

MUSKEGON, MI

OPPORTUNITY ZONE PROSPECTUS

WATCH MUSKEGON



Downtown Muskegon

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EXECUTIVE SUMMARY

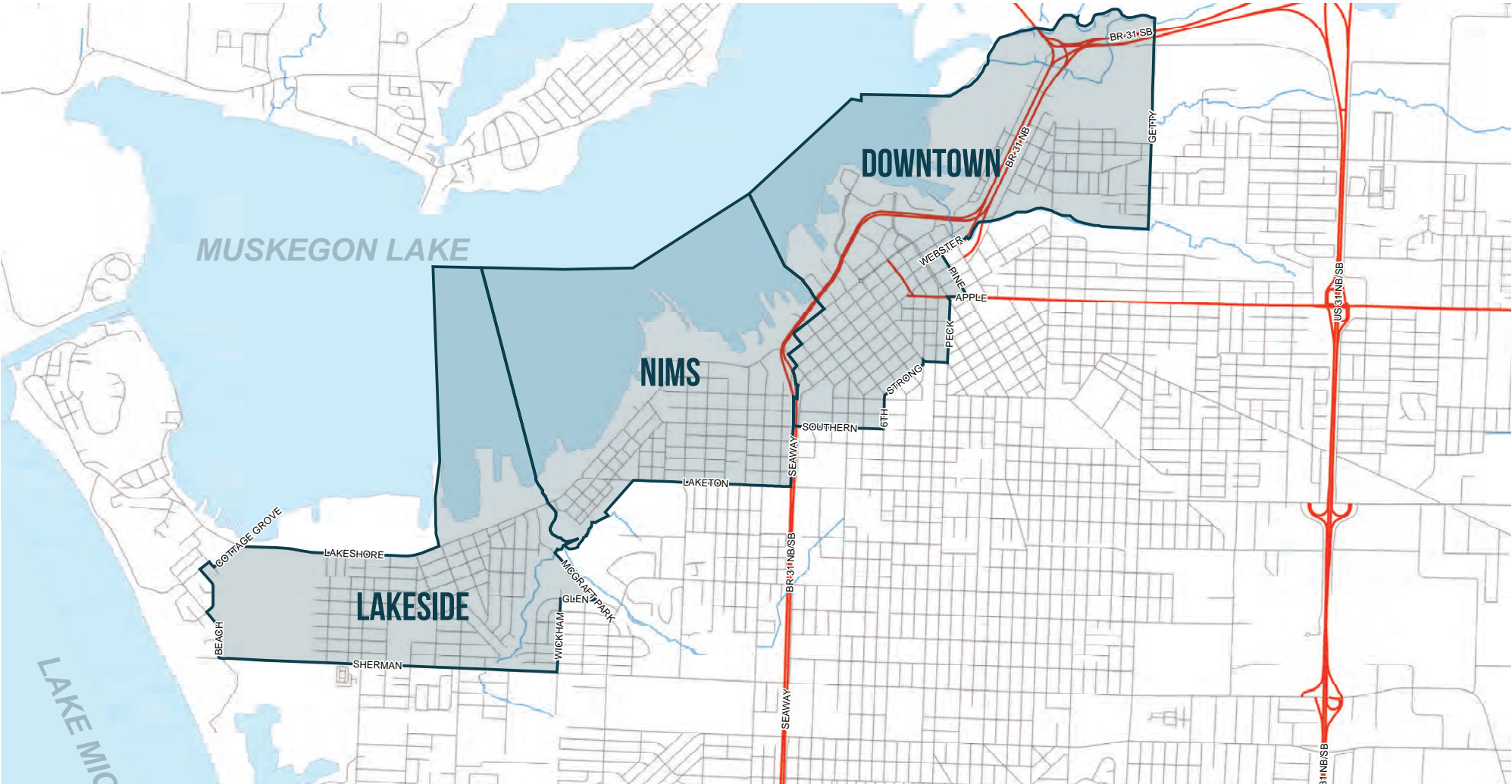
The City of Muskegon has established a clear strategy to incentivize projects within Opportunity Zones. These incentives will guide development that fits our master plan and vision for the future. Four types of projects are offered incentives: mixed-use development, missing middle housing development, neighborhood housing development, and port-related industrial redevelopment.

