

MICHIGAN ECONOMIC GROWTH AUTHORITY BOARD
January 11, 2010

ADOPTED MEETING MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) Board was held on Monday, January 11, 2010 at the MEDC building, Lake Michigan Room, 300 N. Washington Sq. N., Lansing, Michigan.

MEMBERS PRESENT: Douglas Buckler; Susan Corbin (acting on behalf of Stanley "Skip" Pruss, authorization attached); Deb Dansby (acting on behalf of Greg Main, authorization attached); Baldomero Garcia; Tim Herman; Jackie Shinn (acting on behalf of Kirk Steudle, authorization attached)

MEMBERS ABSENT: Cullen DuBose; Robert Kleine

CALL TO ORDER: Ms. Dansby called the meeting to order at 10:04 a.m.

PUBLIC COMMENT:

Ms. Dansby asked if there was any public comment. There was none. Ms. Dansby thanked the MEGA Board Members for attending the special MEGA Board meeting and spoke about the MEDC not being able to move projects quickly forward without the help of Board Members. Ms. Dansby recognized and thanked Senator Jason Allen for his presence at the meeting.

Ms. Shinn joined the MEGA Board Meeting at 10:09 a.m.

ADMINISTRATIVE:

Resolution 2010-01: MEGA Fee Structure (Amendment #2)

Peter Anastor, MEDC Community and Urban Development Manager, provided background information for this action.

Mr. Anastor spoke about the original MEGA Fee Structure passed in 2000 (Resolution 2000-04) and the current MEGA program being much more complex. The original MEGA program had less volume and only one type of credit awarded. Currently, the MEGA Board approves tax credits for Standard, Rural, Retention, High-Tech and Combo MEGA's and since 2008, MEGA has assumed responsibility for various MBT Credits related to Energy Storage (battery-related), Polycrystalline, Photovoltaic, Anchor Jobs and District, Technology Collaboration, and Defense Procurement Contracting. Mr. Anastor spoke about the difference in staff hours to service the higher volume and varieties of MEGA tax credits. In addition, the MEGA program is implementing an enhanced audit and compliance process for monitoring MEGA tax credits, including an annual on-site audit. Mr. Anastor talked about the additional staffing and support costs required for the enhanced audits. Mr. Anastor talked about the current MEGA Fee Structure capped at \$100k, which means some of the most complicated and highly incented projects are paying much less than the ½ of 1 percent administrative fee, potentially leading to a regressive fee structure where larger projects are paying a lower rate of administrative fees compared to smaller projects. Mr. Anastor spoke about key economic development services being at risk with continued reductions in state and corporate budgets and that the MEGA program should be fully supported by fee revenue in order to ensure that other revenue sources are not being used to subsidize staff that is working on MEGA projects.

Recommendation: MEDC Staff recommends that the MEGA Board approve the following:

(1) Remove the cap of \$100k on MEGA and other MEGA approved MBT credits; (2) Continue the calculation of MEGA and MBT Administrative Fees as ½ of 1 percent in current dollars as calculated by the REMI Analysis.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed MEGA Fee Structure (Amendment #2) and recommends approval. Ms. Dansby asked if there were any questions from the Board. Being none, **Mr. Buckler made a motion for approval of Resolution 2010-01. Ms. Shinn seconded the motion.** The motion carried unanimously – 6 ayes; 0 nays; 0 recused; 2 absent.

PROPOSED BATTERY PROJECT & MEGA RETENTION AMENDMENT:

Resolution 2010-02 & 2010-03: Ford Motor Company (Ford)

Amy Deprez, MEDC Packaging Manager, provided background information for the action and introduced guest presenters; Gabby Bruno, Government Relations Manager, Ford; and Kelly Murphy, Tax Office Liaison, Ford.

Ms. Bruno thanked the MEGA Board Members and talked about Ford making a critical transformation including a strategic consolidation of electrification programs in Michigan that could result in an additional investment of \$300-500 million. The new Michigan Assembly facility will include the manufacturing of the next generation hybrid electric vehicle and plug-in hybrid vehicle with lithium ion batteries. The transformation also includes in-house design and assembly of advanced battery packs, which is currently done by a third party in Mexico. Ms. Bruno stated that she was excited about the project for Ford, the City of Wayne, and the State of Michigan. Ms. Bruno thanked the MEDC Staff, and the legislature, specifically Sen. Allen for moving so swiftly on legislation to help secure this project.

Recommendation: MEDC Staff recommends amending the previously issued MEGA Retention tax credit to allow for the additional sites as outlined in this memo, to increase the number of retained jobs, and to change the initial tax year of the credit to the tax year ending December 31, 2011. The amended up to 100 percent retention employment tax credit will be for 10 years for the 8,600 retained employees located at the project sites. This tax credit will be awarded provided that the following contingencies are met: Ford agrees to set aside the Wayne facility site MEGA upon activation of this Retention MEGA. Ford agrees to retain a minimum of 1,800 jobs and invest a minimum of \$90 million at the Michigan Assembly and Wayne Stamping facilities to activate this Retention tax credit. Further, Ford agrees to retain a minimum of 2,800 jobs by the end of 2012, including not less than 1,000 jobs related to their advanced lithium ion battery activities. Failure to meet this threshold will halt the credit until the threshold is met. Ford must retain a minimum of 3,000 jobs in order to be eligible for a 100% credit. Failure to retain a minimum of 3,000 jobs in any credit year will result in a maximum credit of 75%. Additionally, the Michigan Economic Development Corporation recommends approval of up to \$78 million in Advanced Lithium Ion Battery Pack tax credits, provided that the following are met and payable in three equal installments of \$26 million each: Ford makes a minimum capital investment of \$250 million related to this activity; Ford creates and maintains a minimum of 1,000 jobs related to the advanced lithium ion battery pack over an established employment threshold of 86, which is the number of employees currently assigned to this area; Ford agrees to manufacture not less than 225,000 pack units. Failure to meet this threshold by January 1, 2017 will require repayment of the incentive. To receive the installments of \$26 million, Ford agrees to manufacture a minimum of 35,000 units by Year 1 (expected to be 2012), 110,000 units by Year 2, and 225,000 units by Year 3 cumulatively. Failure to meet the appropriate cumulative threshold in any of the given years will result in the installment being withheld until the unit number is achieved.

Board Discussion: Ms. Dansby spoke about the flexibility of the MEGA Board, MEDC Staff, and Legislature making this project happen in about two months with multiple obstacles to be overcome. Ms. Dansby talked about being pleased to come together and celebrate a huge success. Ms. Bruno spoke about this being a heart-warming moment and noted that this was a big day for Ford, since Ford was just awarded North American Car & Truck of the year. Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed Battery Project & MEGA Retention Amendment and recommends approval. Ms. Dansby asked if there were any questions from the Board. Being none, **Mr. Herman made a**

motion for approval of Resolution 2010-02. Mr. Buckler seconded the motion. The motion carried unanimously – 6 ayes; 0 nays; 0 recused; 2 absent. **Ms. Shinn made a motion for approval of Resolution 2010-03. Mr. Garcia seconded the motion.** The motion carried unanimously – 6 ayes; 0 nays; 0 recused; 2 absent.

DISCUSSION: Ms. Dansby congratulated Ford and thanked everyone for attending and spoke about her appreciation for the MEGA Board Members and the MEDC Staff making the special meeting possible.

ADJOURNMENT: The meeting was adjourned by Ms. Dansby at 10:37 a.m.