conclusion Sections of this Report.

It is recommended based on the above mentioned factors, that the entire RZFB allotment be allocated to the Michigan Strategic Fund for the Continental Dairy project. This allocation would be contingent upon Continental Dairy submitting funds to the County for legal services, securing all sources of financing, meeting MSF requirements, and issuing the bond within 120 days. Otherwise, the allotment would revert to Ottawa County.

## **Attachments**



# County of Ottawa

Department of Planning and Performance Improvement

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## Memorandum

To: Mark Knudsen, Director

From: Shannon Virtue, Research & Evaluation Analyst

Date: Friday, January 29, 2010

Subject: **RZFB Requirements – Other Counties**

Several Michigan Counties were contacted by Ottawa County in order to determine the core requirements for allocating RZFB funding to interested applicants. Based on the contacts that were made, a Letter of Credit from a reputable financial institution is the key requirement of applicants. Specific information from each County that was contacted is provided below.

**Allegan County** (John Ax, Bond Counsel for Allegan County)

Allegan County does not have a formal application process for RZFB or any applicants, to date. However, according to Allegan County's bond counsel, a Letter of Credit is the first requirement of any interested party. **The Letter of Credit is required to ensure that the bonds will not be defaulted.**

**Kalamazoo County** (Lotta Jarnfelt, Director of Department of Planning & Community Development)

Kalamazoo County does not have a formal application process for RZFB. Currently, they intend to use RZFB funds to construct an arena. However, this will require a public vote for an Excise Tax that would cover the repayment of the bonds.

If the arena vote does not materialize and RZFB funds are opened to other private organizations, a Letter of Credit will be required. **Kalamazoo County, like many other Counties, does not want to take on the risk of the bonds defaulting. They do not want to be the "fall guy" if something goes wrong.**

**Kent County** (Rick Chapla, Vice President of Urban Development for The Right Place)

Kent County does not have any applicants for RZFB because none of the interested parties have obtained a Commitment for a Letter of Credit from a reputable financial institution. They will not start the RZFB application process until a company can produce a Letter of Credit. **Kent County is going to stick to their Letter of Credit requirement because it signifies that the project is financially viable.**

**Macomb County** (Bob Tess, Manager for Economic Development)

Macomb County does not have any applicants for RZFB because none of the interested parties can obtain a Commitment for a Letter of Credit from a reputable financial institution. This is due to the fact that no banks in southeast Michigan are lending at this time. **The Letter of Credit is required because the bonds do not have a federal government guaranty.**

Macomb County's RZFB application process consists of a meeting between the interested party, the County's Bond Counsel and the Manager for Economic Development (principle staff person for economic development corporation). During this meeting, the bond process is explained to the interested party. The next step is for the interested party to get a Commitment for a Letter of

Credit from a reputable financial institution. The first interested party to produce a Letter of Credit would receive the RZFB funding.

**Oakland County** (Mary Langhauser, Supervisor, Oakland County Economic Development Services) Oakland County requires applicants to provide a Commitment for a Letter of Credit from a reputable financial institution prior to allocating the RZF bonds. The first interested party to produce a Letter of Credit would receive the RZFB funding.

To date, six RZFB applications have been submitted to Oakland County. Of the six projects, five have been induced, meaning that a complete project legal description and application have been submitted and approved. However, bond dollars are not allocated to applicants until their project plan and Letter of Credit have been submitted.

RZF bond funding has been allocated to one applicant for \$2.5 million; this was done after a **Letter of Credit** was submitted. The bonds have not been issued for this project yet. In addition, Oakland County anticipates allocating \$23 million in RZF bonds to a second project later in the week. This applicant has also provided a **Letter of Credit**.

**Ingham County** (Susan Pigg, Ingham County Economic Development Educator) Ingham County has taken a different approach to RZFB allocations than the other counties. A Letter of Credit was not required before the RZFB funds were allocated to applicants because the County has no risk. The RZF Bonds are different than regular bond issues since all of the risk is borne by the lenders. Despite this, Ingham County found that other counties were processing RZF Bonds using established bond allocation practices.

