

## ADOPTED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Michigan Economic Development Corporation, 300 N. Washington Square, on January 17, 2006, at 10:00 a.m.

### Members Present

Cullen DuBose  
David Hollister  
Faye Nelson  
Jim Epolito  
Scott Schrage (acting for and on behalf of Jay Rising, authorization attached)  
Jackie Shinn (acting for and on behalf of Gloria Jeff, authorization attached)

### Others Present

Karen Ammarman, MEDC  
Peter Anastor, MEDC  
Amy Banninga, MEDC  
Tino Breithaupt, MEDC  
Gerald Brown, Mayor, City of Trenton  
Toni Brownfield, MEDC  
Bob Cady, City of Trenton  
Tom Crawford, City of Ann Arbor  
Jim Donaldson, MEDC  
David Duane, Heat Controller, Inc.  
Jill Ferrari, REI Group  
Carol Knobloch Johns, MEDC  
Carol Konieczki, City of Jackson  
Richard Kurtz, Pres., CEO, Advanced Photonix, Inc.  
Mark Morante, MEDC  
Susan Novakoski, MEDC  
Mike Pohnl, MEDC  
Matthew Rick, Attorney General's Office  
Rob Risser, CFO, Picometrix  
Tim Robinson, Washtenaw Development Council  
Bill Ross, City of Jackson  
Mike Shore, MEDC  
Vern Taylor, MEDC  
Amy Torres, City of Jackson

### Call to Order

David Hollister called the meeting to order at 10:15 a.m.

## Approval of Minutes from December 20, 2005

After review, a motion was made, supported and carried that board meeting minutes from the December 20, 2005 meeting be adopted.

### Public Comment

There was no public comment.

### ACTION ITEM

*Advanced Photonix, Inc.  
1240 Avenida Acaso  
Camarillo, California 93012*

Jim Donaldson introduced Richard Kurtz from Advanced Photonix, Inc., and Robin Risser from Picometrix. Tim Robinson with the Washtenaw Development Council and Tom Crawford from the City of Ann Arbor were also present. Mr. Kurtz explained that API is proposing to relocate its corporate headquarters from Camarillo, California to Ann Arbor. API is also proposing to consolidate and relocate its semiconductor microfabrication from Camarillo and Dodgeville, Wisconsin to Ann Arbor. Advanced Photonix, Inc. (API) is a leading supplier of opto-electronic solutions and Terahertz sensors and instrumentation to a global customer base. The markets the company serves include defense/homeland security, medical, telecom, test and measurement, industrial/ commercial and automotive. API currently has operations in Camarillo and Dodgeville, and the company recently purchased Ann Arbor based Picometrix, where there are 29 current employees.

The relocation and consolidation would utilize existing facilities in Ann Arbor that currently house recently acquired Picometrix, now a wholly-owned subsidiary. The project would lead to the creation of nine new jobs in the first year of the project, including the relocation of the headquarter staff, and 68 new jobs over five years. The new positions will pay an average starting weekly wage of \$1,045.

Total capital investment for the project would be approximately \$2.2 million, including \$1.2 million for a new clean room and infrastructure improvements and \$1 million for new machinery and equipment, computers and pollution control equipment.

It is estimated that this facility will generate a total of 105 jobs in the state by the year 2015. Total state government revenues through the year 2015, would be increased by \$2.2 million due to the presence of this facility.

API also considered maintaining its corporate operations in Camarillo and consolidating its wafer fabrication in Dodgeville. If the wafer fabrication was consolidated in Wisconsin, API would have the benefit of lower wages, lower electrical costs and lower property taxes. In addition the company would have lower capital costs as Dodgeville

would not require additional clean room capacity. Maintaining the headquarters operations in California would save the company moving and relocation costs.

The State of Michigan will provide a 100 percent abatement of the six-mill State Education Tax for a period of time to match the local real property tax abatement. The value of this abatement is estimated at \$23,000. In addition, API could also be eligible for new Single Business Tax Credits equal to 15 percent of their personal property taxes paid on industrial personal property at the site, and 100 percent of their personal property taxes paid on equipment used by employees transferred to Michigan. These credits could be worth \$13,000 over the next four years.

The City of Ann Arbor has proposed a 50 percent PA 198 tax abatement for the new real and personal property related to this project for five years. The estimated value of this abatement is \$103,000. Final tax abatement approval is expected by March, 2006.

