

ADOPTED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Michigan Economic Development Corporation, 300 N. Washington Square, on October 10, 2002 at 10:00 a.m.

Members Present

Beth Chappell (by telephone)
Craig DeNooyer
Sarah Deson-Fried
Matt Hanley (acting for and on behalf of Doug Roberts, authorization attached)
Doug Rothwell (by telephone)
Jackie Shinn (acting for and on behalf of Gregory Rosine, authorization attached)
Tim Ward

Members Absent

Duane Berger

Others Present

Karen Ammarman, MEGA, MEDC
Peter Anastor, MEGA, MEDC
Jong Ho Balk, Michigan State University
Amy Banninga, MEDC
Bruce Birgbauer, Miller, Canfield, Paddock and Stone
Steve Black, Saginaw Future Inc.
Kathy Blake, Sr. Vice President, Business Development, MEDC
Kathy Bommarito, Community Manager, General Motors
Joe Borgstrom, MEDC
Mike Brosseau, Vice President, Brose North America
Candace Butler, Sr. Project Manager, General Motors
Chris Carter, Michigan State University
John Czarnecki, MEDC
Linda Dankoff, MEGA, MEDC
Jim Donaldson, Michigan Business Dev., MEDC
Ron Eisenhart, Controller, Brose North America
Volker Herdin, CFO, Brose North America
Honorable David Hollister, Mayor, City of Lansing
Carol Knobloch Johns, MEDC
John M. McDonald, Community Manager, General Motors
Dong Gu Kim, Michigan State University
Sang Kon Kim, Michigan State University
Bill Kratz, Mason County EDC/BRA
Maureen Krauss, Oakland County
Paul Krepps, MEDC
Peggy McNichol, CPA, P.C.

Mark Morante, Vice President, Bus. Finance & Adv., MEDC
Susan Novakoski, MEDC
Sherry Ocelnik, General Motors
Jim Paquet, Secretary to MEGA Board
Greg Pierce, Otwell Mawby
Mike Pohnl, MEDC
Ed Reed, MEDC
Ken Rocco, President, Whitehall Industries
Olga Savic, Detroit Economic Growth Corporation
Tom Schimpf, Attorney General's Office
Joe Sproles, Government Relations, General Motors
Bob Swanson, Director of Finance, City of Lansing
Vern Taylor, MEDC
Harry Whalen, Global Business Dev., MEDC

Call to Order

Tim Ward called the meeting to order at 10:05 a.m.

Approval of Minutes from September 11, 2002

It was moved, supported and carried that the minutes from the September 11, 2002 meeting be adopted.

Public Comment

There was no public comment.

ACTION ITEM

*Brose North America
1107 Centre Road
Auburn Hills, Michigan 48326*

Harry Whalen began by introducing Volker Herdin, who presented the project to the Board.

Brose is a leading supplier of window regulators, door systems and seat adjusters to automotive OEMs. Brose North America was established in Auburn Hills in 1993 and is Brose International's North American headquarters. The facility currently employs 78 and serves as the U.S. engineering and design center.

Due to winning several new contracts for upcoming automotive platforms to produce its systems, Brose North America needs to expand its research and development capabilities for these components. The expansion will occur in either St. Thomas,

Ontario, Canada (close to a customer's manufacturing site) or in Auburn Hills, Michigan, near the company's existing facility.

If the expansion occurs in Auburn Hills, it requires an investment of \$4.8 million in land and site development costs, \$10 million in building costs and \$11.4 million in machinery and equipment, for a total capital investment of \$26.2 million. Average weekly wages at the facility will be \$1058, with a benefit package of roughly 25% of wages.

The company would construct its facility in two phases. Phase I would begin construction in Spring 2003 and be completed in Fall, 2004. Operations at the facility are expected to begin in August 2004. In 2007 the company anticipates doubling the size of this facility. Total employment at this new technology center will reach up to 260 new employees by 2010.

