

Jim Jesse, Chairman  
Aaron Bowron, Vice President  
Linda Wayne, Treasurer  
Virginia Lee, Secretary

Mike Ascione, Director  
Al Dimon, Director  
Lon Husbands, Director  
Alan McCullen, Director  
Frank Pflum, Director

## The Economic Development Corporation of the County of Kalkaska BOARD OF DIRECTORS AGENDA EXPLANATION

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**DATE:** January 28, 2010  
**TO:** Board of Directors  
**FROM:** Jim Jesse, Chairman  
**SUBJECT:** Explanation of Agenda Items for February 2, 2010 Board Meeting

### **CALL TO ORDER and ROLL CALL**

### **ELECTION OF OFFICERS FOR 2010**

### **APPROVAL OF AGENDA**

### **PUBLIC INPUT**

### **APPROVAL OF MINUTES**

Approval of Minutes dated December 1, 2009 (*see attached pages 3 - 5*) and special meeting held on January 5, 2010. *Materials submitted for inclusion with the minutes are on file with the recording secretary and County Clerk. Attachments will be provided upon request.*

### **TREASURER'S REPORT & APPROVAL OF BILLS**

The Treasurer's Report will be provided at the meeting by Treasurer Linda Wayne.

### **TRAVERSE BAY EDC REPORT**

Tino Breithaupt, Sr. Vice President of the Traverse Bay Area Economic Development Corporation will provide updates to the board on economic development activity.

### **RECOVERY ZONE BONDS**

Tino will provide an update on the opportunity and ability for Kaskaska County to utilize the state's recovery zone bond program for financing public infrastructure and private sector development (see pages 6 -10).

*Recommendation:* The Kaskaska County Economic Development Corporation agrees to provide a letter of support to declare the entire county jurisdiction as a recovery zone.

### **COMMITTEE REPORTS**

Brownfield Taskforce – Aaron Bowron  
Consortium Committee – Al Dimon  
Executive Committee – Jim Jesse  
Fundraising Committee – Alan McCullen  
Loan Committee – Linda Wayne  
Personnel Committee – Al Dimon  
Public Relations Committee – Aaron Bowron

### **OLD BUSINESS**

Lou Nemeth and Kevin Jackson will provide a stats update on the Broadband initiative.

### **NEW BUSINESS**

Discussion of meetings once per month.

### **ADJOURN**

**MINUTES OF THE ECONOMIC DEVELOPMENT CORPORATION  
OF THE COUNTY OF KALKASKA – BOARD OF DIRECTORS  
TUESDAY, DECEMBER 1, 2009 – 9:00 A.M.  
KALKASKA COUNTY GOVERNMENT CENTER  
BOARD OF COMMISSIONERS CHAMBERS**

**ATTENDANCE**

Directors Present

Aaron Bowron  
Al Dimon  
Jim Jesse  
Virginia Lee  
Linda Wayne  
Al McCullen

Directors Absent

Mike Ascione  
Lon Husbands  
Lou Nemeth  
Frank Pflum

TBEDC Staff Present

Tino Breithaupt  
Andi Wagenschutz

Public Present

Lori Meeder  
Jim Austin  
Joe Bottenhorn

**CALL TO ORDER and ROLL CALL**

The meeting was called to order at 9:06 a.m. by Chairman Jim Jesse. Roll was called. All directors are present minus Mike Ascione, Lon Husbands, Frank Pflum and Lou Nemeth. Al McCullen was called in place of Lou Nemeth.

**APPROVAL OF AGENDA**

Aaron Bowron asked to give an update on the Traverse Bay Economic Development Corporation (TBEDC) task force and TBEDC November 09 meeting after the TBEDC Monthly Report. Linda Wayne moved to approve the agenda with changes, supported by Aaron Bowron. All yeas, motion carried.