### **Recommendation**

The Michigan Economic Development Corporation recommends a 100 percent high-technology, look-back employment tax credit for 10 years, for up to 68 net new employees. A look-back is requested due to the specialized nature of the employees being sought for this project.

### **Board Discussion**

Faye Nelson gave the report from the Executive Committee. The Executive Committee recommended support of the requested High Tech MEGA tax credit.

Hearing no further discussion, a motion was made and supported, and Resolution 2006-01, authorizing a High-Tech MEGA tax credit with Look-Back for Advanced Photonix, Inc., was adopted.

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### **ACTION ITEM**

*City of Jackson Brownfield Redevelopment Authority  
161 West Michigan Avenue  
Jackson, Michigan 49201-1303*

Mark Morante introduced Bill Ross, Carol Konieczki and Amy Torres from the City of Jackson, and David Duane with Heat Controller, Inc. Mr. Duane explained the company's plans for expansion. Heat Controller, Inc. plans acquire the former Overhead Conveyor parcel, which is adjacent to their current property and is contaminated. Heat Controller, Inc. is expected to invest over \$1.5 million to purchase and redevelop this property, in order to expand their operation.

The project will include the demolition of the existing 93,000 square foot dirt floor building that is in disrepair. Heat Controller will then construct a new 18,750 square foot

warehouse building and parking lot on the site. The expansion will lead to the creation of ten new full-time jobs paying an estimated \$14.25 per hour and will create tax revenue for the City.

Work plan reviews are based on several criteria outlined in the statute. These criteria have been met.

The unemployment rate for the City of Jackson was 9.8% during 2005. This compares to the statewide average of 6.9% through October 2005.

Heat Controller will seek approval of a Brownfield Single Business Tax Credit in the amount of \$97,480. The City of Jackson has supported the project through use of a \$50,000 U.S. EPA Brownfield Assessment Grant and supports the use of local, non-school TIF capture for interest costs related to this project.

There are 53.9737 mills available for capture, with school millage equaling 24.082 mills (45%) and local millage equaling 29.8917 mills (55%). The recommended tax capture breaks down as follows:

School tax capture	\$ 88,868 (45%)
Local tax capture	\$ 110,307 (55%)
	<u>\$ 199,175</u>

### PROJECT COSTS

Demolition	\$ 109,000
Asbestos Abatement	\$ 25,000
Site Preparation	\$ 39,500
Contingency (15%)	<u>\$ 25,675</u>
Total	\$ 199,175

The property is a facility and located within the boundaries of the City of Jackson, a qualified local governmental unit. The property is the subject of a brownfield plan, duly approved by the City of Jackson on December 13, 2005.

### Recommendation

The Michigan Economic Development Corporation recommends approval of the school tax capture not to exceed \$88,868 based on eligible activities totaling \$199,175, described above.

### Board Discussion

Faye Nelson gave the report from the Executive Committee. The Executive Committee recommended support of the request for school tax capture.

Hearing no further discussion, a motion was made and supported, and Resolution 2006-02, authorizing the capture of school operating taxes for the City of Jackson for the Heat Controller, Inc. redevelopment project, was adopted.

### **ACTION ITEM**

*City of Trenton Brownfield Redevelopment Authority  
2800 Third Street  
Trenton, Michigan 48183*

Mark Morante introduced the Honorable Gerald Brown from the City of Trenton, along with Bob Cady, also from the City of Trenton, and Jill Ferrari with Real Estate Interests Group. Ms. Ferrari explained the redevelopment project to the board.

Real Estate Interests Group, Inc. (REI) is proposing to redevelop the site of the former McLouth Steel (later Detroit Steel) into a multi-use development including 2,400 owner-occupied residential units, 600,000 square feet of commercial/retail space, and a 100 slip public marina, to be owned by the county. A variety of residential units will be developed, which are expected to sell for \$150,000 to \$260,000 per unit. REI will prepare the site for development and market it to developers who will construct the residential and commercial structures.

Wayne County and the City of Trenton have indicated that they will guarantee bonds of up to \$53 million to undertake these cleanup and site preparation activities, if state and local TIF capture can be used to repay the debt.

Work plan reviews are based on several criteria outlined in the statute. These criteria have been met.

REI projects that the development will create up to 1,500 permanent retail jobs.

~~For November 2005, Wayne County's unadjusted unemployment rate was 8.1% compared to the statewide unadjusted rate of 6.2%.~~

The property is heavily contaminated and will be subject to multiple workplans on the state and federal level. REI will be responsible for bringing those portions of the site considered for residential development to residential standards, and ensuring that adequate environmental remediation and controls are in place for the entire site.

