

ADOPTED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) board was held at the Michigan Economic Development Corporation, 300 N. Washington Square, on January 16, 2007, at 10:00 a.m.

Members Present

Jim Epolito

Faye Nelson

Jackie Shinn (acting on behalf of Kirk Steudle, authorization attached)

Scott Schragar (acting on behalf of Robert Kleine, authorization attached)

Robert Swanson

Others Present

Karen Ammarman, Secretary to the Board, MEDC

Peter Anastor, MEDC

Amy Banninga, MEDC

Tiffany Bloom, MEDC

Toni Brownfield, MEDC

Greg Burkart, Squire, Sanders & Dempsey LLP

Dan Casey, City of Rochester Hills

Lisa Dancsok, MEDC

Deb Dansby, MEDC

Don Davis, Eaton Aeroquip

Jim Donaldson, MEDC

Tracy Freeman, MEDC

State Representative Martin Griffin

Kathie Grinzinger, City of Mt. Pleasant

Valerie Hoag, MEDC

Ray Holm, President, Gentz Industries

M. Linus Isabell, ParkingCarma

Carol Knobloch Johns, MEDC

Diana Kolakowski, City of Warren

Carol Konieczki, City of Jackson

Jim McBryde, MEDC

Mark Morante, MEDC

Greg Nicholas, Genesee Chamber of Commerce

Jennifer Owens, MEDC

Jim Paquet, MSHDA

Nate Pilon, MEDC

Matthew Rick, Attorney General's Office

Bill Ross, City of Jackson

Gregory Saxton, J.E. Johnson

Mike Shore, MEDC

Vern Taylor, MEDC

Robert Tess, Macomb County

John Thomas, Tesla Motors
Jim Tischler, J.E. Johnson
Rick Warner, ParkingCarma
Andy Weeks, Eaton Aeroquip

Call to Order

Jim Epolito called the meeting to order at 10:30 a.m.

Approval of Minutes from December 19, 2006

After review, a motion was made, supported and carried that board meeting minutes from the December 19, 2006 meeting be adopted

Public Comment

There was no public comment.

ACTION ITEM

*Gentz Aerospace Production, LLC
25250 Easy Street
Warren, Michigan 48089*

Mr. Ray Holm, President and CEO of Gentz Aerospace Production, was introduced, along with Bob Tess of Macomb County and Diana Kolakowski from the City of Warren. Mr. Holm discussed the company's expansion plans. The company is growing, due to its reputation for quality and engineering expertise, and expects to add up to 130 new jobs over the next five years.

Gentz Industries was founded in 1949, but was acquired by the current owners in 1995. The company manufactures and repairs complex, high-precision, safety-sensitive components and fabrications for power generation, prop and jet aircraft, and helicopters. The products manufactured generally require exotic alloy materials, and precision manufacture and machining. As a FAR 145 Repair Station, Gentz employs certified repairmen and inspectors. Gentz's customers are the engine builders, certified aerospace parts distributors, airlines and certified engines repair stations, with 75% of the company's revenue drawn from customers outside the U.S. Gentz currently employs 169 full-time employees at its Warren facility.

An expansion of its Warren location, will require acquisition of adjacent real property, a building expansion, and new machinery and equipment. The company anticipates investment of \$3.7 million in new real and personal property in the first phase, with additional investment anticipated as the company expands. The 130 new positions will pay an average weekly wage of \$959.

It is estimated that this facility will create a total of 282 jobs in the state by the year 2013. We also estimate that the project would increase total state government revenues through the year 2013, of \$6.9 million due to the location of this facility.

Due to difficulties in recruiting skilled workers, the company has considered several locations where the labor and customer pool are more favorable. Wichita, Kansas offers favorable facility lease rates, tax incentives, training funds and a ready pool of aerospace-savvy labor. The area also has a concentrated source of potential new aerospace customers that would find the company's capabilities and proximity very attractive and advantageous. The company could realize savings of up to \$1 million per year in Kansas.

The City of Warren has proposed local property tax abatement under Public Act 198 of 1974 for 12 years for new real property and 11 years for new personal property. This abatement has an estimated value of \$413,000. Diana Kolakowski discussed additional infrastructure improvements, specifically related to street and sewer improvements, that the City is willing to assist with.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for seven years, for up to 130 net new jobs.

Board Discussion

Scott Schragger gave the Executive Committee report. The Executive Committee recommends approval of the requested tax credit.

