

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 14, 2003, at 10:00 a.m.

Members Present

Bo Garcia

Howard Heideman (acting for and on behalf of Jay Rising, authorization attached)

David Hollister (acting for and on behalf of Mitch Irwin, authorization attached)

Faye Nelson

Jackie Shinn (acting for and on behalf of Gloria Jeff, authorization attached)

Others Present

Peter Anastor, MEDC

Dawn Baetsen, Deloitte & Touche

Amy Banninga, MEDC

Richard Barr, Dean & Fulkerson

R. Drummond Black, Mayor, City of Midland

Kathy Blake, Sr. V.P., MEDC

Candace Butler, GM Worldwide Real Estate

Jim Curran,

John Czarnecki, MEDC

Jim Donaldson, MEDC

Brian Goebel, GM Communications

Carol Knobloch Johns, MEDC

Corey Leon, Detroit Economic Growth Corporation

Larry Lipa, Corvus International

Larry Long, Enterprise Automotive Systems

Susan McCormick, MEDC

Lowell McLaughlin, Dow Chemical

Mark Morante, MEDC

Joseph Mulders, Dow Corning Corporation

Dan Myers, Michigan Production Machining

Richard Nawrocki, CMI-Schneible Co.

Thomas Paige, Williams Township Supervisor

Jim Paquet, Secretary to the Board

Mike Pohnl, MEDC

Ed Reed, MEDC

Marsha Scheer, City of Ferndale Brownfield Redevelopment Authority

Tom Schimpf, Assistant Attorney General

Joe Sproles, General Motors Corporation

Robert Terry,

Duane Thelen, MEDC

Call to Order

David Hollister called the meeting to order at 9:40 a.m.

Approval of Minutes from September 16, 2003

A motion was made, supported and carried that the minutes from the September 16, 2003 meeting be adopted.

Public Comment

There was no public comment.

ACTION ITEM

General Motors Nodular Iron Redevelopment Project,
City of Saginaw

- Corvus Nodular Interests, LLC. (Brownfield SBT Credit)
- CMI-Schneible Company (MEGA Credit)
- Machining Enterprises, Inc. (MEGA Credit)
- Michigan Production Machining, Inc. (MEGA Credit)
- B&W of Michigan, Inc.

Jim Donaldson began by describing the proposed project. The project involves numerous companies including Corvus Nodular Interests, LLC, the developer of the project, and four potential General Motors suppliers: Machining Enterprises, Inc; CMI-Schneible Company; Michigan Production Machining, Inc; and B&W of Michigan, Inc. The board is being asked to provide a Brownfield SBT credit to the developer and four lessees (suppliers), for their eligible investment, as well as MEGA tax credits to three of the four suppliers.

Candace Butler from General Motors Worldwide Real Estate was on hand to discuss the project and introduced representatives from CMI-Schneible Company, Corvus Nodular Interests, LLC., Machining Enterprises, Inc., and Michigan Production Machining, Inc.

The GM Nodular Iron Redevelopment Project will redevelop the former General Motors Nodular Iron site in the City of Saginaw. The project will lead to the construction of a new facility to service the aluminum V-8 GM Saginaw Metal Casting operation. The site will house a new 150,000 to 240,000 square foot facility that will provide finishing, heat-treating and pre-machining services. The redevelopment will be lead by Corvus Nodular Interests, LLC, who will develop the project and own the facility being constructed. Once constructed, up to four GM suppliers will co-locate within the facility, fully integrating their materials handling systems to facilitate part conveyance and tracking. The project will lead to the creation of approximately 150 new jobs. Capital investment for the project will be \$60 million, including \$16 million for the new building and \$44 million for new machinery and equipment. The suppliers will need to be in the facility by June 2004, with full production scheduled to commence in January 2005.

This project should lead to improved cost competitiveness for the General Motors facilities in Saginaw. The new investment generated by the redevelopment will not

only create new jobs, but will help secure existing jobs and the future viability of General Motors facilities in Saginaw. The project will transform an idle, contaminated site into a productive facility.

The eligible investment to be undertaken by Corvus Nodular Interests, LLC and unknown lessees include:

New Construction	\$ 16,000,000
New Machinery, Equipment and Fixtures	\$ <u>44,000,000</u>
Project Total	\$ 60,000,000

The property, a former industrial facility, is a facility 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 October 6, 2003, and Corvus Nodular Interests, LLC is a qualified taxpayer.