The Tax Cuts and Jobs Act created Opportunity Zones to promote investment in lower income areas of the country. Capital Gains taxes when invested in these zones can be greatly reduced and even eliminated. Three zones were designated in Muskegon.

Opportunity zones within the city include over four miles of waterfront along Muskegon Lake as well as neighborhood and commercial zones ripe for investment and growth. Each zone includes city owned and vacant land that allow immediate development and occupancy. Examples include 30 acres of waterfront adjacent to McGraft Park, 32 acres on a peninsula at the west end of downtown, an eight acre vacant lot in the heart of downtown with views of Muskegon Lake, a five story vacant building in the midst of the residential and shopping districts of downtown, 12 acres divided into several parcels at the east end of downtown on the waterfront, and a vacant school building with beautiful architectural detail.

Muskegon is enjoying an urban revival, reclaiming its waterfront from past industrial uses, revitalizing urban core neighborhoods, and reinvesting in a new downtown after demolition of a 1970's era shopping mall. We are West Michigan's Shoreline City, the largest city on the eastern shore of Lake Michigan with the longest beach on Michigan's west coast and miles of waterfront along the shore of Muskegon Lake, a deep water port.

OPPORTUNITY ZONES MAP



LAKESIDE

CENSUS TRACT 26121000900

The western-most opportunity zone in Muskegon consists mainly of working class neighborhood homes built in the mid-century and includes the Lakeside Business District, the Grand Trunk boat launch and trail head, the cross lake ferry terminal, a portion of the Sherman commercial corridor, and the Muskegon Country Club golf course. Development opportunities include infill housing and commercial and mixed-use development in the business district and commercial corridor.



Lakeside Business District (foreground) and Lake Michigan

NIMS

CENSUS TRACT 26121000800

This zone includes almost two miles of waterfront on Muskegon Lake, port facilities, several large waterfront parcels ready for development, additional working class housing stock, the western edge of our downtown, the county's festival site, and a portion of the Laketon



Former Amoco property on Muskegon Lake

commercial corridor. Several large parcels that previously held industrial facilities on the waterfront are now vacant and ready for development. The former Amoco property is adjacent to one of the largest city parks and situated on prime waterfront land. Vacant lots exist within the Nims Neighborhood, and the city's manufacturing industry has acute need for more workers. Large, vacant parcels at the end of West Western once served industry but are now ready for development. Plans are developing around mixed-use that takes advantage of the waterfront facilities and views. Additional vacant land zoned for industrial use along the Laketon corridor is ripe for development and enjoys convenient access to the US-31 business route with easy connections to I-96 and US-31. Existing industries in this zone are flourishing and considering expansion opportunities.

DOWNTOWN

CENSUS TRACT 26121004200

The largest and most eastern zone has the most potential for a variety of development. The available waterfront properties range from urban core with a direct line to the center of activity in the downtown, to business park and heavy industrial properties with deep water port access. Downtown



Froebel School building and surrounding land

properties targeted for development include vacant land originally occupied by a gas plant and a city owned property within an active downtown. Proposals for these properties are focused on mixed-use development. Each property is seconds from state roadways that provide easy access to freeway connections. Adjacent neighborhoods include housing options for lower income, to up-and-coming, to high-end. The Nelson Neighborhood is enjoying a resurgence mostly due to its proximity to the new developments in downtown. Many vacant lots resulting from blight will be filled with new missing middle housing, further revitalizing this established neighborhood. Additional vacant lots are ready for new homes in the Jackson Hill Neighborhood. Focus in this neighborhood is on the vacant Froebel School building. The city purchased this property with the intention of saving a beautiful structure, adding housing to the surrounding land and stimulating growth in the neighborhood.

HISTORY OF MUSKEGON

The Muskegon name is derived from the Ottawa tribe term “Masquigon” which means marshy river or swamp. The city has always been linked to the fresh waters that inspired its growth and have maintained its quality of life.

The French explorers found riches in the furs from our forests. Between 1810 and 1820, several French Canadian fur traders, including Lamar Andie, Jean Baptiste Recollect, and Pierre Constant had established posts around Muskegon Lake.