For Ingham County, the two primary requirements of RZFB applicants included a good financial picture of how the project would be financed and recent Dun & Bradstreet reports for the applicant and any firms or LLCs associated with the applicant or the project. Other sources of project financing were verified by Ingham County; however, this was easy to accomplish because the other sources of funding were state grants and loans that were a matter of public record. Initially, applicants were hesitant to provide Dun & Bradstreet reports. But, when the County replied that they are hesitant to provide bond allocations without verifying the credit worthiness of applicants, the financial reports were submitted.

Ingham County's RZFB funds have been allocated to two projects. The first project, a public parking garage in downtown Lansing, was allocated approximately \$15 million. The City of Lansing also allocated their RZFB funds to this same project. The second project, a mixed use development that includes office and retail space, and parking facilities, was allocated approximately \$5 million. A third project was not awarded any funds because it was a second phase to one of the above mentioned projects. As a result, the project wasn't viewed as shovel-ready.

The deadline for the two approved projects to borrow the necessary funds to issue the bonds is July 1, 2010. If an applicant is unable to borrow the funds by that time, they will lose their RZFB allocation. Ingham County is continuing to accept applications in case this occurs.

Muskegon County was also contacted, but did not respond to the inquiry.

**Attachment B  
Ottawa County Recovery Zone Facility Bond (RZFB)  
Threshold and Project Evaluation Criteria**

		Development/Company Information				
		Milk Drying Plant (Continental Dairy Products) City of Coopersville	Hilton Garden Inn & Conference Center (Grand Landing) City of Grand Haven	Alden Place Project (Sundance Capital Group) Village of Spring Lake	Beechtree Commons - former Challenge building (Beechtree Leasing) City of Grand Haven	
		50 64th Ave South, Ste A Coopersville, MI 49404	530 Miller Dr, #206 Grand Haven, MI 49417	17528 N. Fruitport Spring Lake, MI 49456	300 Washington Ave, Ste 200 Grand Haven, MI 49417	
		Belle Walker, Senior Vice President	Craig S. Adams, President/Managing Partner	Marcie A. Edwards, Vice President Operations	Greg Oleszczuk, Managing Member	
<b>Threshold Criteria</b>	<b>Federal Project Threshold Criteria<sup>1</sup></b>	Affirmative response received from applicant; bond attorney would need to verify	Affirmative response received from applicant; bond attorney would need to verify	Affirmative response received from applicant; bond attorney would need to verify	Affirmative response received from applicant; bond attorney would need to verify	
	<b>Letter of Credit</b>	No	No	No	No	
	<b>New Property Tax Generation</b>	<b>Applicant Estimate</b>	Not provided	\$440,000-\$750,000	\$115,000	\$210,000
		<b>Equalization Estimate (Non-Captured Tax)</b>	\$844,049 <sup>2</sup>	\$56,295-\$74,685 <sup>3</sup>	\$37,217-\$64,998	\$194,133
		<b>Equalization Estimate (Non-Captured County Tax)</b>	\$49,325 <sup>2</sup>	\$0 <sup>3</sup>	\$3,056-\$5,234	\$16,554
	<b>Current with all Real and Personal Property Taxes in Ottawa County</b>	Yes (verified by Ottawa County and City of Coopersville Treasurers)	Yes (verified by Ottawa County and City of Grand Haven Treasurers)	Yes (verified by Ottawa County and Spring Lake Township Treasurers)	Yes (verified by Ottawa County and City of Grand Haven Treasurers)	