Robert Swanson asked whether the company anticipates difficulty in finding and hiring appropriately skilled employees. Mr. Holm expressed concern about finding and retaining appropriate new employees. He also expressed the company's desire to remain consolidated in the Warren area.

Hearing no further discussion, a motion was made and supported, and Resolution 2007-01, authorizing a MEGA tax credit for Gentz Aerospace Production, LLC, was adopted.

ACTION ITEM

*ParkingCarma Inc.
200 East Washington, Suite 700
Ann Arbor, Michigan 48104*

ParkingCarma is a parking guidance service that will be available in the major metropolitan areas of North America. ParkingCarma lets a driver secure a parking space via cell phone, Internet, or navigation system. ParkingCarma Inc. was established in 2006 to commercialize this technology.

Rick Warner and M. Linus Isabell with ParkingCarma Inc., were introduced to the board. Greg Nicholas from the Genesee County Chamber of Commerce was present to discuss community assistance for the project.

Mr. Warner explained this new product, developed by ACME Innovation in association with AT&T, Bay Area Regional Transportation, CalTrans, Intel, Microsoft, NavTech, Quixote Corporation, Senses (Siemens) and UC Berkeley. ParkingCarma has exclusive rights to intellectual property associated with the delivery of parking information over the Internet and wireless devices and has established relationships with the many suppliers and providers (among these are Google, infoUSA, On-Star/GM, Sirius and other Telematics suppliers, just to name a few), who will use this information to enhance the product offerings to their existing customers.

ParkingCarma Inc. is in the process of establishing the location that will serve as the company's customer contact center, which will support its customer base 24 hours per day, seven days a week, by providing customer service, issue resolution, and technical support to both member customers (people) and participating parking lots. ParkingCarma Inc. is considering a location in the City of Flint, at the Great Lakes Technology Center. The company estimates that this proposed project will add up to 110 jobs within the first five years of operations, with an average weekly wage of \$986.

It is estimated that this facility will generate a total of 155 jobs in the state by the year 2013. Total state government revenues through the year 2013, would be increased by \$1.9 million due to the presence of this facility.

While the company has a proven technology to market, it is still in the initial stages of start up. The decision to locate in Michigan is based upon award of a MEGA credit and funding from Genesee Chamber of Commerce, Automation Alley, Ann Arbor SPARK, and private Michigan investment groups. The company is also considering locations in Emeryville, California and Raleigh, North Carolina.

The Genesee Chamber of Commerce has proposed a loan of \$500,000 to assist with the company's start up expenses. Automation Alley and SPARK have also offered financial assistance in support of the project.

The company is a qualified high-technology business, whose primary business activity is advanced computing, as defined by statute.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for seven years, for up to 110 net new employees.

Board Discussion

Scott Schrage gave the Executive Committee report. The Executive Committee recommends approval of the requested high-tech tax credit.

Discussion was heard with regard to the proffered loan in the amount of \$500,000 by the Genesee Chamber Foundation. Signing of the written Agreement is contingent upon the approval of the loan, among other things.

Hearing no further discussion, a motion was made and supported, and Resolution 2007-02, authorizing a high-tech MEGA tax credit for ParkingCarma Inc., was adopted.

ACTION ITEM

*Tesla Motors, Inc.
1050 Bing Street
San Carlos, California 94070*

Jim Donaldson introduced John Thomas from Tesla Motors, and Dan Casey with the City of Rochester Hills. Mr. Thomas described the current product, an electric roadster that uses Lithium-ion batteries to get 250 miles per charge. Its three-phase induction motor can propel the vehicle at 130 miles an hour and accelerate faster than a Porsche 911. The roadster is assembled by hand by Group Lotus PLC, the English race car maker. A total of 254 Teslas will be built through 2007, with an annual production of 1500 units planned after that. The company is currently planning its next model, using the Tesla Roadster's technology to produce a less expensive sports sedan that can be sold at higher volume. Tesla currently has nine employees in Michigan.

To assist with ramping up its volumes and developing its next vehicle, Tesla Motors must establish an automotive, research and development/engineering center. The company is considering the lease of an existing building in Rochester Hills and anticipates the creation of up to 75 new jobs with an average weekly wage of \$1,500.

The company anticipates total investment in the project, including specialty tooling, of approximately \$47.7 million. In addition to its capital investment, Tesla will spend another \$50 million for outside test and engineering services to support their new center. Most of the tools and engineering services will be sourced from Michigan suppliers.