The lumber barons arrived in the mid 1800’s to harvest the abundant timber resources. The typical lumberman of that era was a young man in his twenties or thirties from New England, New York, or Pennsylvania who had enjoyed sufficient success in some previous occupation to build a small mill and to make a modest investment in Michigan timber lands. Local lumbermen such as Charles Mears, Martin Ryerson, Lyman Mason, Charles Hill, and George and John Ruddiman readily fit this stereotype. By the time the local lumber industry had reached its peak in the mid 1880’s, forty-seven sawmills surrounded Muskegon Lake, while another sixteen dotted the shores of White Lake to the north. Muskegon was then known as the “Lumber Queen of the Mid-West.”

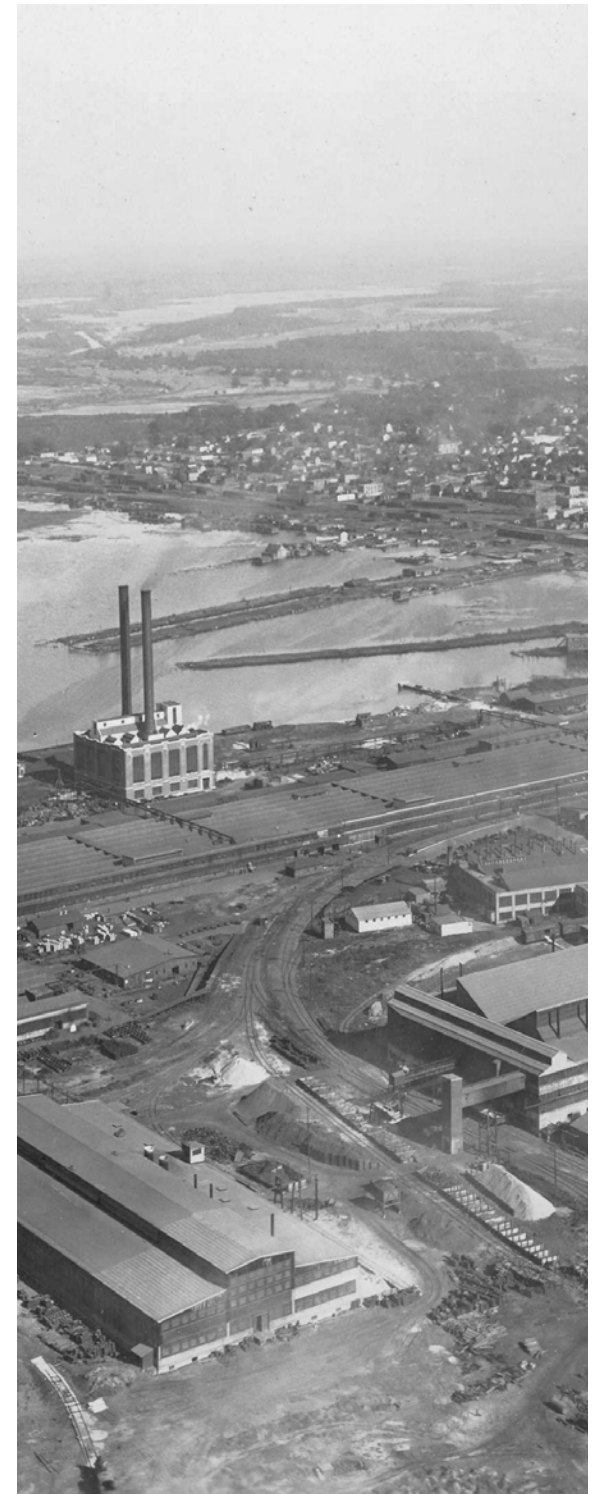


Muskegon, Michigan in 1889

Toward the end of the nineteenth century, the lumbering era was fading away. The local economy was severely depressed, the community disorganized, and the population restive and demoralized. Led by area industrialists,

including Newcomb McGraft, Charles Hackley, and Thomas Hume, the community organized a program of economic development, which attracted several substantial businesses to the area. Before long, Muskegon was well on its way to becoming a diversified industrial center, having attracted such firms as Shaw-Walker, Brunswick, Campbell, Continental Motors, and the Central Paper Mill to this area. The Great Depression of the 1930's undermined much of that economic development, but the economy rebounded during World War II in response to Muskegon's role as an "Arsenal of Democracy." The 1950's and 1960's witnessed a return to the economic doldrums. Factories cut back on production and laid off employees in unprecedented numbers. Many area businesses closed their doors permanently. The 1960's and 1970's were years of business consolidation when numerous locally owned banks and industrial establishments were sold to giant national and international corporations. Since the 1970's the industrial community has continued to diversify in order to cope with an ever changing and troublesome economy.