**APPROVAL OF MINUTES**

Aaron Bowron noted:

- Under New Business it should state “Aaron Bowron attended a recent meeting of the TBEDC Funding Task Force Committee with EDC liaisons from Benzie, Leelanau, and Grand Traverse along with Tino Breithaupt and Doug DeYoung.”
  - Under Cherry Capital Connection it should state American Recovery & Reinvestment Act.
  - Under Public Relations Committee change Linda to the editor of The Traverse City Business News.
- Al Dimon moved to approve the minutes with changes, supported by Aaron Bowron. All yeas, except Virginia Lee wished to abstain because she was not at the last meeting, motion carried.

**TREASURER’S REPORT AND APPROVAL OF BILLS**

Jim Jesse gave a bill from the TBEDC to Linda Wayne.

Linda Wayne provided the following financial report for October 1-December 1, 2009:

General Account: \$3,740.23 (expenses \$327.08) Balance \$3,413.15

FDA Savings Account: \$26,311.00 (\$4.47 interest for October, no interest for November due to it being the 1<sup>st</sup> of December) Balance \$26,315.47

Loan Account: \$24,903.23 (\$5.34 interest, plus deposit for \$622.12 (2 loan payments from the Mill for \$311.06 each)) Balance \$25,530.69

CD’s: \$56,045.65 matures 6/19/10 (earning 2.84% interest \$693.09 YTD); \$28,240.88 matures 9/22/2010 (Earning 4.50% \$1,458.19 YTD)

Bills presented: Postage: \$2.64 for July, August and September; Invoice from TBEDC: \$1,000.00

Check to be deposited from the Kalkaska Township in the amount of \$5,000 to go toward Broadband Initiative. Jim Jesse explained that these funds from Kalkaska Township are to be held in a Broadband escrow account until further instructions are given by the Kalkaska County Board of Commissioners. Linda Wayne asked if this \$5,000 would need to be in a separate account, Jim Jesse said that it should go into the general account and mark it as Broadband Initiative.

Linda Wayne made a motion to accept the Treasurer's report and pay per-diem and bills as presented, supported by Virginia Lee. Roll call vote: Linda Wayne-yes, Virginia Lee-yes, Aaron Bowron-yes, Al McCullen-yes, Al Dimon-yes and Jim Jesse-yes. Motion carried.

## **TRAVERSE BAY EDC REPORT**

Tino Breithaupt of the TBEDC gave an update on Kalkaska retention visits. Breithaupt also mentioned that the TBEDC is working on a Top Employer List by county. Aaron Bowron asked if this information will be available online, Tino assured that it would be available on the TBEDC website as well as on each county's website.

Breithaupt provided an update from the recent Economic Forecast Breakfast with related materials available in the Economic Development section of the Chamber's website. He will also get a copy to the Kalkaska Economic Development Corporation to keep on file. Tino discussed the last TBEDC quarterly meeting. He shared that the TBEDC is exploring the possibility of entering into a partnership with the MSU Extension. Virginia Lee asked if anyone keeps track of new businesses coming into each county. Aaron Bowron mentioned that the *Traverse City Business News* post all new DBAs in each county. Discussion ensued.

Aaron Bowron gave an update from the TBEDC Task Force. He mentioned that the focus of this task force is to come up with alternate funding mechanisms for the TBEDC. He also mentioned that the TBEDC role might change from less administrative to more professional economic development services. One possibility would be teleconferencing and the counties would take over more of the administrative duties. The task force is looking at four different funding scenarios for basing each counties contribution to the TBEDC. He then stated that he would keep the Kalkaska Economic Development Corporation up to date on any changes and decisions. Discussion followed.

Aaron Bowron met with the TBEDC for the regular quarterly meeting on November 19' 2009. The budget was approved for 2010. Bowron noted that the budget is projecting \$296,000 in income, which is down \$121,400. Jim Jesse asked if he could get a copy of the budget. Breithaupt will send a copy.

Chairman Jim Jesse requested to change the order of the agenda to allow a five minute break before Public Input. This request was favorable by all. Meeting reconvened at 10:18am.