It is estimated that this facility will generate a total of 76 jobs in the state by the year 2009. Total state government revenues through the year 2009, would be increased by \$1.2 million due to the presence of this facility.

Tesla is also considering Greenville/Spartanburg, South Carolina to be closer to the International Center for Automotive Research (Clemson University) and the BMW supply base.

The City of Rochester Hills has proposed a fifty percent abatement of the company's personal property taxes for three years, as well as waiving certain fees. The City will also host a job fair, has negotiated free executive housing from a local business, and has secured business advisory services from Oakland University. This package has an estimated value of \$14,500.

In partnership with Oakland County, Automation Alley has also offered a two year foundation membership, valued at \$30,000.

The company is a qualified high-technology business, whose primary business activity is advanced vehicles technology, as defined in the Act.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent look-back employment tax credit for three years, for up to 75 net new employees. A 100 percent credit will be offered if at least 50 jobs are created. No credit will be collected if fewer than 50 jobs are created.

Board Discussion

Scott Schragger gave the Executive Committee report. The Executive Committee recommends approval of the requested high-tech, look-back tax credit.

Hearing no further discussion, a motion was made and supported, and Resolution 2007-03, authorizing a high-tech, look-back MEGA tax credit for Tesla Motors, Inc., was adopted.

ACTION ITEM

*Eaton Aeroquip Inc.
300 S. East Avenue
Jackson, Michigan 49203*

Mark Morante introduced Andy Weeks and Don Davis from Eaton Aeroquip Inc., and Carol Konieczki and Bill Ross with the City of Jackson. Mr. Weeks explained the company's desire to consolidate its operations. Eaton Corporation is a worldwide leader in the design, manufacture and marketing of a comprehensive line of reliable, high-efficiency hydraulic systems and components for use in mobile, industrial and aerospace applications. Eaton Corporation has 60,000 employees worldwide. Eaton Aeroquip Inc., is part of Eaton Corporation's Fluid Power Business. The Jackson facilities in the City of Jackson and Blackman Township manufacture components for the aerospace industry. Historically, these Jackson County facilities have employed 563.

Eaton Aeroquip Inc.'s facilities in Jackson County have been under study to assess their competitiveness. The company is considering the closure of these facilities and

relocating the work to Mexico. In the event that the facilities are closed, only about 50 employees would remain in Michigan. The scenario being proposed is to close Eaton Aeroquip Inc.'s Blackman Township facility, and transfer these operations to the Jackson facility.

Capital investment in Jackson would be approximately \$1 million over five years. The company will retain a minimum of 360 existing full-time employees, up to a maximum of 563, at the remaining facilities. Average wages for the retained workers will be \$1,027 per week.

It is estimated that this facility will retain a total of 1,262 jobs in the state by the year 2013. It is also estimated that the project would maintain total state government revenues through the year 2013, of \$32 million due to the retention of this facility.

Besides considering the consolidation in its Jackson County manufacturing operations in Michigan, the company is also considering moving them to Tijuana, Mexico. When comparing the Michigan and Tijuana locations, the company estimates that wage rates in Tijuana are significantly lower.

Under the MEGA act, local assistance is not required for this project. However, the City of Jackson approved the establishment of a 15-year Redevelopment Renaissance Zone to allow the consolidated aerospace manufacturing facility located at 300 South East Avenue to be virtually free of local property taxes. Based on tax information provided by the company, the estimated value of the Renaissance Zone is \$2.4 million for up to 15 years.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent retention employment tax credit for seven years, for up to 563 retained employees, subject to a repayment provision, should the terms of the credit agreement not be met.

Board Discussion

Scott Schragar gave the Executive Committee report. The Executive Committee recommends approval of a MEGA retention tax credit.

Discussion was heard with regard to job retention at three Eaton facilities; Eaton Aeroquip Inc., Eaton Corporation, and Eaton Aerospace, LLC, an affiliated business.

Hearing no further discussion, a motion was made and supported, and Resolution 2007-04, authorizing a MEGA retention tax credit for Eaton Aeroquip, Inc., was adopted.