It is estimated that this facility will generate a total of 562 jobs in the state by the year 2015. Total state government revenues through the year 2015 would be increased by \$20 million due to the presence of this facility.

The parent company, Brose International, has the option of locating this expansion just about anywhere, since it is a research and development center and not a production center. One of the company's top OEM customers has requested that the company locate this technology center close to one of its manufacturing facilities in Ontario, a very low-cost alternative for the company. Ontario has aggressively offered incentives for the project. Additionally, the company would realize substantial savings in both wages and taxes with an Ontario location. It is estimated that an annual cost disparity of roughly \$1.5 million exists between the two locations under consideration.

The Auburn Hills facility, however, has been in operation since 1993 and has an excellent workforce that the company knows it will definitely lose if it moves to Ontario. Without a MEGA tax credit, however, the company will not be able to justify the cost disparity between a Michigan and Ontario operation.

The State of Michigan will offer an abatement of 50 percent of the six-mill State Education Tax for a length of time to match the local property tax abatement. The value of this abatement is estimated at \$128,822. In addition, the Michigan Economic Development Corporation will provide an Economic Development Job Training grant of \$500 for each of 260 new employees, for a total of \$130,000.

On October 7, 2002, The City of Auburn Hills approved a 50 percent abatement of the company's new real and personal property tax for eight years. The estimated value of this local abatement is \$1,171,116.

Recommendation

The Michigan Economic Development Corporation recommends an employment credit of 100 percent for 12 years and a business activity credit of 100 percent for eight years for up to 260 net new jobs.

Board Discussion

Beth Chappell gave the report of the Executive Committee. She noted that the business case for granting the tax credits was well defined and that the Executive Committee recommended approval of the requested tax credits.

Hearing no further discussion, a motion was made and supported, and Resolution 2002-36 awarding MEGA tax credits to Brose North America, Inc. was adopted.

Sarah Deson-Fried abstained from this vote as she is employed by Miller, Canfield, Paddock and Stone, the legal consultants representing Brose North America.

ACTION ITEM

*General Motors Corporation
Delta Township Assembly Plant
200 Renaissance Center
Detroit, Michigan 48265*

Jim Donaldson explained the reason for the extension request. In June of 2000, the MEGA approved tax credits for a new General Motors assembly facility and stamping plant in Delta Township in the Lansing area. The tax credit was awarded based on General Motors' commitment to investing up to \$1 billion and retaining up to 2800 jobs.

To date, the company has invested \$292 million. This amount of investment meets the legal threshold for a MEGA retention credit. The bulk of the investment has been in the new stamping facility that currently has 50 employees and expects to increase employment to 200 by December 2006. The local tax abatement committed in support of the project is in place.

Due to the slowdown of the national economy and its impact on corporate and personal spending, the company has reduced its investment activities worldwide. As a result, the original project has been scaled back to a projected investment of \$847 million and retention of between 2500 and 2600 jobs. Construction of the Delta Township assembly facility has been delayed.

General Motors' current plans are to begin construction of the assembly facility in March 2004, with completion scheduled for March 2006. Production ramp-up is expected to start in September 2006. It is estimated that employment will reach the 500-job

threshold needed to qualify for a credit by December 31, 2006. It is not known when the projected maximum job number will be reached.

General Motors has requested a three year and three month extension of its anniversary date from September 30, 2003 to December 31, 2006 to allow it to qualify for the credit.

Recommendation

Staff recommends that the MEGA agree to amend the General Motors Delta Township credit consistent with the company's revised projections for the project and to extend the anniversary date to December 31, 2006, but that the original schedule of the tax years in which the company is eligible for the credit remain unchanged.

Board Discussion

Elizabeth Chappell reported that the Executive Committee had discussed this amendment request extensively as granting it would deviate from the Board's past practice of only acting on extension requests after the anniversary date had passed. However, due to the significant size of this project both in amount of investment and number of employees and the significant progress made to date on the project, the Executive Committee is recommending Board approval of the requested extension.

