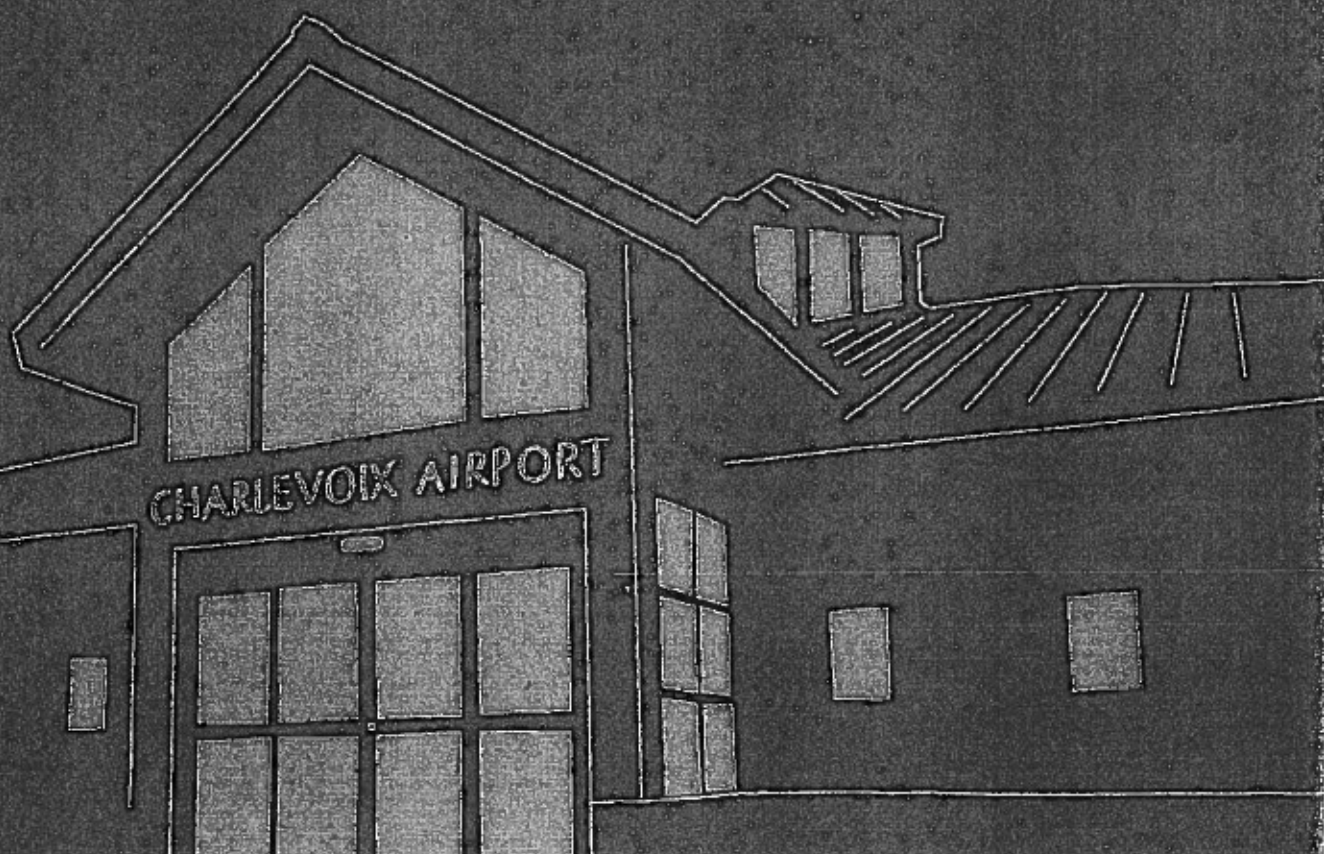


Economic Development
Strategy Executive
Summary
for
CHARLEVOIX



INTRODUCTION

The following is an Executive Summary of the economic development strategy for Charlevoix. The analysis was prepared by The Chesapeake Group, Inc. (TCG) under contract to the City of Charlevoix and with the assistance of LSL Planning.

The strategy identifies existing conditions, contains analyses appropriate to describe economic opportunities, defines the opportunities shown to be sustainable, and, finally, provides the methods to move forward and seize these opportunities. The sole purpose and intent is to provide guidance for enhancing the local economy.