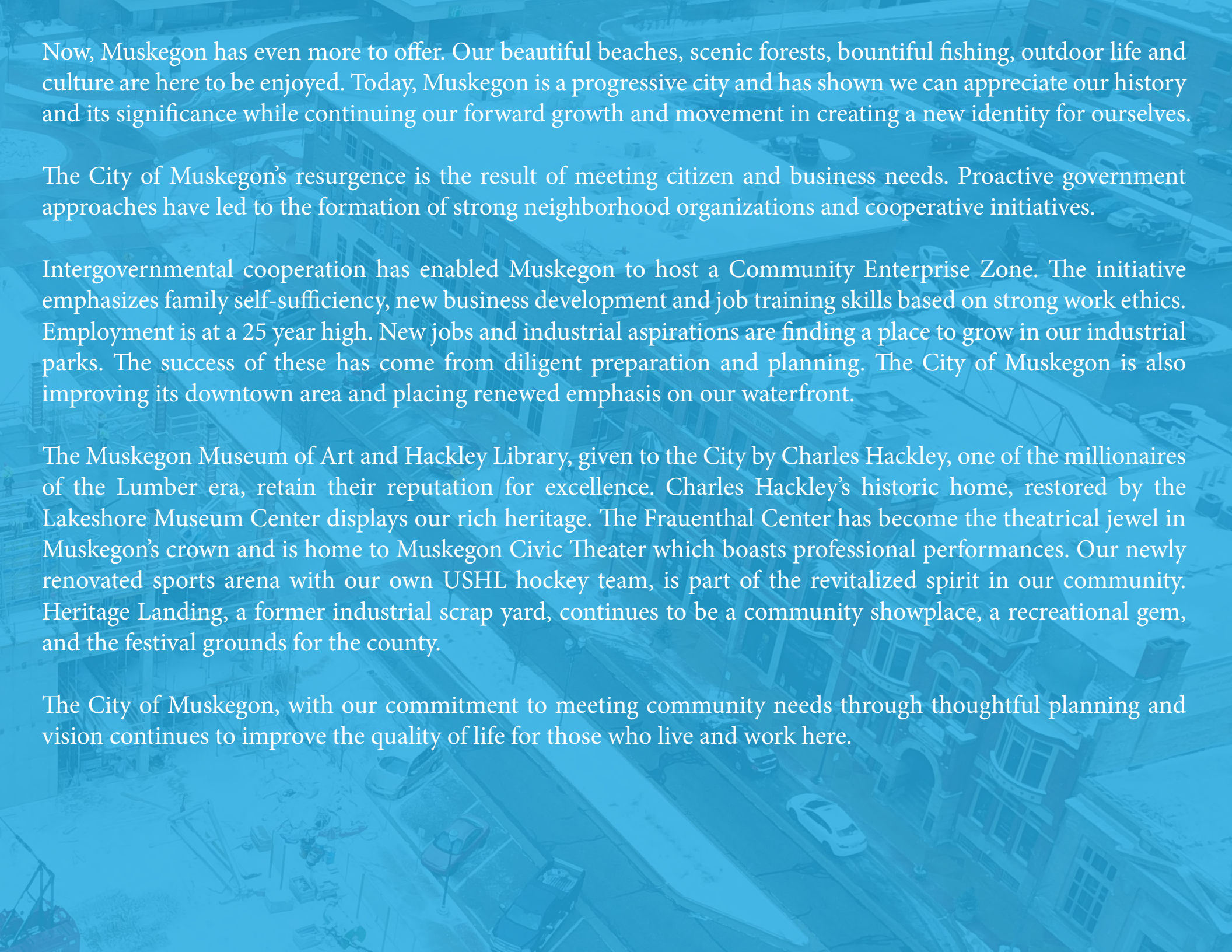
Over the years, Muskegon has attracted a unique mix of residents, which has helped to shape the cultural and intellectual makeup of the community. The original settlers of the nineteenth century were typically native-born Americans from New England, New York and Pennsylvania. Immigrants from Canada, Ireland, Germany, the Netherlands, Norway, Sweden and Denmark quickly joined them. The industrial surge at the turn of the nineteenth century attracted large numbers of Southern Europeans to the area, while World War II witnessed the arrival of large numbers of Mexican-Americans, Southern blacks, and Appalachian whites. The melting pot diversity of Muskegon's ethnic heritage is in keeping with the varied nature of the other elements of its recent past.