There was no further discussion. A motion was made and supported and Resolution 2002-37, awarding an anniversary date extension to General Motors Corporation for its Delta Township assembly plant was adopted.

ACTION ITEM

*Howmet Corporation
Whitehall Casting Division
One Misco Drive
Whitehall, Michigan 49461*

Jim Paquet reminded the Board of the existing credit and explained the reason for the requested amendment. Howmet Corporation received a MEGA credit for construction of its Whitehall precision casting facility to manufacture superalloy components for the aerospace industry. The 100 percent Employment and Business Activity Credits were awarded for 20 years in October of 1998. In March of 2001, the MEGA extended the Anniversary Date related to the credit from July 31, 2000 to March 31, 2001.

The company has completed construction of the facility and had made \$41.2 million of the \$50 million investment it had projected in the new plant and equipment as of December 31, 2001. At the March 31, 2001 Anniversary Date, the company had

created 118 new jobs which paid in excess of the \$475 average weekly wage needed to qualify for its credit.

In the process of preparing its Statement of Eligibility, the company discovered an error in the base employment level established at the time of its original application. The company had included 219 employees who were on the Howmet payroll, but worked outside the state, and should not have been included in its Michigan job total. The discovery of the error led to a comprehensive audit of the job numbers at all of Howmet's Michigan facilities. The audit uncovered another 76 jobs that should have been included in the original base.

Howmet is requesting that its base employment level be reduced by a net 143 jobs (reduced by 219, increased by 76) to correct the errors.

Recommendation

The MEDC staff is recommending that Howmet's Base Employment Level be reduced from 2,405 to 2,262 to correct the errors.

Board Discussion

The Executive Committee report was given by Beth Chappell. On behalf of the committee, she expressed support for the amendment. There was no further discussion. Motion was made, supported and passed, and Resolution 2002-38, authorizing an amendment to Resolution 1998-019 awarded to Howmet Corporation, was adopted.

ACTION ITEM

*General Motors Corporation
Saginaw Metal Casting Operations
1629 North Washington Avenue
Saginaw, Michigan 48605*

Jim Donaldson began the presentation by introducing Candace Butler, who described the project and the need for the Brownfield Redevelopment Credit.

General Motors will reinvest at the Saginaw Metal Casting facility to produce new V-8 aluminum engine blocks with cylinder deactivation features. This new technically advanced, lighter weight engine will be used to improve the fuel efficiency and performance of GM's mid-size and full size sport utility vehicles. The project will utilize a precision sand casting process, which will introduce a new casting process and new equipment to the Saginaw facility. The Saginaw Metal Casting facility is over 85 years old as it was built in 1917. In order to reinvest in this facility, the company must remove obsolete and idle iron block equipment as the iron block business continues to decline

and be replaced by aluminum blocks. General Motors expects to begin eligible investments in January 2003, with a project completion date of August 2006. The project has an estimated cost of \$88.1 million.

This project will bring \$88.1 million in private investment to the City of Saginaw and retain 191 positions at this facility. The potential exists for other companies in the community to benefit from the investment including GM suppliers who may build additional facilities in the area. If reinvestment is not made at this facility, there is the potential for the new equipment and jobs to be placed in Mexico, where there is a competitive facility. The new technology will also provide more fuel-efficient engines benefiting resource conservation, as well as allowing for environmental improvements by reducing the amount of wastewater discharge and by reducing emissions.

The eligible investment to be undertaken by General Motors Corporation includes new machinery, equipment, and fixtures, a project total of \$88,100,000.

The City of Saginaw has granted a 20-year PA 328 personal property tax abatement. The estimated local value of this incentive is \$13.9 million. The value of the six-mill State Education Tax is \$1.9 million.