## **Kalkaska Annual Meeting Update**

Jim Austin CEO/President of Kalkaska Memorial Health Center (KMHC) gave an update on the Kalkaska EDC Annual Meeting. Austin spoke with Don Kessel, Chairman of Kalkaska Chamber of Commerce and Dean Farrier the Chairman of the Downtown Development Authority and they have expressed interest in working together with Austin to host an annual luncheon. Austin offered the Stone House at Kalkaska Memorial Hospital as an option for the luncheon. The latter part of March appears to be the best time for this event. Jim Jesse mentioned that Lou Nemeth has a list of investors and will get that list to Jim Austin to ensure that they are invited to the luncheon. Jesse, Bowron and Wayne offered to help with the luncheon where ever needed. Austin has talked with Doug Luciani, President/CEO of Traverse City Area Chamber of Commerce for help with planning the program for the luncheon and gearing it toward small businesses in Kalkaska. Jim would like to see elected officials invited to the annual luncheon. Jim Jesse asked that Jim Austin be added to the next meeting agenda to give an update on the luncheon.

Chairman, Jim Jesse had a late addition to the agenda. He was given a letter from the Kalkaska County Clerk regarding the Recovery Zone Act. Aaron Bowron volunteered to look into this Act. Tino stated that he has information on this Recovery Zone Act and he would forward that information to Aaron Bowron.

## **COMMITTEE REPORTS**

**Brownfield Task Force Report** – Aaron Bowron asked that the open committee position be filled. Jim Jesse said that if the Kalkaska Economic Development Corporation Board would agree, he would fill that

position until the next election of officers. He also mentioned that if there is any activity that takes place, Al McCullen would fill that position.

**Consortium Committee** - Al Dimon reported that they met this morning. Rob Barnard stated that the Kalkaska WiFi would hopefully be operating by the end of April 2010. Business After Hours is Wednesday December 2 from 5-7pm at Klumpp Flower Shop. Winterfest is January 16-17, 2010. Iceman Cometh was a huge success this year.

**Executive Committee** – Nothing to report.

**Fundraising Committee** – Nothing to report. The new Chairman of the Fundraising Committee is Al McCullen.

**Loan Committee** – Linda Wayne distributed “Kalkaska County EDC Revolving Loan Fund Eligibility and Criteria”. Everyone was given time to read over the form. Al McCullen shared his concern with the criteria. Discussion ensued. Aaron Bowron moved to approve the “Kalkaska County EDC Revolving Loan Fund Eligibility and Criteria”. Motion supported by Linda Wayne. Roll Call vote: Aaron Bowron-yes, Linda Wayne-yes, Al Dimon-yes, Al McCullen-no, Virginia Lee-yes, Jim Jesse-yes. Motion carried. Tino Breithaupt asked if this criteria should be put onto the website. All agreed that this was one of the goals of this committee.

**Personnel Committee** – Al Dimon introduced Al McCullen as the new Board member replacing Lou Nemeth.

**Public Relations Committee** – Aaron Bowron stated that he is still cultivating a great working relationship with the editor of the *Traverse City Business News*. This will not only benefit the Kalkaska County EDC, but Kalkaska County as a whole. Aaron mentioned that the KCEDC was featured in the November 25<sup>th</sup>, Traverse City Area Chamber of Commerce E-News.

## **OLD BUSINESS**

**Traverse Bay EDC Regional Broadband Initiative** –Tino gave an update on the Traverse Bay EDC Regional Broadband Initiative. Tino stated that there are three phases of this initiative. The first phase funds needed are \$16,500. Aaron Bowron handed out a letter and a copy of the Resolution Number 2009-24 that was passed by the Kalkaska Board of Commissioners (BOC), which pertains to the Regional Broadband Initiative.

## **NEW BUSINESS**

Lori Meeder of Northern Initiatives, a non-profit community development financial institution gave an organization overview. Northern Initiatives works primarily with small businesses. Lori stated that they have several different funding sources but their mission remains the same, “Helping entrepreneurs, grow, start and expand business.” She also stated that Northern Initiatives really has three arms - one works with the business before money is loaned; funding; and afterwards to ensure the success of the business. Discussion ensued.