	<b>Project Ready for Construction within 30-45 days of Application Submittal (Based on Original Application and Follow-up Questions)</b>	No. Construction is estimated to begin April 1, 2010 (due to weather)	No. Construction is estimated to begin in Spring/Summer 2010 (applicant states that a cap of the site can occur immediately)	No. Construction is estimated to begin 30 days after zoning approval. Spring Lake Village officials estimate that zoning decision will take at least 90 days	No. Construction is estimated to begin in April, 2010	
	<b>Ability to Place an Amount into an Escrow Account for any Bond and/or Legal Counsel<sup>4</sup></b>	Yes	Yes	Yes	Yes	
	<b>Bond Issuance by December 31, 2010 (Based on Original Application and Follow-up Questions)</b>	Bond Issuance April 1, 2010	Bond Issuance March, 2010	Applicant states that Bond Issuance would occur 90 days from RZFB funding approval. However, it is unclear when the second phase of project construction will begin	Bond Issuance April 30, 2010	
	<b>Project Evaluation Criteria</b>	<b>Number of Permanent, Full-time Jobs Created</b>	70 jobs (Score: 3)	75-155 jobs <sup>5</sup> (Score: 3-5)	14-21 jobs <sup>6</sup> (Score: 1)	4-27 jobs <sup>7</sup> (Score: 1-2)
<b>Average Starting Hourly Wage of Proposed Jobs</b>		70 jobs @ >\$17.00 (Score: 5)	10-21 jobs @ >\$17.00, 7-14 jobs @ \$14.01-\$17.00, 58-120 jobs @ \$9.01-\$11.00 (Score: 2.59)	12-17 jobs @ >\$17.00, 2-4 jobs @ \$14.01-\$17.00 (Score: 4.81-4.86)	0-7 jobs @ >\$17.00, 1-6 jobs @ \$14.01-\$17.00, 0-4 jobs @ \$11.01-\$14.00, 1-6 jobs @ \$9.01-\$11.00, 2-4 jobs @ <\$9.00 (Score: 2.00-3.22)	
<b>Type of Product/Service</b>		Milk Processing (Score: 4)	Hotel/Convention Center (Score: 1)	Medical Campus for Addiction Treatment (Score: 1)	Mixed Use Commercial Office/Light Industrial (Score: 1.5)	
<b>Proposed Investment Amount</b>		\$90,579,000 (Score: 5)	\$27,000,000-\$35,820,000 (Score: 4)	\$1,403,000-\$2,403,000 (Score: 1-2)	\$9,000,000 (Score: 2)	
<b>Percent of Investment Financed with RZFB</b>		34% (\$31,100,000) <sup>8</sup> (Score: 4)	61%-81% (\$22,000,000) <sup>9</sup> (Score: 2-3)	60%-73% (\$843,000-\$1,743,000) <sup>9</sup> (Score: 3)	84% (\$7,600,000) <sup>10</sup> (Score: 2)	
<b>Company Financial Rating<sup>11</sup></b>		3A (Score: 4)	Not Available (Score: 0)	Not Available (Score: 0)	Not Available (Score: 0)	
<b>Total Score</b>	<b>25.00</b>	<b>12.59-15.59</b>	<b>10.81-11.86</b>	<b>8.50-10.72</b>		

<sup>1</sup> Eligible projects include any trade or business, with the exception of, residential rental, golf courses, country clubs, massage parlors, hot tub and suntan facilities, racetracks, facilities primarily used for gambling businesses or any store, the principal business of which is the sale of alcoholic beverages for off-premise consumption.

<sup>2</sup> This project is located in a DDA District through 2015; the taxes that are captured by the DDA through 2015 have been excluded.

<sup>3</sup> This project is located in a BRA District for the next ten years; the taxes that are captured by the BRA have been excluded.

<sup>4</sup> Amount to be determined by the Ottawa County Board of Commissioners

<sup>5</sup> Of the 155 jobs, 80 will be created when two restaurants are built. However, the applicant does not have contracts with the restaurants to show that they will be built and jobs created. In addition, 31-51 part-time jobs and 260 construction jobs are expected to be created by the project

<sup>6</sup> Of the 21 jobs, 7 will be created from the second phase of the project. However, it is unclear when the second phase of project construction will begin. In addition, 6-11 part-time jobs are expected to be created by the project

<sup>7</sup> The applicant does not have letters of intent and/or contracts from all proposed businesses to show the building space will be leased and jobs created. In addition, 5-23 part-time jobs are expected to be created by the project