~~To prepare the site for development, the developer will invest approximately \$25 million in the project, in addition to the bonds pledged by the City of Trenton (\$10 million) and Wayne County (\$43 million). After this preparation has been completed, it is anticipated that an additional \$272 million will be required to develop the commercial and residential structures.~~

The developer is also seeking DEQ approval of a TIF for \$56,164,561, including interest, to address environmental issues at the site.

Current non-homestead millage rate is 63.5841, which includes debt millages of 7.4776. The development is mixed use, with residential making up the bulk of the investment. The anticipated capture has considered the timing and weighting of investment, resulting in the following anticipated capture:

School tax capture	\$20,715,781 (21%)
Local tax capture	<u>\$77,957,626</u> (79%)
Total	\$98,673,407

**PROJECT COSTS**

Asbestos Abatement	\$13,284,741
Demolition	\$10,000,000
Site Preparation	\$4,150,000
Public Infrastructure	\$10,750,000
Contingency	\$51,387
Interest/Financing Expense (7%)	<u>\$60,437,279</u>
Total	\$98,673,407

The property was previously used for commercial or residential purposes, is a facility and is located within the boundaries of the City of Trenton, a qualified local governmental unit. The project is the subject of a brownfield plan duly approved by the City of Trenton on July 18, 2005.

**Recommendation**

The Michigan Economic Development Corporation recommends contingent approval to capture school taxes not to exceed \$20,715,781 based on eligible activities totaling \$98,673,407 as described above. This approval is contingent upon the full, non-contingent approval of the DEQ workplan. Any contingencies included in DEQ's workplan approval must be removed before the contingencies for this approval will be removed.

**Board Discussion**

The report of the Executive Committee was given by Faye Nelson. This highly speculative redevelopment project was discussed at length by the Executive Committee. Ms. Nelson expressed the Committee's recommendation that MEDC staff's recommendation for this project be followed.

Scott Schragger pointed out some of the unusual aspects of this project, not the least of which were the facts that this is a 30-year deal; private developer financing is substantial; and both the city and county are guaranteeing bonds in support of this

highly speculative project. Discussion was also heard with regard to the projected price of residential units offered as part of the completed project.

Some changes to the resolution were discussed by Vern Taylor. Tax capture may not occur after April 20, 2028, and eligible activities authorized by this resolution must be completed within five years.

After further discussion, and at the request of this board, the City of Trenton and the developer have agreed to return in one year and update the board on the progress of this extensive project.

Hearing no further discussion, a motion was made and supported and Resolution 2006-03, authorizing the capture of school operating taxes for the City of Trenton for the Trenton Village redevelopment project, was adopted.

The meeting was adjourned at 10:55 a.m.

The next meeting of the MEGA board is scheduled for Tuesday, February 14, 2006.



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

JAY B. RISING  
STATE TREASURER

July 9, 2003

Mr. Jim Paquet  
Michigan Economic Growth Authority  
300 North Washington Square  
Lansing, MI 48913

Dear Mr. Paquet:

I hereby designate Scott Schrager, Special Assistant to the Treasurer, Department of Treasury, to represent me at the Michigan Economic Growth Authority Board meetings, which I am unable to attend.

Sincerely,

A handwritten signature in black ink that reads "Jay B. Rising".

Jay B. Rising  
State Treasurer





JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TRANSPORTATION  
LANSING

GLORIA J. JEFF  
DIRECTOR

February 10, 2003

Mr. Jim Paquet, Secretary  
Michigan Economic Growth Authority Board  
Michigan Economic Development Corporation  
300 North Washington Square  
Lansing, Michigan 48913

Dear Mr. Paquet:

As of January 31, 2003, I am appointing Jackie Shinn, Administrator, Office of Transportation Economic Development and Enhancement, to attend and act on my behalf at the Michigan Economic Growth Authority Board meetings as an alternate representative.

In case Ms. Shinn or I are unable to attend a particular board meeting due to scheduling conflicts, I am appointing Rob Abent, Bureau Director, Multi Modal Transportation Services Bureau, as my alternate representative to attend and act on my behalf.

If you have any questions regarding these appointments, please call me at 517-373-0718.

Sincerely,

A handwritten signature in black ink that reads "Gloria J. Jeff". The signature is written in a cursive style and is positioned above the printed name and title.

Gloria J. Jeff  
Director