In addition to the Brownfield SBT credits, three of the four suppliers involved in the project are seeking MEGA jobs creation tax credits. Due to the location of this project in a Renaissance Zone, the suppliers have to create 25 new jobs at the project site to qualify for the MEGA credit. The three suppliers seeking MEGA tax credits are Michigan Production Machining, CMI-Schneible and Machining Enterprises. The fourth supplier, B&W of Michigan does not meet the job creation requirements and therefore is not eligible to apply for the MEGA credit.

Michigan Production Machining was incorporated in 1973 and is a full service precision production machine company with the capabilities to turn, mill, broach, induction harden and gear cut product. The company will occupy approximately 50,000 square feet in the facility, invest approximately \$7.1 million in new machinery and equipment, and create 25 new jobs paying an average weekly wage of \$464. The company currently has 310 employees in Michigan at their current facility in Macomb Township.

CMI-Schneible was created in 1990. The company plans to provide cleaning, degating, grinding, and inspection of large aluminum castings. The company will occupy approximately 60,000 square feet in the facility, invest approximately \$4.5 million in new machinery and equipment, and create 41 new jobs paying an average weekly wage of \$490. The company currently has 36 employees in Michigan at their current facility in Holly.

Machining Enterprises is a full service Tier 1 supplier that has supplied the automotive industry since the mid-1960s. Current services and parts provided are complete product design, prototyping and testing for motor mounts, control arm brackets, specialized brackets, intake manifolds, exhaust manifolds, pre-machining qualifying and testing of cylinder heads and cylinder blocks. The company plans to occupy approximately 60,000 square feet in the facility, invest approximately \$19.5 million in new machinery and equipment, and create 48 new jobs paying an average weekly wage of \$603. The company currently has 72 employees in Michigan at their current facilities in Warren and Saginaw.

General Motors, the developer, and the suppliers of this project completed a comprehensive financial analysis of this redevelopment project. Without the MEGA tax credits under consideration, this project would not go forward in Michigan. General Motors will make the ultimate location decision on this project, however without the MEGA tax credits, the suppliers will not be able to provide General Motors with the required cost savings necessary to make this project viable. The high costs associated with the Brownfield site, as well as operational cost disadvantages, make the MEGA credit necessary for this project to succeed in Saginaw, otherwise this work would be sent to Kitchener, Ontario, Canada.

Without the MEGA tax credit, Michigan Production Machining would not locate this project in Saginaw because they would not have the ability to meet the price requirements to successfully bid on this business. Additionally, when comparing this location to Kitchener, Michigan Production Machining found a wage differential of approximately 10 percent or \$65,000 per year, and building costs that were lower by 30 percent.

Without the MEGA tax credit, CMI-Schneible would not locate this project in Saginaw because they would not have the ability to meet the price requirements to successfully bid on this business. Additionally, when comparing this location to Kitchener, CMI-Schneible found a wage differential of approximately 10 percent or \$105,000 per year and building costs that were lower by 30 percent.

Without the MEGA tax credit, Machining Enterprises would not locate this project in Saginaw because they would not have the ability to meet the price requirements to successfully bid on this business. Additionally, when comparing this location to Kitchener, Machining Enterprises found a wage differential of approximately 10 percent or \$150,000 per year and building costs that were lower by 30 percent.

It is estimated that this project will generate a total of 486 jobs in the state by the year 2014. Total state government revenues through the year 2014, would be increased by \$11.9 million due to the presence of this facility.

The site being considered for this project is located within the boundaries of the Saginaw Northeast Renaissance Zone. The Renaissance Zone designation for this site expires in 2014. With this designation, the suppliers included in this project will benefit in both property tax savings and Single Business tax savings due to the Renaissance Zone designation.

