

Office of the Auditor General  
Performance Audit Report

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**Michigan Community Revitalization Program**

Michigan Strategic Fund  
Department of Labor and Economic Opportunity

October 2024

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The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

The auditor general may make investigations pertinent to the conduct of audits.

*Article IV, Section 53 of the Michigan Constitution*

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# OAG

Office of the Auditor General

## Report Summary

### *Performance Audit*

### *Michigan Community Revitalization Program (MCRP)*

### *Michigan Strategic Fund (MSF) Department of Labor and Economic Opportunity*

**Report Number:**  
**186-0431-23**

**Released:**  
**October 2024**

MCRP was established in 2011 as an incentive program available from MSF and administered by the Michigan Economic Development Corporation (MEDC). MCRP provides gap financing in the form of performance-based grants, loans, or other economic assistance for the promotion of private investment toward the revitalization and redevelopment of eligible properties in Michigan communities. The MSF Board governs MCRP and approved 62 MCRP awards from October 1, 2020 through March 31, 2023 with awards totaling \$86.9 million.

Audit Objective			Conclusion
Objective 1: To assess the sufficiency of MSF's awarding process for MCRP.			Sufficient
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
None reported.		Not applicable.	

Audit Objective			Conclusion
Objective 2: To assess the sufficiency of MSF's monitoring efforts over MCRP projects' satisfaction of established milestones.			Sufficient, with exceptions
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
MEDC needs to consistently maintain documentation of milestone report submission dates, requests to awardees for additional information, and other relevant communications with awardees to better support its MCRP report reviews. MEDC's procedures provided staff with a project tracking sheet to document relevant review notes; however, completion of it was not required ( <a href="#">Finding 1</a> ).		X	Agrees

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**Doug A. Ringler, CPA, CIA**  
Auditor General

October 8, 2024

Susan R. Corbin, Director  
Department of Labor and Economic Opportunity  
and  
Quentin L. Messer, Jr.  
President, Michigan Strategic Fund  
Chair, Michigan Strategic Fund Board of Directors  
Chief Executive Officer, Michigan Economic Development Corporation  
300 North Washington Square  
Lansing, Michigan

Director Corbin and President Messer:

This is our performance audit report on the Michigan Community Revitalization Program, Michigan Strategic Fund, Department of Labor and Economic Opportunity.

We organize our findings and observations by audit objective. Your agency provided the preliminary response to the recommendation at the end of our fieldwork. The *Michigan Compiled Laws* and administrative procedures require an audited agency to develop a plan to comply with the recommendations and to submit it to the State Budget Office upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Doug Ringler  
Auditor General



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# AUDIT OBJECTIVES, CONCLUSIONS, FINDINGS, AND OBSERVATIONS

## AWARDING PROCESS

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### BACKGROUND

The Michigan Community Revitalization Program (MCRP) was established by Public Act 252 of 2011 to promote community revitalization and accelerate private investments in eligible contaminated, blighted, functionally obsolete, or historic properties across Michigan through gap financing in the form of performance-based grants\*, loans\*, or other economic assistance\*. MCRP is one of multiple programs offered to provide funding for community development needs.

An individual or entity may apply for an MCRP incentive\* to rehabilitate or redevelop an eligible property\* as defined in Section 125.2090a(e) of the *Michigan Compiled Laws*. To be considered eligible, a property must be a facility as defined by the Brownfield Redevelopment Financing Act\*, a historic resource, blighted, functionally obsolete, adjacent or contiguous to an eligible property being improved, or any other property promoting community development as determined by the Michigan Strategic Fund (MSF) Board.

An applicant must first complete a pre-application evaluation with the Michigan Economic Development Corporation (MEDC) to determine whether the project preliminarily qualifies for MCRP. In addition, MEDC performs an initial financial analysis to determine whether MCRP funds are needed to fill a financing gap. If the project preliminarily qualifies and there is a funding need, MEDC issues a letter of interest\* to the applicant and requests submission of a completed MCRP application which includes required financial and statutory due diligence materials, such as a work plan, a senior lender underwriting package, and appraisal documents. MEDC performs a comprehensive financial review and confirms compliance with MCRP guidelines, statutory requirements including required background checks, and economic benefits to the State. If the completed application package is acceptable, MEDC presents the potential project to the MSF Board for consideration.