Virginia Lee stated that she would be resigning the first of February. Chairman Jesse asked that this be submitted in writing.

## **ADJOURNMENT**

Virginia Lee made a motion to adjourn the meeting, supported by Al Dimon. All yeas, motion carried. Meeting adjourned at 11:35 a.m.

Respectfully submitted,  
Andi Wagenschutz

## AMERICAN RECOVERY & REINVESTMENT ACT OF 2009 (RECOVERY ACT) RECOVERY ZONE BONDS

The *Recovery Act* creates two new categories of bonds to provide reduced rate financing and stimulate economic growth in Recovery Zones:

- Recovery Economic Development Bonds (for governmental borrowers)
- Recovery Zone Facility Bonds (for private borrowers)

### BOND ALLOCATION TO COUNTIES AND LARGE MUNICIPALITIES

Recovery Zone Bond authority was allocated to local governmental units by the federal government based on the decrease in an area's employment compared to the national decrease in employment. Michigan counties and seven major cities have been allocated \$2 billion of the nation's \$25 billion in Recovery Zone Bonds. For the list of allocations by location, see [www.treas.gov/press/releases/docs/rzballocation-local\\_AR\\_ZS.pdf](http://www.treas.gov/press/releases/docs/rzballocation-local_AR_ZS.pdf).

The county board of commissioners or city council of an eligible municipality will exercise their discretion when deciding on the designation of Recovery Zones and the awarding of volume cap allocation to specific projects, and will be responsible for the public actions necessary to formalize their decisions.

Counties and eligible municipalities may use volume cap themselves or allocate their volume cap to ultimate beneficiaries for use for qualified economic development purposes or Recovery Zone property. Some bonds may be issued by other bodies, such as county economic development corporations. Before bonds can be issued by other bodies, the appropriate County or City commission must allocate volume cap to the authorized issuer through a board resolution.

In some cases, counties or large municipalities may want to delegate their volume cap for use outside of their jurisdiction. This may occur if they will not be using all

or a portion of their volume cap, their allocation is too small to be economically useful, or they would like to participate in a regional project. These bonds may only be issued until December 31, 2010, so some areas may not find a use for the allocation before the allocation expires. Local jurisdictions with an allocation may assign any portion of their Recovery Zone Bonds allocation to the state, but not to another jurisdiction. Upon such assignment, the State is authorized to reallocate the volume cap to other projects in the state.

### RECOVERY ZONE DESIGNATION

A "Recovery Zone" is any area that has been designated by a county or municipality as having "significant poverty, unemployment, rate of home foreclosures or general distress" or satisfies the other criteria for designation of a Recovery Zone. Recovery Zones are flexible, permitting counties and eligible municipalities that receive a volume cap allocation for Recovery Zone Bonds to make designations of Recovery Zones in any reasonable manner.

There is no fixed benchmark that must be satisfied to meet this requirement and no limitation on the number of Recovery Zones that can be created within a county or eligible municipality, except as limited by the amount of volume cap allocation available to the county or eligible municipality.

In order to be eligible for either type of Recovery Zone Bond, the project area must first be officially designated as a Recovery Zone. This requirement has led some counties to declare their entire jurisdiction a Recovery Zone. Designation of a Recovery Zone does not commit bond allocation to a project, so officials retain the right to review and approve the allocation of bond volume cap for specific projects.



## TYPES OF RECOVERY ZONE BONDS

### **Recovery Zone Economic Development Bonds (Government Borrowers)**

Recovery Zone Economic Development Bonds (RZEDBs) allow governmental units to borrow at a lower cost than traditional tax-exempt financing. RZEDBs are a class of taxable bonds called tax credit bonds. The issuer can elect that the bondholder receive a federal tax credit of 45% of the total coupon interest payable on the bonds, or the federal government can make a direct payment to the issuer to reimburse them for 45% of the interest paid. This federal subsidy makes the true cost of the interest paid lower than that paid on tax-exempt bonds. Issuers should consult with their financial advisors and bond counsel to determine which alternative best meets their financing goals.