The strategy is based on data and information gathered through the following:

- Interviews with stakeholders.
- A survey of full and part-time residents of the Charlevoix area.
- A survey of area businesses.
- Independent research, proprietary computer modeling.

The Chesapeake Group, Inc. is truly thankful to the staffs of the City of Charlevoix and the Chamber of Commerce for their dedication and support of this initiative. We would also like to thank the hundreds of households and businesses that participated in the surveys.



GLOBAL, NATIONAL AND STATE FACTORS IMPORTANT TO FUTURE ECONOMIC DEVELOPMENT

There are demographic and other changes within the United States and Michigan that impact the opportunities and the future for Charlevoix. These include but are not limited to:

- Birth, fertility and marriage rates have fallen to the lowest level in the history of the country.
- The average age of residents continues to increase.
- The two fastest growing components of the population, both the Baby Boomers households and younger adult households are increasingly seeking and participating in passive and other recreational activity and new forms of entertainment.
- The young adult population relocates and shifts employment at a faster pace than any previous generation.

The demographic changes impact the current and future labor force, housing needs, and other segments of the economy.

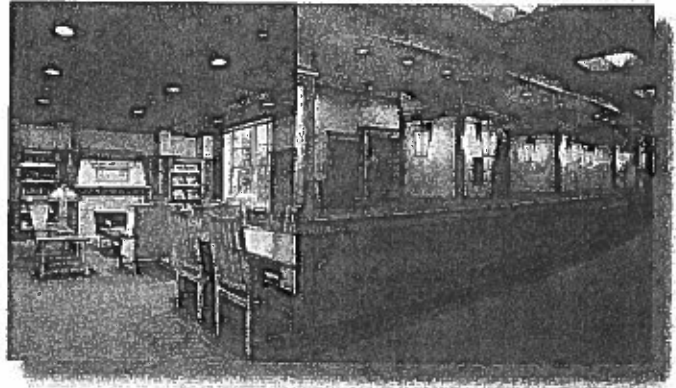
Changes in manufacturing and technology trends within the United States, Michigan and the global economy will impact commercial opportunities. They include but are not limited to those that follow.

- Manufacturing is changing significantly through changing technology, technology application and the introduction of new materials. The changing technology diminishes the importance of labor as a cost factor and increases the importance of transportation relative to other cost factors. The technological change in manufacturing will result in the return of the production of many products to the United States. Manufacturing is likely to expand rapidly in the next ten years, which could provide local opportunities.

ADDITIONAL LOCAL FACTORS AND TRENDS

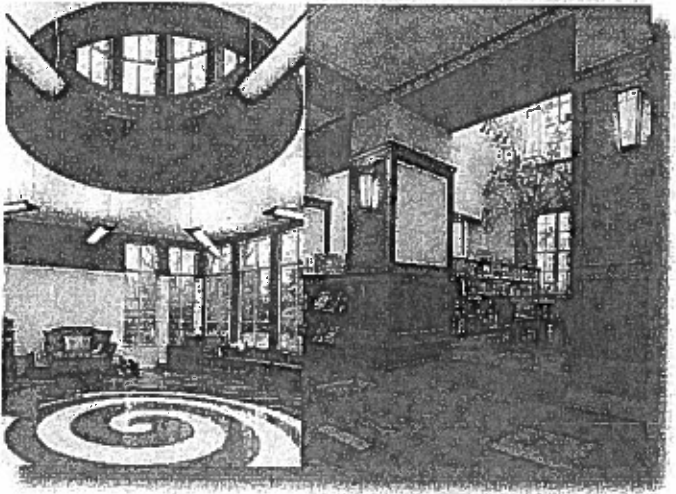
The following are essential local factors impacting economic development.

The City of Charlevoix has a year round population of less than 3,000 people. The population increases dramatically in the summer months due to tourism and the high number of vacation/seasonal homes. This influx of people supports commercial activity that could not be maintained solely by locals. The visitors provide employment opportunities for residents as well.



While new residential construction has only slowly recovered from the Great Recession, indications are that the recovery of sales for existing housing units has been relatively strong.