The MSF Board or its designee must approve or deny projects within 90 days of receipt of a completed application. If approved, the Board or its designee determines the amount of the incentive and enters into a written agreement with the awardee. State law establishes incentive value limitations, such as:

- A grant incentive may not exceed the lesser of 25% of the eligible investment or \$1.5 million.
- A loan incentive may not exceed the lesser of 25% of the eligible investment or \$10 million.

\* See glossary at end of report for definition.

- A combination of grants, loans, or other economic assistance shall not exceed \$10 million per project. However, if the city, village, or town has a population less than 15,000 or the project is for historic preservation, the incentive may be awarded up to the lesser of 50% of the project's eligible investment or \$10 million.

From October 1, 2020 through March 31, 2023, the MSF Board awarded 62 MCRP incentives with executed agreements in the form of grants, loans, and other economic incentives. Individual awards ranged in value from \$200,000 to \$7.0 million, totaling \$86.9 million (see Exhibits 1 and 2).

## **AUDIT OBJECTIVE**

To assess the sufficiency of MSF's awarding process for MCRP.

## **CONCLUSION**

Sufficient.

## **FACTORS IMPACTING CONCLUSION**

- 100% of sampled MCRP awards were reviewed by MEDC for compliance with State law and MCRP guidelines prior to submission to the MSF Board, including factors such as:
  - Property eligibility.
  - Investment eligibility.
  - Applicants' financial need.
  - Applicants' eligibility using civil and criminal background checks.
  - Financial feasibility.
  - Project's ability to act as a catalyst for revitalization in its local community.
  - Alignment with MCRP's goals and objectives as a whole.
- All MCRP incentives awarded during the audit period with executed agreements were:
  - Approved by the MSF Board or designee.
  - Awarded within incentive value limitations established in law.
  - Reported in accordance with transparency laws, including presenting the awardee's name, award amount, and MSF Board approval date accurately

on the MSF/MEDC annual report to the Legislature and posting to MEDC's website.

- For 100% of MCRP applications reviewed, MEDC maintained documentation to support continuance through the MCRP preliminary review stages, applicant withdrawal of the application, or dismissal.

## MONITORING MCRP MILESTONES

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### BACKGROUND

MSF's written agreements with MCRP awardees define one or more milestones for each project, which represent major project achievements. The agreement requires the awardee submit specified documentation, referred to as the milestone report, to demonstrate each milestone was fulfilled. Examples of typical milestones and the associated required documentation include:

- Pre-improvement milestone - Awardee is required to submit documentation evidencing the project has secured financing from the senior lender.
- Project completion milestone - Awardee is required to submit invoices, work orders, and bills along with evidence of corresponding payments to support the project met the minimum eligible investment as well as the eligible investment.
- Disbursement due diligence conditions milestone - Requires documentation such as title work validating utilities and taxes are current and no construction liens exist against the property prior to award disbursement.

MEDC compliance staff review the submitted report documentation to verify the milestone was satisfied, which may include follow-up with the awardee and requests for additional documentation.

There were 152 MCRP agreements executed or actively being monitored from October 1, 2020 through March 31, 2023. During the audit period, MCRP distributed \$87.8 million in MCRP incentives.

### AUDIT OBJECTIVE

To assess the sufficiency of MSF's monitoring efforts over MCRP projects' satisfaction of established milestones.

### CONCLUSION

Sufficient, with exceptions.

### FACTORS IMPACTING CONCLUSION

- For 100% of sampled MCRP projects reviewed:
  - The executed agreement\* established project milestones, including descriptions of required documentation to support satisfactory completion of the milestone as well as the specified due date.
  - MEDC reviewed and approved all milestone reports submitted during the audit period.