In designated Recovery Zones, RZEDBs may be issued for purposes of promoting development or other economic activity, including capital expenditures, public infrastructure and construction of public facilities including convention centers, and job training and educational programs. These bonds may not be used for the direct benefit of private businesses; however they may be used for the construction or improvement of infrastructure that supports private business. RZEDBs cannot be used to refinance current debt. Federal Davis-Bacon Act prevailing wage rules apply to projects financed with RZEDB. As a result, persons performing work in connection with the construction of facilities financed with RZEDB must be paid in accordance with federal prevailing wage laws.

Communities may benefit from working with the Michigan Municipal Bond Authority (MMBA), housed at the Michigan Department of Treasury. The MMBA can pool similar borrowings from multiple communities into one large bond offering that may be more attractive to the taxable bond market.

### **Recovery Zone Facility Bonds (Private Borrowers)**

Recovery Zone Facility Bonds (RZFBS) are a type of private activity bond (PAB) which allows governmental units to provide tax-exempt financing to private borrowers. These bonds can be used for commercial and industrial projects which historically would not qualify for tax-exempt financing, such as large manufacturing plants, distribution centers, hotels, and research parks. RZFBS can be used for all qualified businesses, which include any trade or business except for residential rental facilities or other specifically listed "exemptions," such as golf courses, massage parlors, gambling facilities, etc. RZFBS can be used to finance projects greater than \$10 million. The \$20 million total capital financing cap applicable to other types of private activity bonds does not apply, unless the taxpayer already has a bond issued under another private activity bond program.

These bonds may be used to finance plant and equipment purchases for both commercial and industrial businesses. Proceeds can be used to finance depreciable property located in a Recovery Zone provided that: (1) the property was constructed, reconstructed, renovated, or acquired by purchase after the date on which the "Recovery Zone" is designated, (2) the original use of the property commences with the taxpayer, and (3) substantially all of the property is in the active conduct of a "qualified business." Existing property may be purchased with RZFBS, provided that the property is renovated by the taxpayer over a two year period at a cost at least equal to the taxpayer's tax basis in the property at the beginning of the two year period. Land and rental property is excluded.

To justify issuance costs, generally bond issues need to be at least \$1.5 million for new buildings, or \$3 million for machinery and equipment financing. Depreciable equipment acquired using tax exempt financing must



be depreciated using straight line depreciation, so equipment financed using RZFBS cannot take advantage of the bonus depreciation benefits offered under the Recovery Act. Loss of depreciation benefits may outweigh the financing benefits offered by RZFBS.

These bonds are issued on the basis of the credit of the benefitted business and will be sold only if the credit of the recipient is strong enough to draw a market for the bonds. County economic development corporations (EDCs) and the Michigan Strategic Fund (MSF), administered by the Michigan Economic Development Corporation, are primary issuers of these bonds. They have the statutory authority to issue RZFBS for the purpose of making conduit loans to borrowers, but are not a guaranteeing body.

Davis-Bacon requirements do not apply to RZFBS. However, if a local economic development corporation issues the bonds, the project financed is subject to the Michigan prevailing wage law. Projects also may be subject to Davis-Bacon or prevailing wage if bonds are issued by a county or city that has an ordinance or policy with this requirement. Bonds issued by the MSF are not subject to Michigan prevailing wage law, nor to Davis-Bacon requirements.

#### NEXT STEPS

If you anticipate having a project eligible for a Recovery Zone Bond, contact the county or eligible municipality where the proposed project will be located to begin the discussion of Recovery Zone designation and the bond allocation process.