The property, an existing industrial facility, is functionally obsolete and is located within the boundaries of the City of Saginaw, a qualified local governmental unit. The project is the subject of a brownfield plan approved September 9, 2002, and General Motors Corporation is a qualified taxpayer.

Recommendation

The Michigan Economic Development Corporation recommends approval of a MEGA Brownfield Redevelopment Credit of 10 percent of the eligible investment in the General Motors Corporation, Saginaw Metal Castings project, but no more than an \$8.8 million credit.

Board Discussion

Elizabeth Chappell gave the Executive Committee report stating that the Committee felt that this was a significant opportunity for the Saginaw area and that this was the type of project the Brownfield legislation was intended for. The Executive Committee recommends awarding the requested brownfield redevelopment credit.

Hearing no further discussion, a motion was made and supported and Resolution 2002-39, awarding MEGA tax credits to General Motors Corporation – Powertrain, Saginaw Metal Casting Operations was adopted.

ACTION ITEM

*Mason County Brownfield Redevelopment Authority (BRA)
5300 West U.S. 10
Ludington, Michigan 49431*

John Czarnecki introduced Bill Kratz from Mason County Economic Development Corporation/Brownfield Redevelopment Authority. Mr. Kratz introduced Ken Rocco from Whitehall Industries. Photographs of the existing facility were circulated in order to illustrate the need for the tax capture. Mr. Kratz spoke to the community support for the project, conveying the importance of the project for the community. John Czarnecki continued the presentation to the Board.

The project consists of the demolition of the CSX railroad depot on a 4.2 acre parcel, and the removal of railroad fixtures. The existing structures are a hindrance to the redevelopment of the property. The project will position the parcel for redevelopment through remediation of the contaminated soil, demolition of the blighted structures, asbestos abatement, site preparation, and infrastructure improvement. Infrastructure improvements include moving and upgrading utilities. Site preparation includes clearing, land balancing, and site engineering. The total project cost is \$208,250.

Project approval by MEGA will allow the removal of the blighted and contaminated structure that has become an attractive nuisance to children and a hazard to the public. In addition, Whitehall Industries will expand its currently land-locked facility onto the property resulting in 30 new jobs and \$2.5 million in private investment. Taxable value on the property is expected to increase from \$30,000 to \$1.28 million.

The project is contaminated and has sought the approval of the Michigan Department of Environmental Quality (MDEQ) for site remediation and due care activities. These activities total \$64,260 in state capture. Tax capture for the project is projected to begin in 2003 and end in 2007. Tax capture based on MEGA approval would be approximately 44% state school tax and 56% local tax for the total project cost.

The work plan requests approval for the following eligible activities:

Demolition/Asbestos Removal	\$ 70,000
Site Preparation	35,000
Infrastructure Improvements	70,000
Admin. Cost of the BRA	2,625
Admin. Cost (work plan/MEGA)	4,375
Contingencies @ 15%	<u>26,250</u>
Total	\$208,250

Recommendation

The Michigan Economic Development Corporation recommends approval of the Whitehall Industries work plan as submitted by the Mason County Brownfield Redevelopment Authority.

Board Discussion

Again, Elizabeth Chappell gave the report of the Executive Committee saying that the business case for authorizing this tax capture was clearly communicated. Hearing no discussion, a motion was made and supported and Resolution 2002-40 authorizing school operating tax capture to Mason County Brownfield Redevelopment Authority, City of Ludington for Whitehall Industries was adopted.

ACTION ITEM

*City of Detroit Brownfield Redevelopment Authority
Detroit Economic Growth Corporation
211 West Fort Street
Suite 900
Detroit, Michigan 48226*

John Czarnecki introduced Olga Savic from the Detroit Economic Growth Corporation. Ms. Savic presented the plans for the project and explained the goals and benefits to the community.

The City of Detroit BRA has submitted a work plan request for the approval of six individual, but related, project areas totaling \$7,884,346. The six areas will comprise one industrial park, consisting of approximately 153 acres. The project has been structured as such to allow for the potential of up to six Brownfield Redevelopment SBT Credits to stimulate investment in the industrial park.