Historic birds eye view downtown waterfront



FUTURE OF MUSKEGON



Now, Muskegon has even more to offer. Our beautiful beaches, scenic forests, bountiful fishing, outdoor life and culture are here to be enjoyed. Today, Muskegon is a progressive city and has shown we can appreciate our history and its significance while continuing our forward growth and movement in creating a new identity for ourselves.

The City of Muskegon's resurgence is the result of meeting citizen and business needs. Proactive government approaches have led to the formation of strong neighborhood organizations and cooperative initiatives.

Intergovernmental cooperation has enabled Muskegon to host a Community Enterprise Zone. The initiative emphasizes family self-sufficiency, new business development and job training skills based on strong work ethics. Employment is at a 25 year high. New jobs and industrial aspirations are finding a place to grow in our industrial parks. The success of these has come from diligent preparation and planning. The City of Muskegon is also improving its downtown area and placing renewed emphasis on our waterfront.

The Muskegon Museum of Art and Hackley Library, given to the City by Charles Hackley, one of the millionaires of the Lumber era, retain their reputation for excellence. Charles Hackley's historic home, restored by the Lakeshore Museum Center displays our rich heritage. The Frauenthal Center has become the theatrical jewel in Muskegon's crown and is home to Muskegon Civic Theater which boasts professional performances. Our newly renovated sports arena with our own USHL hockey team, is part of the revitalized spirit in our community. Heritage Landing, a former industrial scrap yard, continues to be a community showplace, a recreational gem, and the festival grounds for the county.

The City of Muskegon, with our commitment to meeting community needs through thoughtful planning and vision continues to improve the quality of life for those who live and work here.

OPPORTUNITY ZONE TAX IMPACT



Third Street waterfront property and Downtown Muskegon

The 2017 Tax Cuts and Jobs Act created Opportunity Zones to promote investment in lower income areas of the country. The goal of the program is to incentivize capital investments in areas that have traditionally experienced a scarcity of investment and business growth.

Investors can defer tax on any prior gains invested in a Qualified Opportunity Fund (QOF) until the earlier of the date on which the investment in a QOF is sold or exchanged, or December 31, 2026. If the QOF investment is held for longer than 5 years, there is a 10% exclusion of the deferred gain. If the investor holds the investment in the Opportunity Fund for at least ten years, the investor is eligible for an increase in basis of the QOF investment equal to its fair market value on the date that the QOF investment is sold or exchanged.

COMPARISON OF INVESTMENTS

| | Traditional Investment | Opportunity Zone Investment |
|--|------------------------|-----------------------------|
| Invested Capital Gain | \$1,000,000 | \$1,000,000 |
| Less: Capital Gain Tax Investment (23.8%) | (238,000) | 0 |
| After-Tax Investment | 762,000 | 1,000,000 |
| Year 10 Value (assumes 10% annual investment appreciation) | 1,976,432 | 2,593,742 |
| Less: Year 10 Capital Gains Tax (23.8%) | (289,035) | 0 |
| Year 10 After-Tax Value | 1,687,397 | 2,593,742 |
| Less: Cap Gains Taxes on Invested Gains Due on 12.31.26* | 0 | (202,300) |
| Total Year 10 After-Tax Value | \$1,687,397 | \$2,391,442 |
| Total Year 10 After-Tax Net Gain** | \$687,397 | \$1,391,442 |

*Assumes 10-year holding periods, annual rate of investment appreciation of 10%, and a long-term capital gains tax rate of 23.8%.

Note: The amounts shown are not net of fees and carry in either the traditional investment or the QOZ investment. This is to illustrate the tax benefits of QOZ investments prior to any fee structures.