The majority of the operations report that business has either improved or remained unchanged over the last three years.



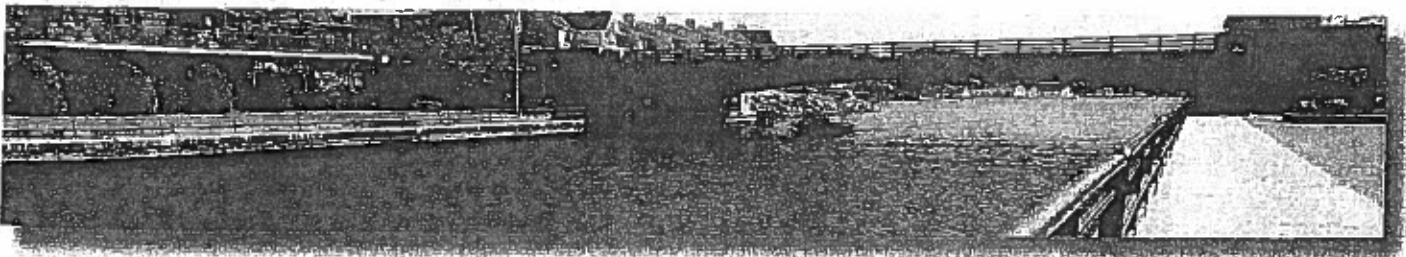
The seasonal nature of the Charlevoix area, as well as difficulties in finding quality or qualified employees, are the primary challenges to current and future activity in the area. The labor force consisted of roughly 1,300 people 16 years of age or older and is aging.

CLUSTER ANALYSES CONCLUSIONS

The cluster analyses compared the business structure in Charlevoix to other areas similar in households, population characteristics, visitor activity, transportation network and other factors.

The findings include gaps in:

- Vehicle sales generally located in suburban locations
- Food service establishments often successful in traditional downtowns.
- A range of medical offices for physical, occupational and speech therapy and audiologist offices.





ASSESSMENT OF RESEARCH & DEVELOPMENT OPPORTUNITIES

Charlevoix has an abundance of natural resources within and surrounding the city which offer opportunities well beyond recreation and tourism including medical research and plant disease and threats. The opportunities include research associated with specific:

- Water plants, animals and organisms.
- Fresh water limnology.
- Invasive aquatic species.
- Native fish species.
- Native aviary.
- Woodlands and woodland animals.



DEMAND FORECASTS

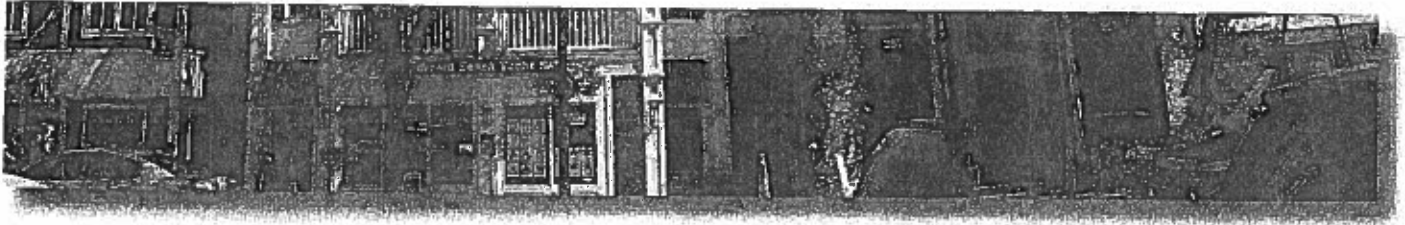
Demand forecasting focused on housing, retail goods and related services, and industrial activity for Charlevoix concluded:

- ✱ Full-time residents of the City of Charlevoix do not generate sufficient sales to support the current Downtown or other commercial activity without attracting sales from others beyond the jurisdiction's boundaries.
- ✱ An opportunity exists to recapture the exported dollars from City and County full-time residents that are spent in other communities, as well as the opportunity to attract residents from neighboring communities to spend money in Charlevoix.
- ✱ The ability to support a total of 200,000 square feet of new or renovated office space. The focus of much of the space would be on health care, Research and Development, and emerging technology applications. The creation of an additional 500,000 square feet of flex space. This is likely to be associated with small branch and start-up operations, with no individual user requiring greater than 20,000 to 25,000 square feet of space.
- The enhancement of deteriorated existing hotel rooms in Downtown is feasible.