The estimated value of the Renaissance Zone benefit:

<u>Company</u>	<u>Property Tax Savings</u>	<u>SBT Savings</u>
Michigan Production Machining	\$1,474,200	\$90,300
CMI-Schneible	\$1,448,400	\$145,200
Machining Enterprises	\$3,602,700	\$278,200
B&W of Michigan	\$2,368,100	\$151,800

Recommendation

The following four recommendations are made by the Michigan Economic Development Corporation:

1. MEGA Brownfield Redevelopment Credit of 10 percent of the eligible investment by Corvus Nodular Interests, LLC, and unknown lessees, for the General Motors Nodular Iron Redevelopment project, but no more than a \$6,000,000 credit;
2. 100 percent employment tax credit for 10 years, for up to 25 net new employees for Michigan Production Machining, Inc.;
3. 100 percent employment tax credit for 10 years, for up to 41 net new employees for CMI-Schneible, Company;
4. 100 percent employment tax credit for 10 years, for up to 48 net new employees for Machining Enterprises, Inc.

Board Discussion

Faye Nelson reported on the Executive Committee's discussion with regard to the developer of the project, Corvus Nodular Interests. The Executive Committee recommends approval of the requested Brownfield single business tax credit.

Hearing no further discussion, a motion was made and supported, and Resolution 2003-31, approving a Brownfield tax credit for Corvus Nodular Interests, LLC, was adopted.

Faye Nelson reported on the Executive Committee's discussion regarding Machining Enterprises, Inc. The Executive Committee recommends approval of the requested MEGA tax credit.

Hearing no further discussion, a motion was made and supported, and Resolution 2003-32, approving a MEGA tax credit for Machining Enterprises, Inc., was adopted.

Faye Nelson reported on the Executive Committee's discussion with regard to CMI-Schneible's request for a MEGA tax credit. The Executive Committee recommends approval of the requested MEGA tax credit.

Hearing no further discussion, a motion was made and supported, and Resolution 2003-33, approving a MEGA tax credit for CMI-Schneible Company, was adopted.

Faye Nelson gave the report of the Executive Committee with regard to the Michigan Production Machining. The Executive Committee recommends approval of the requested MEGA tax credit.

Hearing no further discussion, a motion was made and supported, and Resolution 2003-34, approving a MEGA tax credit for Michigan Production Machining, Inc., was adopted.

ACTION ITEM

Dow Corning Compound Semiconductor Solutions L.L.C.
2200 Salzburg Road
Midland, Michigan 48686

Jim Donaldson introduced Joseph Mulders from Dow Corning. Mr. Mulders introduced Thomas Paige from Williams Township. Mr. Mulders discussed the project and passed around a sample of silicon carbide wafer. Mr. Paige discussed the community's support for this project in Williams Township. For over a decade, Dow Corning has been developing technical and commercial expertise in thin film materials used in electronic applications and in the emerging compound semiconductor business. Dow Corning has acquired a silicon carbide wafer production facility in Danbury, Connecticut, and capabilities for deposition of gallium nitride and silicon carbide located at facilities in Florida and California.

These three locations have been combined into the Dow Corning Compound Semiconductor Solutions Business. This business unit will manufacture and sell compound semiconductor wafer substrates, epitaxial deposition and research and development services to meet the needs of device fabricators and users in commercial and defense markets. The applications for these products include high brightness LEDs for the next generation of lighting, blue laser diodes for optical data storage, high power electronic switching for power management in transportation, utilities and other applications, and RF devices for communications, navigation and guidance.

The project would combine operations from three states into a single facility in Williams Township, Michigan. The company would invest a total of \$21.7 million, including \$5 million for development of a new building and \$16.8 million for machinery and equipment. Construction of the facility would be completed by September 2004, with operations beginning in October 2004.

The project is expected to result in the creation of up to 140 jobs over the first five years with an average weekly wage of \$1,178.

It is estimated that this facility will generate a total of 164 jobs in the state by the year 2014. Total state government revenues through the year 2014, would be increased by \$4 million due to the presence of this facility.

Dow Corning has the option of locating this operation in East Fishkill, New York. The State of New York has offered Empire Zone benefits to the project, which frees the company of state tax liabilities and provides credits for job creation. Empire Zone benefits are estimated to save the company \$5 million in the first five years of operation. Additionally, labor and benefits costs in Michigan are expected to be \$1 million per year higher than in New York, once the facility is fully staffed.

The State of Michigan will offer an abatement of 100 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 \$697,000.

On October 28, Williams Township is expected to approve a 50 percent abatement of the company's new real and personal property taxes for 12 years. The estimated value of this local abatement is \$2,437,000.