\* See glossary at end of report for definition.

- For grant incentives, MEDC disbursed grant funds in accordance with agreement limitations and after determining the awardee satisfied the applicable milestone in accordance with the executed agreement. Also, necessary approvals were obtained for the disbursements.
  - MEDC properly withheld a project's incentive when the awardee failed to meet the milestone requirement related to property liens.
- MEDC obtained approximately 98% of the documentation required by MCRP executed agreements to support awardees' satisfaction of the milestones for the MCRP projects we reviewed.
- Reportable condition\* related to consistent documentation of MEDC's review of awardees' MCRP milestone reports (Finding 1).

\* See glossary at end of report for definition.

## FINDING 1

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**MEDC needs to consistently maintain documentation to better support its review and approval of awardees' satisfaction of milestones.**

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MEDC needs to consistently maintain documentation of its review of awardees' satisfaction of MCRP milestones to help better evaluate awardee compliance with milestone requirements. Consistently documenting relevant communications, verifications, and other rationale(s) is important to allow for secondary approval of the milestone, when necessary, and is critical to support MEDC's review and approval of milestones if subsequently questioned or challenged.

Awardees can submit milestone reports to MEDC directly in its Salesforce database, by e-mail, or through other means. The agreement stipulates the awardee must submit each report by a specific due date, and it also states MEDC agrees to review the report within a required time frame, most typically within 45 days of receipt. Our review noted MEDC needs to improve its documentation of:

- The date the awardee submitted the report with all documentation required by the written agreement.
- Communications with awardees related to overdue documentation, if applicable.
- Requests for additional documentation, follow-up communications with awardees, and other documentation to help better support MEDC's approval of milestones.

Our review of 28 individual milestones from 15 selected MCRP award agreements noted MEDC's review of reports appeared to be late for about 40% of the milestones we reviewed, averaging 74 days late. In about three-quarters of these instances, MEDC informed us delayed receipt of documentation from awardees likely caused MEDC's review to appear late; however, without consistent documentation of its review of reports, MEDC was unable to support the delays were due to awardee non-responsiveness or delays. In some instances, MEDC attempted to retrieve e-mail communications with awardees for the selected MCRP milestones we reviewed; however, this was not always possible because the MEDC staff person who received the e-mail was no longer employed with MEDC.

MEDC procedures provide staff with an MCRP project tracking sheet for documenting specific notes pertaining to each milestone report review; however, MEDC informed us the tracking sheet is an optional tool and was not required to be completed by MEDC staff for the 15 projects we reviewed.

## RECOMMENDATION

We recommend MEDC consistently maintain documentation to better support its review and approval of MCRP milestones.

**AGENCY  
PRELIMINARY  
RESPONSE**

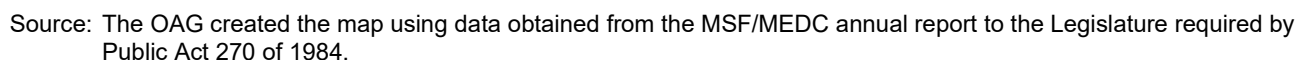
MEDC provided us with the following response:

*MEDC agrees with the recommendation and will improve our processes to ensure that documentation is maintained consistently to better support our review and approval of MCRP milestones.*



UNAUDITED  
Exhibit 1

MCRP Projects Awarded by County  
Executed October 1, 2020 Through March 31, 2023



MICHIGAN COMMUNITY REVITALIZATION PROGRAM  
Michigan Strategic Fund, Department of Labor and Economic Opportunity

MCRP Project Agreements (Date Order)  
Executed October 1, 2020 Through March 31, 2023

