



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
OFFICE OF THE GOVERNOR
LANSING

JOHN D. CHERRY, JR.
LT. GOVERNOR

Helping Businesses Thrive in Michigan

Diversifying Michigan's economy and creating jobs by "going anywhere and doing anything" to bring investment to the state has been a hallmark of Governor Jennifer M. Granholm's plan to build the New Michigan. Over seven years, Governor Granholm has fought to establish new growth sectors in Michigan's economy in the areas of advanced manufacturing, life sciences, clean energy, and homeland security and defense. From the 21st Century Jobs Fund to the Centers of Energy Excellence, the foundation has been laid for these growth sectors, and across Michigan they are beginning to bear fruit.

The governor is committed to building on that foundation by helping small and medium-sized businesses that are the sources of innovation and job creation in Michigan. In the year ahead, the Granholm administration will facilitate the growth of business in Michigan through the following initiatives.

Fostering Entrepreneurship

The entrepreneurial spirit centered in Michigan 100 years ago set in motion the transformation of the world's economy. Michigan has always been a great place for innovation and entrepreneurship, a history rooted in the successes of innovators like Herbert Dow, Henry Ford, W.K. Kellogg, and Dr. William Upjohn. Michigan has built a robust entrepreneurial support ecosystem that is among the best in the nation. It includes 15 SmartZones, 12 Michigan Small Business and Technology Development Centers (MI-SBTDC) and a host of other world-class entrepreneurial support services. In the year ahead, the state will engage even more Michigan citizens to develop the entrepreneurial talent that will help continue the diversification of Michigan's economy.

Michigan will expand its offering of the Ewing Marion Kauffman Foundation's FasTrac® programming to all 12 MI-SBTDCs that provide counseling, training, research and advocacy for new ventures, existing small businesses, and innovative technology companies. This practical hands-on business development program will help 1,000 prospective entrepreneurs hone the skills they need to create, manage and grow a successful, job-creating business.

Michigan Small Business Financing Alliance

Entrepreneurship can play an important role in diversifying Michigan's economy. However, to take a great idea and a sound business plan and achieve success, there must be access to investment capital. The Granholm administration and the Michigan Credit Union League are creating the Michigan Small Business Financing Alliance to ensure that Michigan's entrepreneurs of today can pursue ideas that will lead to job-creating businesses in Michigan's 21st century economy.

The Michigan Credit Union League and its subsidiary CUcorp are coordinating the alignment of Michigan's 335 credit unions with Michigan's 12 MI-SBTDCs to provide access to small business capital. As a starting point, more than 30 credit unions have pledged at least \$43 million for eligible small business loans. By pairing credit union capital with small businesses that have received the training and development support from the Michigan Economic Development Corporation and MI-SBTDC, as many as 2,150 startup businesses in Michigan will receive capital needed to ensure their growth and success.

Angel and Venture Capital Tax Credits

Access to capital is also an acute problem for emerging technology companies that require equity capital that cannot be acquired from traditional lending institutions.

This is a major stumbling block in Michigan's effort to diversify its economy and create jobs. To continue fostering investment in companies that are critical to Michigan's economic growth, the Granholm administration will launch an Angel and Venture Capital Tax Credit to provide investors with an income tax credit for 25 percent of a qualified investment, starting in the year of the investment. The program will be among the strongest such incentives offered by any state in the nation and will spur investment and growth in small business during the state's economic transformation.

Access to Credit for Small and Medium-Sized Businesses

The inability to secure bank financing is the single largest impediment preventing our best small and medium-sized manufacturers from growing and hiring. The scarcity of credit is especially a problem for the manufacturing sector which often requires the financing of inventories and receivables over long periods of time. Compounding this problem is the depressed value of assets such as property and equipment that are used by manufacturers as collateral for loans.

In 2009, the Granholm administration established the Michigan Supplier Diversification Fund, a multi-faceted initiative that uses state resources to leverage private loans for manufacturers seeking to diversify into new sectors, including clean energy. The fund has provided more than \$13 million in collateral support for loans, leveraging more than \$40 million in bank loans.

As part of that initiative, the Collateral Support Program fosters cooperation between public and private entities to get essential capital flowing. The program uses public dollars to leverage bank loans at a 3-to-1 ratio to help manufacturers diversify their operations, hire new employees, and purchase new equipment. To be eligible for the program, a company must fall under the definition of a firm eligible to receive a Michigan Economic Growth Authority tax credit. A business must also be engaged with a private lender for the purpose of acquiring a commercial loan for a diversification project, and exhibit a cash-flow or collateral shortfall according to the lender's analysis.

The Granholm administration and the Michigan congressional delegation are advocating a National Manufacturing Loan Fund based on the successful Michigan Supplier Diversification model. A federal fund would mitigate risk and increase lending, thus strengthening America's manufacturing base and creating or retaining jobs.

Project Phoenix: Revitalizing Communities by Reusing Idled Plants

Plant closings, downsizings and bankruptcies have left Michigan with an inventory of available manufacturing facilities. While some of these idled plants have been maintained, others are in a state of disrepair. These idled facilities offer a unique opportunity to compete in the global market. Speed-to-market is extremely important to companies, and having large facilities available is a tremendous selling point for Michigan.

Project Phoenix will inventory and promote for reuse:

- former manufacturing buildings of 500,000 square feet or more;
- land sites of 80 acres or more where former manufacturing facilities already have been demolished.

The Michigan Economic Development Corporation will assemble a team to work on Project Phoenix with assistance from state departments. The MEDC team will compile a comprehensive inventory of available buildings and land, work with communities to determine best site use, and market the sites, including developing a dedicated Web page.

A critical component to marketing Project Phoenix sites is the availability of environmental studies and assessments. Funding will be available to assist with environmental studies, with communities able to apply for reimbursement of 50 percent of study costs up to \$100,000.