ACTION ITEM

*City of Mt. Pleasant Brownfield Redevelopment Authority
Mt. Pleasant, Michigan 48858*

Jim Paquet introduced Kathie Grinzinger, Mt. Pleasant's City Manager, Greg Saxton with Central Michigan Development LLC, and Jim Tischler with J.E. Johnson. Ms. Grinzinger and Mr. Saxton explained the project, which involves the renovation and reuse of the former Borden Condensing Corporation property along with a new residential/commercial mixed-use development on an adjacent property. The Borden property is located at a prominent location within downtown Mt. Pleasant and is listed on the National Register of Historic Places. The project is a partnership between the City of Mt. Pleasant, the Mt. Pleasant Economic Development Corporation, and Central Michigan Development, LLC. The renovated structure will include 39,000 square feet of commercial office space for which the proposed primary tenants will be the City of Mt. Pleasant and another commercial office tenant. The City of Mt. Pleasant will leave its current facility located at 401 North Main Street. The structure at this location is in good working condition but no longer has adequate space for the municipal offices and staff. The current City Hall property will be put up for sale upon project completion and successful relocation of the municipal offices.

The adjacent new construction project shall comprise 30,000 square feet consisting of a mix of commercial/retail and residential uses.

The project is located within the boundaries of the City of Mount Pleasant, a qualified local governmental unit, and has been deemed a facility, as verified by the Michigan Department of Environmental Quality. The property is the subject of a brownfield plan, duly approved by the City of Mount Pleasant on October 9, 2006.

Brownfield Work Plan approvals are based on several criteria outlined in the statute. These criteria have been met.

It is estimated that 30 temporary construction jobs could result from this project, and 25 full-time equivalent jobs from new tenants. New permanent jobs are estimated to have an average hourly wage of \$11.00.

The unadjusted unemployment rate for the City of Mount Pleasant was 4.2% in October 2006. This compares to the statewide seasonally adjusted average of 6.9% in October 2006.

The developer will be making \$8,250,000 private eligible investment in the non-city space, and will be seeking approval for a SBT Brownfield Credit not to exceed \$825,000.

On February 8, 2006, the Michigan Department of Treasury approved an OPRA in the amount of \$4,827,900 for a period of six years. The project will receive \$1.3 million for

a Certified Historic Structure Tax Credit, a Federal Conservation Easement in the amount of \$186,000, and a CMI Waterfront/Brownfield grant in the amount of \$594,000 from the MDEQ.

COST OF MEGA ELIGIBLE ACTIVITIES:

Demolition	\$ 41,975
Infrastructure Improvements	271,542
Site Preparation	+ 43,580
Sub-Total	\$ 357,097
MEGA Review Cost	+ 1,000
TOTAL	\$ 358,097

There are 53.7493 mills available for capture for the commercial portion of the project, with school millage equaling 24 mills (45%) and local millage equaling 29.7493 mills (55%). For the residential portion of the project, it is assumed all properties will be homestead properties with school millage equaling six mills (17%) and local millage equaling 29.7493 mills (83%). The recommended tax capture breaks down as follows:

RESIDENTIAL PORTION

School tax capture (17%)	\$ 44,446
Local tax capture (83%)	\$ 220,404
TOTAL	\$ 264,850

COMMERCIAL PORTION

School tax capture (45%)	\$ 41,660
Local tax capture (55%)	\$ 51,587
TOTAL	\$ 93,247

OVERALL

School tax capture (24%)	\$ 86,106
Local tax capture (76%)	\$ 271,991
TOTAL	\$ 358,097

Recommendation

The brownfield redevelopment staff recommends approval of local and school tax capture for the eligible activities totaling \$358,097 described above. Utilizing the current state to local capture ration, the amount of school tax capture for this project is estimated at \$86,106.

The brownfield redevelopment staff further recommends the capture of local taxes to reimburse the cost of relocating certain public operations for economic development purposes.

Board Discussion

Scott Schragger gave the Executive Committee report. The Executive Committee recommends approval of local and school tax capture for this project.

Robert Swanson asked whether the projects will be accomplished in phases. Mr. Saxton replied, saying that the projects are expected to finish simultaneously.

Peter Anastor discussed a letter, received from an Isabella County Administrator, expressing his displeasure that monies designated for clean-up and remediation would be used to relocate and refurbish city offices. Ms. Grinzinger spoke to this concern, stating that this author of the letter also holds a position with the local Brownfield Redevelopment Authority, along with many others from the local community. His negative vote on the proposal was overwhelmed by the positive votes.

Hearing no further discussion, a motion was made and supported, and Resolution 2007-05, authorizing the capture of local and state operating taxes for the City of Mt. Pleasant Brownfield Redevelopment Authority, for the West Broadway revitalization project, was adopted.

The meeting was adjourned at 11:35 a.m.

The next board meeting is scheduled to take place on February 13, 2007.