Agreement Date	Awardee Name	Incentive Type	County	Incentive Amount Awarded*
10/15/2020	3:10 to Huron, LLC	Grant	St. Clair	\$ 630,000
10/16/2020	615 Holdings, LLC	Grant	Kalamazoo	750,000
11/02/2020	Queen Lillian II, LLC	Other	Wayne	5,300,000
11/06/2020	Sweetwater Development Partners, LLC	Loan	Muskegon	1,500,000
11/20/2020	Michigan Community Capital (Michigan Magnet Fund)	Other	Ingham	4,800,000
12/01/2020	ANC Holdings, LLC	Loan	Ingham	1,500,000
12/01/2020	Gemini Capital VI, LLC	Grant	Gratiot	373,913
12/02/2020	MBSHAW, LLC	Grant	Crawford	274,482
12/18/2020	Commongrounds Cooperative	Grant	Grand Traverse	1,500,000
12/21/2020	The Wrigley Center Master Tenant, LLC	Grant	St. Clair	1,500,000
01/21/2021	Eden Property Collection, LLC	Grant	Dickinson	414,950
02/10/2021	Bagley Forest Property, LLC	Other	Wayne	1,300,000
02/17/2021	Locker & Locker Properties, LLC	Grant	Van Buren	500,000
02/17/2021	Thunder Bay Properties, LLC	Grant	Alpena	441,600
04/28/2021	Cheboygan 409 Main, LLC	Grant	Cheboygan	435,000
05/26/2021	876 Michigan, LLC	Grant	Lake	450,000
05/27/2021	Gemini Capital Management V, LLC	Grant	Gratiot	900,000
06/14/2021	The Pearl Building, LLC	Grant	Livingston	538,000
06/29/2021	Peerless Caddis, LLC	Other	Ottawa	4,750,000
08/03/2021	266 Michigan Ave Kalamazoo, LLC	Grant	Kalamazoo	420,000
08/19/2021	BGR Investments, LLC	Grant	Kent	534,000
09/09/2021	234 West Cedar, LLC	Other	Kalamazoo	4,850,000
09/23/2021	J & C Development, LLC	Grant	Chippewa	194,625
09/24/2021	GL Rentals, LLC	Grant	Ottawa	500,000
09/29/2021	Bright Sky Consulting, LLC	Grant	Cheboygan	216,300
10/05/2021	GLC Northern Michigan Pine, LLC	Other	Grand Traverse	2,900,000
10/14/2021	Gemini Capital Management VII, LLC	Grant	Gratiot	575,000
10/18/2021	7303 West McNichols, LLC	Loan	Wayne	1,250,000
12/01/2021	Caywood Propane Gas, Inc.	Grant	Branch	250,000
12/22/2021	The Keefer House Hotel, LLC	Other	Hillsdale	2,000,000
01/07/2022	Life is a Dreamtroit, LLC	Loan	Wayne	3,000,000
01/27/2022	Homestretch Nonprofit Housing Corporation	Grant	Benzie	459,434