<sup>8</sup> The applicant does not have all of the other sources of project financing in place

<sup>9</sup> The applicant has not provided verification for all of the other sources of project financing

<sup>10</sup> The applicant does not have the other sources of project financing in place; it is anticipated that bank financing will be available

<sup>11</sup> Based on Dun & Bradstreet Rating Classification; rating is not available for businesses where important information is missing or out of date, or for new or inactive businesses

**Attachment C-1**  
**Ottawa County Recovery Zone Facility Bond (RZFB)**  
**Return-on-Investment (Maximum Property Tax Revenue and Wages)**

	Continental Dairy Products	Hilton Garden Inn & Conference Center <sup>1</sup>	Alden Place Project <sup>2</sup>	Beechtree Commons <sup>3</sup> (former Challenge building)
<b>Bond Allocation Investment</b>				
<b>Bond Request Amount (RZFB)</b>	<b>\$31,100,000</b>	<b>\$22,000,000</b>	<b>\$1,743,000</b>	<b>\$7,600,000</b>
<b>Property Tax Revenue<sup>4</sup></b>				
<b>Tax Revenue (Annual)</b>	<b>\$844,049</b>	<b>\$74,685</b>	<b>\$64,998</b>	<b>\$194,133</b>
<b>Tax Revenue (10 Years)</b>	<b>\$8,440,490</b>	<b>\$746,850</b>	<b>\$649,980</b>	<b>\$1,941,330</b>
<b>Wages</b>				
<i>Jobs Paying Over \$17.00/hour</i>				
Average Hourly Wage	\$17	\$17	\$17	\$17
Number of Jobs Created	70	21	17	7
Total Annual Wages (2,080 hours)	\$2,475,200	\$742,560	\$601,120	\$247,520
<i>Jobs Paying \$14.01-\$17.00/hour</i>				
Average Hourly Wage	\$15.50	\$15.50	\$15.50	\$15.50
Number of Jobs Created	0	14	4	6
Total Annual Wages (2,080 hours)	\$0	\$451,360	\$128,960	\$193,440
<i>Jobs Paying \$11.01-\$14.00/hour</i>				
Average Hourly Wage	\$12.50	\$12.50	\$12.50	\$12.50
Number of Jobs Created	0	0	0	4
Total Annual Wages (2,080 hours)	\$0	\$0	\$0	\$104,000
<i>Jobs Paying \$9.01-\$11.00/hour</i>				
Average Hourly Wage	\$10.00	\$10.00	\$10.00	\$10.00
Number of Jobs Created	0	120	0	6
Total Annual Wages (2,080 hours)	\$0	\$2,496,000	\$0	\$124,800
<i>Jobs Paying \$9.00/hour or Less</i>				
Average Hourly Wage	\$9.00	\$9.00	\$9.00	\$9.00
Number of Jobs Created	0	0	0	4
Total Annual Wages (2,080 hours)	\$0	\$0	\$0	\$74,880
Total Wages (Annual)	\$2,475,200	\$3,689,920	\$730,080	\$744,640
<b>Total Wages (10 Years)</b>	<b>\$24,752,000</b>	<b>\$36,899,200</b>	<b>\$7,300,800</b>	<b>\$7,446,400</b>
<b>Total Benefits (10 Years)</b>	<b>\$33,192,490</b>	<b>\$37,646,050</b>	<b>\$7,950,780</b>	<b>\$9,387,730</b>
<b>Total Benefits Gained (10 Years)</b>	<b>\$2,092,490</b>	<b>\$15,646,050</b>	<b>\$6,207,780</b>	<b>\$1,787,730</b>
<b>Benefit (10 Years) to Investment Ratio</b>	<b>1.07</b>	<b>1.71</b>	<b>4.56</b>	<b>1.24</b>

<sup>1</sup> In addition to the 155 full-time jobs that are projected to be created by the project, 51 part-time jobs are also expected to be created

<sup>2</sup> In addition to the 21 full-time jobs that are projected to be created by the project, 11 part-time jobs are also expected to be created

<sup>3</sup> In addition to the 27 full-time jobs that are projected to be created by the project, 23 part-time jobs are also expected to be created

<sup>4</sup> Excludes tax revenue captured by the DDA and BRA. Continental Dairy Products is located in a DDA District through 2015 and the Hilton Garden Inn & Conference Center is located in a BRA District for the next ten years.