FREQUENTLY ASKED QUESTIONS

Q. What is an Opportunity Zone?

A. An Opportunity Zone is an economically-distressed community where new investments, under certain conditions, may be eligible for preferential tax treatment. Localities qualify as Opportunity Zones if they have been nominated for that designation by the state and that nomination has been certified by the Secretary of the U.S. Treasury via his delegation of authority to the Internal Revenue Service

Q. What is the purpose of Opportunity Zones?

A. Opportunity Zones are an economic development tool—that is, they are designed to spur economic development and job creation in distressed communities.

Q. How do Opportunity Zones spur economic development?

A. Opportunity Zones are designed to spur economic development by providing tax benefits to investors. First, investors can defer tax on any prior gains invested in a Qualified Opportunity Fund (QOF) until the earlier of the date on which the investment in a QOF is sold or exchanged, or December 31, 2026. If the QOF investment is held for longer than 5 years, there is a 10% exclusion of the deferred gain. Second, if the investor holds the investment in the Opportunity Fund for at least ten years, the investor is eligible for an increase in basis of the QOF investment equal to its fair market value on the date that the QOF investment is sold or exchanged.

F.A.Q. CONTINUED

Q. What is a Qualified Opportunity Fund?

A. A Qualified Opportunity Fund is an investment vehicle that is set up as either a partnership or corporation for investing in eligible property that is located in a Qualified Opportunity Zone.

Do I need to live in an Opportunity Zone to take advantage of the tax benefits?

No. You can get the tax benefits, even if you don't live, work or have a business in an Opportunity Zone. All you need to do is invest a recognized gain in a Qualified Opportunity Fund and elect to defer the tax on that gain.

Q. I am interested in knowing where the Opportunity Zones are located. Is there a list of Opportunity Zones

A. available?

Yes. The list of designated Qualified Opportunity Zones can be found at [Opportunity Zones Resources](#) and in the Federal Register at [IRB Notice 2018-48](#). Further a visual map of the census tracts designated as Qualified Opportunity Zones may also be found at [Opportunity Zones Resources](#).

Q. How does a corporation or partnership become certified as a Qualified Opportunity Fund?

A. To become a Qualified Opportunity Fund, an eligible corporation or partnership self-certifies by filing Form 8996, Qualified Opportunity Fund, with its federal income tax return. Early-release drafts of the [form](#) and [instructions](#) are posted, with final versions expected in December. The return with Form 8996 must be filed timely, taking extensions into account.

<https://www.irs.gov/newsroom/opportunity-zones-frequently-asked-questions>

INCENTIVES OFFERED

Muskegon is a Redevelopment Ready Certified Community with an environment of investor confidence. Proposed projects will not be delayed or derailed by zoning, regulation, or politics. Streamlined processes through our form based code, Imagine Muskegon Lake Plan and coordinated pre-development meetings allow us to take a project from concept to completion very quickly.

We offer a one-stop shop for all opportunity zone developments with a connection person/team for opportunity zone questions, ideas, incentives, etc. Available incentives include brownfield, Downtown Development Authority, infrastructure investment, and enterprise zones.

Muskegon has established a clear local investment strategy focused on providing consistency, predictability, and urgency to commercial, industrial, and residential developers. Key projects building our community include the downtown Muskegon Farmers Market, improvements to Mercy Health Arena, construction of the Muskegon Convention Center, Port City Industrial Park expansion, and numerous residential and mixed-use projects throughout the city.



Nims' Western Waterfront

| Opportunity Fund Investment | Incentive Amount |
|---|------------------|
| \$1,000,000 | \$20,000 |
| \$5,000,000 | \$100,000 |
| \$15,000,000 | \$300,000 |
| Note: Matching dollars are paid upon successful completion of the investment and satisfaction of the initial 10-year holding period | |

Mixed-Use Development Investment Match: The first \$75 Million in qualified opportunity fund investment deployed on a new mixed-use development within a City of Muskegon Opportunity Zone shall be eligible to receive a match equal to 2% of the initial eligible investment.

| Opportunity Fund Investment | Incentive Amount |
|---|------------------|
| \$1,000,000 | \$35,000 |
| \$5,000,000 | \$175,000 |
| \$10,000,000 | \$350,000 |
| Note: Matching dollars are paid upon successful completion of the investment and satisfaction of the initial 10-year holding period | |