Agreement Date	Awardee Name	Incentive Type	County	Incentive Amount Awarded*
02/08/2022	Hastings Michigan Ave, LLC	Grant	Barry	\$ 750,000
02/15/2022	Harbor Shores Community Redevelopment, LLC	Grant	Berrien	750,000
03/10/2022	Bagley Development Group	Other	Wayne	7,000,000
03/18/2022	Detroit Food Commons, LLC	Grant	Wayne	1,500,000
03/31/2022	Sisu Ventures, LLC	Grant	Houghton	350,709
05/12/2022	730 Leonard Street Partners, LLC	Grant	Kent	447,978
06/10/2022	Marine City Apartments, LLC	Grant	St. Clair	746,244
06/16/2022	Buffalo Dragon Investments, LLC	Grant	Marquette	432,824
06/17/2022	Gemini Capital Management VIII, LLC	Loan	Saginaw	1,920,000
06/29/2022	1108 Water Street, LLC	Grant	Bay	1,499,301
06/29/2022	The Tezcuco, LLC	Grant	Houghton	359,090
06/30/2022	Industry Detroit QOZB, LLC	Loan	Wayne	4,000,000
07/05/2022	Quay Docks, LLC	Grant	St. Clair	681,701
07/19/2022	Park North, LLC	Grant	Houghton	462,400
09/06/2022	Bagley & 16, LLC	Loan	Wayne	3,763,130
09/07/2022	GT Housing, LLC	Loan	St. Joseph	4,100,000
10/27/2022	Cooke Capital, LLC	Other	Livingston	1,450,000
11/14/2022	BRD Opportunity Zone Development, LLC	Grant	Bay	1,900,000
11/16/2022	27 Marshall Street, LCC	Grant	Branch	750,000
11/16/2022	North Flint Reinvestment Corporation	Grant	Genesee	1,500,000
01/11/2023	120 Main, LLC	Grant	Ottawa	468,492
02/02/2023	Chippewa Housing Partners II, Inc	Grant	Chippewa	1,363,000
02/15/2023	Vianis Realty, LLC	Grant	Houghton	574,648
02/27/2023	Cherette Group	Grant	Ottawa	750,000
03/01/2023	Harrison Investment Properties, LLC	Grant	St. Joseph	479,000
03/03/2023	Fire Tower Property Group, LLC	Grant	Houghton	307,176
03/08/2023	Menominee Range Investments, LLC	Grant	Dickinson	334,798
03/11/2023	Otter Lake Developments, LLC	Grant	Lapeer	263,600
03/14/2023	Chelsea Rockwell, LLC	Grant	Washtenaw	1,500,000
03/29/2023	16530 East Warren, LLC / The Ribbon	Grant	Wayne	1,500,000
Total incentive amount				<u>\$ 86,911,395</u>

Total number of projects: 62 (45 grants, 8 loans, and 9 other)

\* MCRP is one of multiple programs offered by MSF/MEDC to provide funding for community development needs across the State. MCRP incentive amounts are subject to limitations established in law and provide gap financing in the form of grants, loans, or other economic assistance.

Source: The OAG obtained data from the Statewide Integrated Governmental Management Applications\* (SIGMA) and the executed MCRP agreements.

\* See glossary at end of report for definition.

MICHIGAN COMMUNITY REVITALIZATION PROGRAM  
Michigan Strategic Fund, Department of Labor and Economic Opportunity

MCRP Project Agreements (Incentive Amount Order)  
Executed October 1, 2020 Through March 31, 2023

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03/10/2022	Bagley Development Group	Other	Wayne	\$ 7,000,000
11/02/2020	Queen Lillian II, LLC	Other	Wayne	5,300,000
09/09/2021	234 West Cedar, LLC	Other	Kalamazoo	4,850,000
11/20/2020	Michigan Community Capital (Michigan Magnet Fund)	Other	Ingham	4,800,000
06/29/2021	Peerless Caddis, LLC	Other	Ottawa	4,750,000
09/07/2022	GT Housing, LLC	Loan	St. Joseph	4,100,000
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03/29/2023	16530 East Warren, LLC / The Ribbon	Grant	Wayne	1,500,000
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Total incentive amount				<u>\$ 86,911,395</u>

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\* MCRP is one of multiple programs offered by MSF/MEDC to provide funding for community development needs across the State. MCRP incentive amounts are subject to limitations established in law and provide gap financing in the form of grants, loans, or other economic assistance.

Source: The OAG obtained data from SIGMA and the executed MCRP agreements.

## PROGRAM DESCRIPTION

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MCRP was established by Public Act 252 of 2011 as an incentive program promoting private investment for the revitalization of eligible properties including contaminated, blighted, functionally obsolete, or historic properties. MCRP provides gap financing in the form of performance-based grants, loans, or other economic assistance.

MCRP is available from MSF and administered by MEDC. MCRP is funded by the 21st Century Jobs Trust Fund and the Jobs for Michigan Investment Fund, Section 12.257 of the *Michigan Compiled Laws* (Public Act 489 of 2000) and Section 125.2088h of the *Michigan Compiled Laws* (Public Act 270 of 1984). The MSF Board or its designee awarded 62 MCRP incentives with executed agreements totaling \$86.9 million during the audit period.

## AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

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### AUDIT SCOPE

To examine the records and processes related to MSF's efforts to award MCRP incentives and to monitor project milestones. We conducted this performance audit\* in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As part of the audit, we considered the five components of internal control (control environment, risk assessment, control activities, information and communication, and monitoring activities) relative to the audit objectives and determined all components were significant.

### PERIOD

Our audit procedures, which included a preliminary survey, audit fieldwork, report preparation, analysis of agency responses, and quality assurance, generally covered October 1, 2020 through March 31, 2023.

### METHODOLOGY

We conducted a preliminary survey to gain an understanding of MSF's operations to formulate a basis for establishing the audit objectives, scope, and methodology. During our preliminary survey, we:

- Interviewed MEDC management and staff regarding their responsibilities and procedures related to MCRP.
- Reviewed applicable State law, MEDC policies, MSF Board Resolutions, MEDC annual legislative reports, and Government Finance Officers Association publications.
- Obtained an understanding of MSF's processes to award MCRP incentives to eligible projects and monitor individual project milestones.
- Analyzed MSF data to identify MCRP applications under MEDC review or dismissed from the awarding process during the audit period.
- Reviewed MCRP spending plan and expenditure data from October 1, 2020 through March 31, 2023.

\* See glossary at end of report for definition.

## OBJECTIVE 1

To assess the sufficiency of MSF's awarding process for MCRP.

To accomplish this objective, we:

- Reviewed MCRP's program guidelines to understand the established goals for community revitalization.
- Determined the MSF Board or its designee awarded 62 MCRP incentives with executed agreements from October 1, 2020 through March 31, 2023. We reviewed all incentives for compliance with State laws for:
  - MSF Board or designee approval.
  - Award amount limitations.
  - Transparency reporting within the MSF/MEDC annual report to the Legislature and the MEDC website.
- We randomly and judgmentally selected 7 of the 62 awarded incentives with executed agreements during our audit period and:
  - Verified MEDC maintained documentation supporting the project's eligibility according to *Michigan Compiled Laws* requirements, including:
    - Property and investment type eligibility.
    - The project's financial feasibility and need for MCRP gap funding.
    - The project's ability to act as an economic catalyst for its community.
    - The project's alignment with MCRP goals.
  - Recalculated the minimum eligible investment based on awardees' cost estimates to verify the award complied with incentive value limitations established in law.
  - Obtained LexisNexis person and business reports to confirm all chief officers and individuals with 20% or more ownership of the entity receiving the award received satisfactory results in accordance with *Michigan Compiled Laws* requirements.
- Determined there were 48 MCRP applications dismissed from October 1, 2020 through March 31, 2023. We randomly and judgmentally selected 7 of the 48 applications to determine whether the reason for dismissal was supported and appeared reasonable.

- Reviewed MEDC's support to verify the timely progression and consideration of 11 randomly sampled MCRP applications from the 111 MCRP applications in MEDC's MCRP preliminary review stages as of July 21, 2023.

Our random samples were selected to eliminate any bias and enable us to project results to the respective population. We selected additional sample items judgmentally to ensure the sample was representative of the population and could not project those results to the respective population.

## **OBJECTIVE 2**

To assess the sufficiency of MSF's monitoring efforts over MCRP projects' satisfaction of established milestones.

To accomplish this objective, we:

- Reviewed MSF's database of MCRP projects and determined 152 projects were in monitoring status from October 1, 2020 through March 31, 2023.
- We randomly and judgmentally selected 15 of the 152 MCRP projects, which included a total of 28 milestones, and:
  - Reviewed the executed agreements to verify the agreements established project milestones, specified the required documentation necessary to support the awardees' satisfaction of the milestone, and established milestone due dates.
  - Reviewed the milestone reports submitted by awardees for all 28 milestones to verify MEDC obtained, reviewed, and approved all documentation required to fulfill the milestones in accordance with the executed project agreement.
  - Evaluated the timeliness of MEDC's review of the milestone report.
  - Verified MEDC disbursed funds for grant incentives after approval of required milestones.
  - Verified MEDC took appropriate action(s) when the awardee failed to satisfy a project milestone.