STRATEGIC PROGRAM COMPONENTS TO SEIZE OPPORTUNITIES & GROW THE ECONOMY

Charlevoix is at a crossroads. Without an injection of younger households the population will continue to age and could reach a point within a generation where housing property values decline, vacancies become common place in neighborhoods, and the associated tax revenues for local government and other services cease to exist. On the other hand, there is an opportunity to grow the local economy to the benefit of the full-time and seasonal residents through constructive, coordinated activity that includes that which follows.



STRATEGIC GOALS

To maintain vibrancy and grow the local economy to the benefit of the residents and property owners, Charlevoix should seek to:

- Retain and attract new households headed by individuals under the age of 35.
- Support aging in place. Work to retain the current seniors and other residents who will seek alternative living arrangements in the future, other than traditional single-family homes.
- Expand employment opportunities and the range of types of employment in the local economy.
- Enhance conditions that attract and encourage entrepreneurial activity.
- Expand full year economic activity.
- Expand the year around activities in the Downtown by attracting residents from surrounding communities.
- Seize opportunities that are identified.

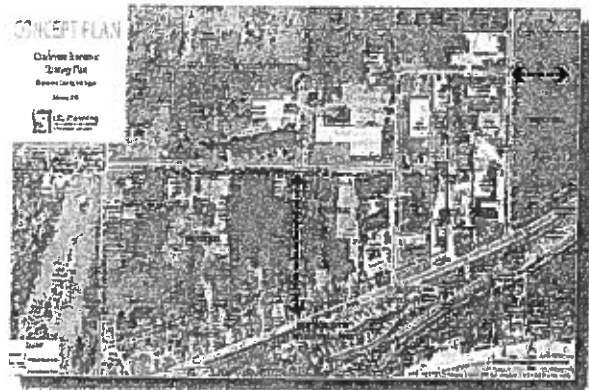


ANCE INDUSTRIAL PARK

Ance Industrial Park represents one of the few formal or semi-formal industrial parks in Charlevoix County. The park is located on the northern edge of the City of Charlevoix north of US-31/Petoskey Avenue between Martin and Ance Roads, extending westward north of Taylor Road. The park is 47.4 acres, excluding street rights-of-way.

A grant was awarded to the City of Charlevoix under the United States Department of Agriculture's Rural Business Enterprise program to extend broadband fiber optic cables to serve all properties within the Ance Industrial Park with high-speed broadband internet access. With this impending improvement, a more efficient, managed layout of the industrial park is essential to maximize the return on investment.

While the industrial park has been a considerable success, there are several issues constraining its continued expansion and growth, including that the industrial park split between two jurisdictions with each community imposes its own industrial zoning district requirements. Also, the industrial park currently has no real identity or sense of place. Furthermore, the opportunities for the expansion of the industrial park are somewhat limited.



INDICATED OR SUGGESTED ENHANCEMENTS INCLUDE:

Act 425 Agreement.

Michigan statutes allow for the Intergovernmental Conditional Transfer of Property between adjacent jurisdictions. Establishing a "425 Agreement" would allow the City and Township to jointly enter into a cooperative arrangement in which land could be exchanged by contract but is not annexed. With both units sharing the City's sewer service, a "425 Agreement" may be a logical choice to help facilitate joint spending for infrastructure improvements.

Rezoning and Expansion of Industrial Park Boundaries.

The current commercial zoning is excessive. Retaining the commercial frontage along Petoskey Avenue/US31 would afford sufficient land for retail and/or service businesses with good access and visibility. However, the interior of the properties between the highway and Taylor Road would be well suited to further industrial development, and rezoning in accordance with this concept is recommended.

Joint Overlay District.

Adoption of an overlay zoning district should be considered to unify the entire Ance Industrial Park irrespective of municipal boundaries. An overlay district could establish a common set of regulations, more or less restrictive than the underlying zoning, throughout the entire park to address uses, setbacks, parking, landscaping and signs.

Renaming to "Business" Park.