For additional information concerning Recovery Zone Bonds, contact:

- Recovery Zone Economic Development Bonds—Michigan Municipal Bond Authority, 517 335 0994
- Recovery Zone Facility Bonds—Michigan Economic Development Corporation, 517 373 2778

For more information on this program, see [www.irs.gov/itb/2009-26\\_IRB/ar06.html](http://www.irs.gov/itb/2009-26_IRB/ar06.html).





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Area	Recovery Zone	
	Economic Development Residual	Recovery Zone Facility Bond
Michigan		773,050,000
Ann Arbor city, MI		11,511,000
Detroit city, MI		49,690,000
Flint city, MI		11,052,000
Grand Rapids city, MI		16,725,000
Lansing city, MI		9,880,000
Sterling Heights city, MI		11,365,000
Warren city, MI		11,332,000
Alcona County, MI		285,000
Alger County, MI		596,000
Allegan County, MI		7,556,000
Alpena County, MI		1,205,000
Antrim County, MI		1,205,000
Arenac County, MI		1,449,000
Baraga County, MI		340,000
Barry County, MI		5,031,000
Bay County, MI		6,612,000
Benzie County, MI		985,000
Berrien County, MI		10,858,000
Branch County, MI		2,651,000
Calhoun County, MI		9,653,000
Cass County, MI		3,952,000
Charlevoix County, MI		2,185,000
Cheboygan County, MI		1,663,000
Chippewa County, MI		1,578,000
Clare County, MI		1,836,000
Clinton County, MI		5,802,000
Crawford County, MI		1,106,000
Delta County, MI		2,253,000
Dickinson County, MI		1,636,000
Eaton County, MI	Residual	8,656,000
Emmet County, MI		1,452,000
Genesee County, MI	Residual	35,570,000
Gladwin County, MI		1,106,000
Gogebic County, MI		807,000
Grand Traverse County, MI		5,456,000
Gratiot County, MI		2,756,000
Hillsdale County, MI		3,082,000
Houghton County, MI		2,259,000
Huron County, MI		2,893,000
Ingham County, MI	Residual	13,855,000
Ionia County, MI		4,935,000
Iosco County, MI		727,000
Iron County, MI		755,000
Isabella County, MI		3,274,000
Jackson County, MI		11,459,000
Kalamazoo County, MI		18,433,000
Kalkaska County, MI		952,000
Kent County, MI	Residual	36,571,000
Keweenaw County, MI		129,000
Lake County, MI		689,000

Area	Recovery Zone	
	Economic Development Residual	Recovery Zone Facility Bond
Lapeer County, MI		7,188,000
Leelanau County, MI		1,279,000
Lenawee County, MI		8,901,000
Livingston County, MI		15,844,000
Luce County, MI		274,000
Mackinac County, MI		1,018,000
Macomb County, MI	Residual	46,293,000
Manistee County, MI		1,504,000
Marquette County, MI		2,992,000
Mason County, MI		1,339,000
Mecosta County, MI		2,602,000
Menominee County, MI		1,191,000
Midland County, MI		3,307,000
Missaukee County, MI		1,024,000
Monroe County, MI		13,237,000
Montcalm County, MI		3,000,000
Montmorency County, MI		604,000
Muskegon County, MI		13,890,000
Newaygo County, MI		3,702,000
Oakland County, MI		103,887,000
Oceana County, MI		2,692,000
Ogemaw County, MI		1,005,000
Ontonagon County, MI		859,000
Osceola County, MI		1,383,000
Oscoda County, MI		1,087,000
Otsego County, MI		1,702,000
Ottawa County, MI		20,697,000
Presque Isle County, MI		832,000
Roscommon County, MI		1,449,000
Saginaw County, MI		16,950,000
St Clair County, MI		13,520,000
St Joseph County, MI		5,618,000
Sanilac County, MI		4,185,000
Schoolcraft County, MI		412,000
Shiawassee County, MI		6,263,000
Tuscola County, MI		5,519,000
Van Buren County, MI		5,404,000
Washtenaw County, MI	Residual	22,044,000
Wayne County, MI	Residual	78,259,000
Wexford County, MI		2,286,000