**Attachment C-2**  
**Ottawa County Recovery Zone Facility Bond (RZFB)**  
**Return-on-Investment (Minimum Property Tax Revenue and Wages)**

	Continental Dairy Products	Hilton Garden Inn & Conference Center <sup>1</sup>	Alden Place Project <sup>2</sup>	Beechtree Commons <sup>3</sup> (former Challenge building)
<b>Bond Allocation Investment</b>				
<b>Bond Request Amount (RZFB)</b>	<b>\$31,100,000</b>	<b>\$22,000,000</b>	<b>\$843,000</b>	<b>\$7,600,000</b>
<b>Property Tax Revenue<sup>4</sup></b>				
<b>Tax Revenue (Annual)</b>	<b>\$844,049</b>	<b>\$56,295</b>	<b>\$37,217</b>	<b>\$194,133</b>
<b>Tax Revenue (10 Years)</b>	<b>\$8,440,490</b>	<b>\$562,950</b>	<b>\$372,170</b>	<b>\$1,941,330</b>
<b>Wages</b>				
<i>Jobs Paying Over \$17.00/hour</i>				
Average Hourly Wage	\$17	\$17	\$17	\$17
Number of Jobs Created	70	10	12	0
Total Annual Wages (2,080 hours)	\$2,475,200	\$353,600	\$424,320	\$0
<i>Jobs Paying \$14.01-\$17.00/hour</i>				
Average Hourly Wage	\$15.50	\$15.50	\$15.50	\$15.50
Number of Jobs Created	0	7	2	1
Total Annual Wages (2,080 hours)	\$0	\$225,680	\$64,480	\$32,240
<i>Jobs Paying \$11.01-\$14.00/hour</i>				
Average Hourly Wage	\$12.50	\$12.50	\$12.50	\$12.50
Number of Jobs Created	0	0	0	0
Total Annual Wages (2,080 hours)	\$0	\$0	\$0	\$0
<i>Jobs Paying \$9.01-\$11.00/hour</i>				
Average Hourly Wage	\$10.00	\$10.00	\$10.00	\$10.00
Number of Jobs Created	0	58	0	1
Total Annual Wages (2,080 hours)	\$0	\$1,206,400	\$0	\$20,800
<i>Jobs Paying \$9.00/hour or Less</i>				
Average Hourly Wage	\$9.00	\$9.00	\$9.00	\$9.00
Number of Jobs Created	0	0	0	2
Total Annual Wages (2,080 hours)	\$0	\$0	\$0	\$37,440
<b>Total Wages (Annual)</b>	<b>\$2,475,200</b>	<b>\$1,785,680</b>	<b>\$488,800</b>	<b>\$90,480</b>
<b>Total Wages (10 Years)</b>	<b>\$24,752,000</b>	<b>\$17,856,800</b>	<b>\$4,888,000</b>	<b>\$904,800</b>
<b>Total Benefits (10 Years)</b>	<b>\$33,192,490</b>	<b>\$18,419,750</b>	<b>\$5,260,170</b>	<b>\$2,846,130</b>
<b>Total Benefits Gained (10 Years)</b>	<b>\$2,092,490</b>	<b>(\$3,580,250)</b>	<b>\$4,417,170</b>	<b>(\$4,753,870)</b>
<b>Benefit (10 Years) to Investment Ratio</b>	<b>1.07</b>	<b>0.84</b>	<b>6.24</b>	<b>0.37</b>

<sup>1</sup> In addition to the 75 full-time jobs that are projected to be created by the hotel and conference center, 31 part-time jobs are also expected to be created