Many of the current operations in the park are not industrial in nature. If properly marketed, changing the name as part of the enhanced infrastructure of the business park will send a new message to potential users. With the expanded infrastructure, remarketing of the park should be considered.

TIF/Local Development Finance Authority.

Tax Increment Financing Authorities are a proven way to leverage funds for major infrastructure improvements that will directly benefit the properties within the TIFA boundaries. In Michigan, a TIF is authorized for use through a LDFA (Local Development Finance Authority) which is designated for industrial, agricultural processing, and high technology services facilities. LDFA's are available to cities, villages, and "urban" townships. While creating an LDFA for the City alone would not offer any benefit, the legal authority of an LDFA encompassing land that is subject to a 425 Agreement and under the administrative authority of the City should be explored. If such a structure was feasible, it would establish another unifying element to the industrial park and permit the capture of revenues generated within future expansion and redevelopment areas, all of which lie within the Township.

Small Flex Spaces to Accommodate Growth Opportunities.

Future opportunities exist to attract additional manufacturing and industry. However, future spaces are likely to utilize small spaces with the potential for shared or incubator services. New space should primarily take the form of "flex space," expandable to meet needs of individual operators without having to relocate to different structures.

ADDITIONAL TOOLS TO CAPTURE OPPORTUNITIES & ACHIEVE OBJECTIVES

To achieve the goals and to take advantage of opportunities, there are additional tools or mechanisms that should be considered by Charlevoix including the following:

High Speed Internet for the Downtown and the Community. Charlevoix needs enhanced communications networks to create economic opportunity for new and existing businesses. There are new cost effective solutions being employed in other locations involving blanketing an entire community in a seamless WI-FI coverage providing high-speed access that would otherwise be cost prohibitive. The backbone of the system is a community internet infrastructure, which in this case will soon exist in the Ance Industrial Park. Engineers tap into the cable or fiber optic system, which employs essentially supercharged wireless routers into fiber optic jacks. The routers broadcast on a frequency reserved for transportation systems and have an extra large range up to 1,600 feet. The stationary (or mobile) routers provide secure signals and can be used to create a mesh network that covers an entire city. Since all are part of the same network, only one login is required, and there are no gaps if routers are strategically located.

Heated Sidewalks to Enhance and Attract Year Around Activity Downtown. Heating of the sidewalks in the Downtown will enhance the potential to attract patrons from other communities in Charlevoix County and neighboring counties during winter months and will contribute to the enhanced viability of restaurants and other businesses. There are several technologies that have been used to heat sidewalks in Michigan and other areas.

Formation of a Solar Coop for Downtown. Significant advancement in solar energy has made it an appropriate option for communities in Michigan and elsewhere; the solar industry is booming as a result. Further enhancement in battery storage will also soon be available increasing the potential feasibility of solar energy and as well as a return to the users. A coop could be created for Charlevoix residents to combine their purchasing power to lease, install or purchase solar cells and related equipment; this would dramatically lower operating and energy costs while obtaining the best prices.

Crowdfunding. Start-up businesses are an important part of a healthy local economy; they diversify the offerings of the community and provide employment. Historically there were local banks that would finance start-up activity. That financing option for start-up activity is today very limited, even though the need remains. Therefore, the only way to preserve this opportunity for additional start-ups is through creative financing activity through the community. This may involve initial injection of capital (loans) as well as the creation of leases that have a unique structures based on targeted revenue goals for potentially fully vetted operators. The establishment of a local crowdfund option for financing of real estate ventures, business capital, start-ups, expansion and other aspects of the commercial business structure is one option that should be given serious consideration. Crowdfunding can be used to open the door and provide an incentive for entrepreneurship. The rules allow investors to invest in companies using a crowdfunding exchange if they will locate in Charlevoix. New, small and promising companies could be enticed to come to Charlevoix by providing capital (along with incubator space). Not only is capital generated, but expansion costs can be lowered from the savings associated with the decreased need to hire investment bankers and accountants. Working with and through an existing "funding platform," Charlevoix could promote the availability of capital generated by local residents and businesses to grow new and fresh ideas and entrepreneurial entities. This would provide a competitive advantage for Charlevoix and help to keep a balance of established operations with new ideas and operations.