The I-94 Industrial Park is located in the northwest quadrant of the I-94/Mount Elliot interchange. The large-scale project involves the conversion of what once was predominantly a residential neighborhood into a Certified Business Park under the Local Development Financing Act.

Historically, this neighborhood provided the workforce to the nearby industrial operations, including the former Packard Plant and former Dodge Main facilities. This area has experienced extensive abandonment over time and sits almost entirely vacant today.

With its proximity to the freeway and the majority of the property controlled by the city (approximately 70% of the parcels were tax reverted by 2000), an aggressive property acquisition program was undertaken to fully assemble this site for new industrial development. By addressing the infrastructure and demolition activities outlined in the

Work Plan, as well as addressing the environmental cleanup activities addressed in the city's submittal to the Michigan Department of Environmental Quality, this property will stand ready for development.

The city is aggressively seeking to partner with a private developer to build the industrial park. With its proximity to I-94, the GM-Cadillac Assembly Plant, and the City of Detroit Airport, the location is well suited for an industrial park.

The expense of converting this abandoned residential property to industrial use is considerable. It involves the demolition of the remaining dwellings and the excavation of basements and foundations of previously demolished homes. Nearly all of the existing residential streets, sidewalks and underground utilities must be removed to create viable industrial sites. These cost factors, as well as the risks associated with assembling property for a project of this nature, have caused private developers not to consider this project and have created the need for public support to initiate the project.

The completion of the Certified Business Park will result in the conversion of a highly blighted and contaminated area into an area of job growth and opportunity. When fully developed, the industrial park has the potential to create hundreds of jobs and result in tens of millions in new tax base.

The I-94 Industrial Park project has received significant support from the State of Michigan, including:

- \$2,000,000 MEDC Urban Land Assembly Loan
- \$5,000,000 MEDC Core Community Loan
- \$1,164,950 MDEQ Grant
- Renaissance Zone Status

The property tax capture for the entire industrial project breaks down as follows:

School Tax Capture:	38%	\$2,996,051
Local Tax Capture:	62%	<u>\$4,888,294</u>
Total		\$7,884,346

The property qualifies as blighted under the Brownfield Act. Nearly 70% of the parcels in the project area were tax reverted. The remaining 30% of the property is either contiguous or adjacent to the blighted property, which qualifies it for tax capture.

In addition, the Michigan Department of Environmental Quality has listed the entire project area, except for Area 6, as a site of environmental contamination.

Approval for the following activities has been requested:

- 1. Demolition \$2,034,445

2. Lead & Asbestos Abatement	\$1,461,572
3. Infrastructure	\$1,725,000
4. Site Preparation	\$1,624,501
Subtotal	\$6,845,518
State Administration	\$ 12,000
Contingency @ 15%	\$1,026,828
Total	\$7,884,346

Recommendation

The MEDC recommends approval of each project area and the related costs of non-environmental eligible activities as follows:

Project Area 1.	\$ 795,048
2.	945,750
3.	1,303,592
4.	2,124,837
5.	1,251,482
6.	<u>1,463,637</u>
Total	\$7,884,346

Board Discussion

The report of the Executive Committee was given by Elizabeth Chappell. Ms. Chappell commented that it was clear from the pictures provided that the area was blighted and the Executive Committee felt that no business would choose to locate there without some outside help. The Executive Committee recommends Board approval of the work plan and tax capture.

Craig DeNooyer asked what the timeframe for completion of the industrial park was? John Czarnecki explained that the project would happen in stages, stating that it was hoped that the first tenants would begin moving in next year.

Hearing no further questions, a motion was made and supported and Resolution 2002-41 authorizing the capture of school operating taxes for the City of Detroit's I-94 Industrial Park Project was adopted.

The meeting was adjourned at 10:50 a.m.