Missing Middle Housing Development Investment Match: The first \$25 Million in qualified opportunity fund investment deployed in new “missing-middle” housing within a City of Muskegon Opportunity Zone shall be eligible to receive a match equal to 3.5% of the initial eligible investment.

| Opportunity Fund Investment | Incentive Amount |
|---|------------------|
| \$1,000,000 | \$30,000 |
| \$5,000,000 | \$150,000 |
| \$10,000,000 | \$300,000 |
| Note: Matching dollars are paid upon successful completion of the investment and satisfaction of the initial 10-year holding period | |

Neighborhood Housing Development Investment Match: The first \$10 Million in qualified opportunity fund investment deployed in new single-family housing (attached and detached) within a City of Muskegon Opportunity Zone shall be eligible to receive a match equal to 3% of the initial eligible investment.

| Opportunity Fund Investment | Incentive Amount |
|---|------------------|
| \$1,000,000 | \$50,000 |
| \$5,000,000 | \$250,000 |
| \$25,000,000 | \$1,250,000 |
| Note: Matching dollars are paid upon successful completion of the investment and satisfaction of the initial 15-year holding period | |

Port-Related Industrial Redevelopment Incentives: The first \$25 Million in qualified opportunity fund investment deployed in new port facilities (buildings) located on current city-owned property within a City of Muskegon Opportunity Zone shall be eligible to receive a match equal to 5% of the initial eligible investment.

ECONOMIC DEVELOPMENT TEAM



Frank Peterson has 15 years of local government management experience in Michigan communities. Frank has served as the Muskegon City Manager since 2013, and has made an impressive positive impact on the city. Under his leadership, Muskegon has experienced a resurgence that has drawn the attention of many developers, investors, and business leaders across the State of Michigan. By championing projects like the Western Market and the Midtown Square developments, which helped propel the city to the distinction of the 2018 Strongest Town, and implementing a vision to redevelop Mercy Health Arena into a one-of-a-kind multi-sport arena that includes a new \$20 million downtown convention center, Frank has made it clear that he is committed to positioning Muskegon as the State's premier year-round waterfront community. Frank is especially interested in building a community that is attractive and profitable for private investors and welcoming, enjoyable, and affordable for residents and visitors.



LeighAnn Mikesell, the Director of Development Services, oversees the Planning, Economic Development, and Community & Neighborhood Services Departments. She is an engineer/planner with 28 years of experience who uses collaboration to create positive outcomes. For example, she expedited a project for an international company to acquire land, build connecting infrastructure and break ground on a new 500,000 square foot facility in a 9 month time period. LeighAnn is focused on diversifying development across the city by creating strategies to market the business and developer friendly climate in Muskegon, communicate clearly with citizens, provide housing that meets the needs of the current population and is attractive to newcomers, and she is implementing policies that incentivize job creation and investment while meeting the city's principles of urban planning. In essence, LeighAnn is dedicated to moving Muskegon forward to benefit all who live, work, and visit here.

ECONOMIC DEVELOPMENT TEAM



Jake Eckholm

Director of Economic Development
Jake is responsible for developing and implementing the City's overall economic development strategy, including all of the city's business retention, expansion, and attraction programming. He is the point person on Opportunity Zone developments

and businesses in our community. Jake has a background in city management, and a long track record of creating an investment-friendly environment in communities he serves.



Peter Wills

Director of Strategic Initiatives

Peter is responsible for developing, overseeing and helping to implement programs and projects that support the City's short- and long-term plans, as well as deliver project management and strategic planning for key organizational initiatives. Prior to

this role, he served in the Michigan Legislature for 20 years including 14 years as the Chief of Staff to the former state Senator who represented Muskegon County.



Dave Alexander

Business Development Manager

Dave handles downtown and brownfield management and has been downtown manager in Muskegon for four years. Prior to that, he retired early from MLive / The Muskegon Chronicle in 2015 after 34 years as a government and

business editor-reporter in Muskegon. He expertly tells Muskegon's unique story.



Mike Franzak

Planning Director

Mike has been with the City of Muskegon for 12 years. He serves as staff to the Planning Commission and facilitates policy initiatives involving land use, zoning, long range planning and economic development. He has implemented

several successful land use initiatives such as form based code zoning, small-lot development, and waterfront development standards.

WATCH MUSKEGON