Contributions to or through a crowdfund are investment funds; their purpose is to provide a return on investment. In general, the investments are "hit or miss" on an individual business or stock purchase just as the expansion or start-up of all operations. But when success is achieved, it is generally at a level exceeding any losses within the fund. For Charlevoix it is unlikely that one "hit" will compensate sufficiently for a loss in the short-term. The investment should be made for the long-term where there is an increased probability of a successful return on investment (ROI). A more balanced long-term approach will result in returns and a lower probability of non-successful businesses and investments for those involved in the crowdfund.

One substantial benefit to a locally directed crowdfund effort is the sense of ownership in the financed activity and businesses and in Charlevoix itself. That sense of ownership will result in greater spending, use and visitation of the businesses and would lessen the probable failure rates. This sense of ownership should not be underestimated; through the use of crowdfunding, the failure rates for expansion and start-ups should be well below those in more traditional financed settings.

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Recruitment Focus. Without proactive recruitment, it is highly likely that a number of opportunities will be lost. It cannot be assumed that because opportunities exist, people will naturally seek those opportunities; rather, they can only seek opportunities of which they are aware. It is important to note that traditional means of marketing, such as "multiple listing," does not reach target audiences well or stimulate interest from those outside of the area that often make investments. The Charlevoix area is not necessarily seeking someone who is "looking" to invest; rather, the area is in search of the right parties that may not even know of the opportunities exist at this time or in the foreseeable future.

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Incubator Space and Long-term *Versus* Short-term Return. Incubator space is essential to spur entrepreneurship. This will only occur through property owners and related investors/developers foregoing short-term returns for greater longer-term rewards; one option is to link rent to revenue flow of the entrepreneurial activity. There are communities where entrepreneurs are offered dramatically reduced to virtually no rent for the first year; the business agrees to "open the books" so that when certain revenue levels are reached, rent is paid based on normal percentages. In the short-term, income from the property is sometimes lower, but it is greater in the long-term. The impact of the activity substantially modifies the rent formula, so that over a longer term, rents and property related revenues rise above the levels that would have been achieved if only the short-term return was considered.

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Pursuit of Expanded R & D Activity. Another recruitment effort is associated with the establishment of niches for Research and Development (R & D) activity. There are three possible methods for pursuing R & D. The first method is to directly recruit individual companies through a coordinated, continual process. The second method is to form a partnership or consortium. The third also involves forming a partnership or consortium, but additionally calls for the inclusion of outside expertise with a track record in the industry. A combination of the latter two methods is preferred.

An Entrepreneurship Program. An entrepreneurship program with a possible apprenticeship component serves several purposes for increasing business opportunities. It can be effectuated through community colleges, Baker College, local artist connections, local, regional and national chapters of AARP, accountants and financial advisors in the area, and technical-oriented higher education schools in the larger region. Relationships with such institutions could be established on a one-to-one basis or collectively through one catalytic institution. Through the organizations or institutions, "students" or participants can be identified with potential entrepreneurship profiles and interests. Baker College is already attempting to focus on entrepreneurship training in other . Business scholarships to attend business management courses, acquire specific industry skills, or acquire entrepreneurship skills could be arranged through cooperative partnerships. Financing for existing operations may be through current owners "taking paper" as well as other consortium sources. It is noted that current owners of operations could also identify current employees with potential.

The Additional of Local Higher Education Options. The current and future residents of Charlevoix need to expand their skills in areas that will provide future growth opportunities. Additional education and training needs to be provided locally. The school system has an establishing, albeit limited, relationship with Baker College. This relationship could be expanded, with Baker College developing a local presence to better serve the residents of Charlevoix

PRIORITIZATION TO ACHIEVE GOALS

There are three tools that, when combined, will have the greatest impact on the overall economic development of the area; these tools should be given the highest priority in terms of human and fiscal resources. They are crowdfunding, creation of incubator space, and enhancing entrepreneurship.

The private sector's involvement in all of the above activity is paramount to its success. The Chamber of Commerce, City of Charlevoix, Charlevoix Township, Charlevoix County, the State of Michigan and the Chamber of Commerce all have roles in the process as defined in the business park and strategy. Coordination should be a cooperative effort of the Chamber and the City of Charlevoix.