Our random samples were selected to eliminate any bias and enable us to project results to the respective population. We selected additional sample items judgmentally to ensure the sample was representative of the population and could not project those results to the respective population.

**CONCLUSIONS**

We base our conclusions on our audit efforts and any resulting material conditions\* or reportable conditions.

When selecting activities or programs for audit, we direct our efforts based on risk and opportunities to improve State government operations. Consequently, we prepare our performance audit reports on an exception basis.

**AGENCY  
RESPONSES**

Our audit report contains 1 finding and 1 corresponding recommendation. MEDC's preliminary response indicates it agrees with the recommendation.

The agency preliminary response following the recommendation in our report was taken from MSF's written comments and oral discussion at the end of our fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100) require an audited agency to develop a plan to comply with the recommendations and to submit it to the State Budget Office upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

**SUPPLEMENTAL  
INFORMATION**

Our audit report includes supplemental information presented as Exhibits 1 and 2. Our audit was not directed toward expressing a conclusion on this information.

\* See glossary at end of report for definition.



## GLOSSARY OF ABBREVIATIONS AND TERMS

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<b>auditor's comments to agency preliminary response</b>	Comments the OAG includes in an audit report to comply with <i>Government Auditing Standards</i> . Auditors are required to evaluate the validity of the audited entity's response when it is inconsistent or in conflict with the findings, conclusions, or recommendations. If the auditors disagree with the response, they should explain in the report their reasons for disagreement.
<b>Brownfield Redevelopment Financing Act</b>	Legislation established in Public Act 381 of 1996, as amended, to promote the revitalization, redevelopment, and reuse of certain property, including, but not limited to, previously developed, tax reverted, blighted, or functionally obsolete property.
<b>eligible property</b>	A property meeting one or more of the following conditions as provided by Section 125.2090a(e) of the <i>Michigan Compiled Laws</i> : facility, historic resource, blighted, functionally obsolete, adjacent or contiguous to an eligible property that is being improved, and any other property promoting community development as determined by the MSF Board.
<b>executed agreement</b>	An MSF Board-approved incentive's final written agreement which has been agreed to and signed by both parties, the awardee and MSF.
<b>grant</b>	Funding approved under Section 125.2090b of the <i>Michigan Compiled Laws</i> and subject to requirements in Section 125.2090c of the <i>Michigan Compiled Laws</i> .
<b>incentive</b>	A community revitalization grant, a community revitalization loan, or other economic assistance.
<b>letter of interest</b>	A document issued when MCRP applications undergo preliminary review and align with program guidelines, organizational priorities, and financial need. It signals MEDC's preliminary review resulted in a determination that rationale exists for a positive recommendation to the MSF and it is also a request for the applicant to submit a final application.
<b>loan</b>	Funding approved under Section 125.2090b of the <i>Michigan Compiled Laws</i> and subject to the requirements in Section 125.2090d of the <i>Michigan Compiled Laws</i> .
<b>material condition</b>	A matter, in the auditor's judgment, which is more severe than a reportable condition and could impair the ability of management to operate a program in an effective and efficient manner and/or

could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program. Our assessment of materiality is in relation to the respective audit objective.

**MCRP**

Michigan Community Revitalization Program.

**MEDC**

Michigan Economic Development Corporation.

**MSF**

Michigan Strategic Fund.

**other economic assistance**

Any form of assistance, other than a grant or loan, allowed under Chapter 8C of the MSF Act that is not a community revitalization grant or loan.

**performance audit**

An audit which provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

**reportable condition**

A matter, in the auditor's judgment, less severe than a material condition and falls within any of the following categories: a deficiency in internal control; noncompliance with provisions of laws, regulations, contracts, or grant agreements; opportunities to improve programs and operations; or fraud.

**Statewide Integrated  
Governmental Management  
Applications (SIGMA)**

The State's enterprise resource planning business process and software implementation suite supporting budgeting, accounting, purchasing, human resource management, and other financial management activities.





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