<sup>2</sup> In addition to the 14 full-time jobs that are projected to be created by the project, 6 part-time jobs are also expected to be created

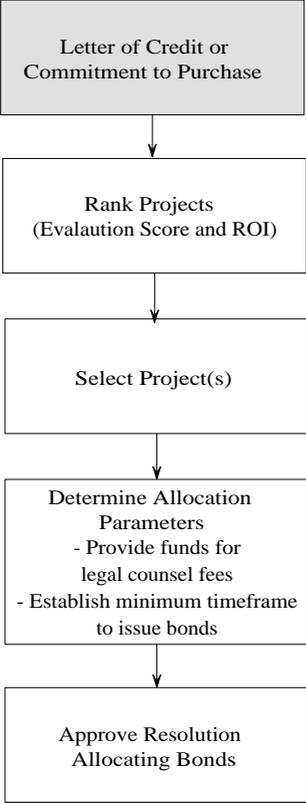
<sup>3</sup> In addition to the 4 full-time jobs that are projected to be created by the project, 5 part-time jobs are also expected to be created

<sup>4</sup> Excludes tax revenue captured by the DDA and BRA. Continental Dairy Products is located in a DDA District through 2015 and the Hilton Garden Inn & Conference Center is located in a BRA District for the next ten years.

Attachment D  
 Recovery Zone Facility Bonds (RZFB)  
 Allocation Options

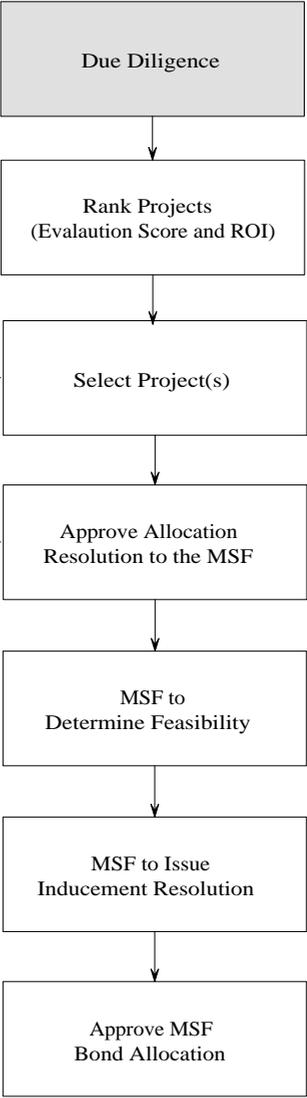
**RZFB Allocation  
 (\$31.1 Million)**

**ALLOCATION BASED ON  
 THRESHOLD CRITERIA**



- PROS:**
- Consistent with the requirements of most counties
  - Reliable indicator that the project is financially viable
- CONS:**
- It is costly for applicants to prepare the documentation necessary to obtain a letter of credit
  - It is possible that no projects would be funded with RZFB by the December 31, 2010 deadline since it is extremely difficult to obtain a letter of credit or firm commitment to purchase the bonds

**ALLOCATION RESOLUTION  
 TO MICHIGAN STRATEGIC FUND (MSF)**



- PROS:**
- It may prevent the County from having to return their bond allocations to the State
  - The MSF will be responsible for due diligence and determining project feasibility
  - Makes it easier for approved applicants to obtain a letter of credit
  - Allocation will revert back to County if project is not approved by the MSF
  - The MSF will provide expertise that Ottawa County does not possess to assess and approve projects in a timely and knowledgeable manner
- CONS:**
- If a project(s) is unable to issue allocated bonds, other projects that are possibly more worthwhile could emerge which would not be able to utilize the bonds. This would be unfortunate if the approved project(s) does not materialize.

- Obtain letter from bond issuer/soft letter of credit stating that bonds are marketable  
 - Obtain assurance letter from Bond Counsel that project qualifies under federal statute

- Establish minimum timeframe to issue bonds and to secure other sources of financing  
 - Provide funds for legal counsel fees



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