Recommendation

The Michigan Economic Development Corporation recommends a high-technology business activity credit of 100 percent for 10 years and a high-technology employment credit of 100 percent for 10 years for up to 140

Board Discussion

Faye Nelson gave the report of the Executive Committee. The Executive Committee has recommended approval of the requested MEGA tax credits.

Hearing no further discussion, a motion was made and supported, and Resolution 2003-35, approving MEGA tax credits for Dow Corning Compound Semiconductor Solutions, LLC, was adopted.

ACTION ITEM

Dow AgroSciences, LLC
2030 Dow Center
Midland, Michigan 48674

Jim Donaldson began the discussion by introducing Lowell McLaughlin, who talked about the project. This project rehabilitates approximately 6,000 square feet of processing area at The Dow Chemical Company's Michigan Operations site in Midland. The area identified for redevelopment has been identified for re-use in the production of an agricultural rice herbicide. The project will involve approximately \$17 million of capital spending and will retain six chemical manufacturing positions. Spending of \$11 million will occur within the brownfield plan boundaries at the building, and will include eight new tanks, six new exchangers, and nineteen new pumps. The remainder of the spending will occur outside of the plan boundaries at another building on the site.

To utilize the production area, the existing functional obsolescence must be eliminated. The original structure dates to the late 1950's and investments need to be made to upgrade the facility for current standards in chemical manufacturing. The cost to eliminate this obsolescence is estimated at \$1.5 million. This will be accomplished by removal of existing walls and replacement with engineered wall panels, major modifications and upgrades to fire protection systems, wall and roof reinforcement due to proximity to occupied areas, and installation of a fire pit to meet current standards.

The eligible investment to be undertaken in Midland by Dow AgroSciences includes:

Building Improvements	\$ 1,218,000
Machinery & Equipment	<u>\$ 9,782,000</u>

Herb Strather, the principal owner of Grand River Place, LLC, has extensive development experience in the City of Detroit. He has successfully developed more than 260,000 square feet of retail space on two other corners of this same intersection (Greenfield and Grand River). The development team plans to utilize the SBT credit to attract national retailers to this location.

The brownfield tax capture will be used to fund interior demolition and lead and asbestos abatement. The building was originally designed for a single, large tenant; today's large retailers are generally not locating in multi-story facilities. To reconfigure the structure for multi-tenant use, significant interior demolition, including removal of a non-functional escalator and obsolete mechanical equipment is necessary. Additionally, a high level of asbestos-containing materials, as well as lead-based paint, is present throughout the building and must be addressed.

The total private investment is estimated to approach \$13.5 million and result in 100-125 new full and part-time positions. This project also fits within the city's plan to increase and improve retail services for the residents. More than 560,000 people live within five miles of this intersection.

The tax capture request is for \$829,000. The tax breakdown is as follows:

\$315,020 State School Property Taxes (38%)
\$513,980 Local Property Taxes (62%)
\$829,000

Demolition	\$476,000
Utility Relocation	\$ 24,000
Lead and Asbestos Abatement	\$220,000
MEDC Administrative Cost	\$ 1,000
Contingency (15%)	<u>\$108,000</u>
Total	\$829,000

The eligible investment to be undertaken in Detroit by Grand River Place, LLC, includes:

Site Improvements	\$ 618,805
Building Improvements	\$11,433,119
Demolition	<u>\$ 1,404,040</u>
Project Total	\$13,455,964

In addition to this MEGA Brownfield TIF and SBT Credit request, the project is seeking Brownfield Tax Increment Financing assistance from Michigan Department of Environment Quality (\$444,000) for environmental remediation costs.

The property, formerly used for commercial purposes, is contaminated and is located within the boundaries of the City of Detroit, a qualified local governmental unit. Grand

River Place, LLC, is a qualified taxpayer. The project is the subject of a brownfield plan duly approved on August 1, 2003.

Recommendation

The Michigan Economic Development Corporation recommends approval in the amount of \$829,000 for the demolition and lead and asbestos abatement activities described above. The MEDC recommends approval of a MEGA Brownfield Redevelopment Credit of 10% of the eligible investment in the Grand River Place project, not to exceed a \$1,000,000 credit.

Board Discussion

Faye Nelson gave the Executive Committee report and, on behalf of the Executive Committee, recommends that the MEGA board approve the requested Brownfield Redevelopment Tax Credit and corresponding tax capture.

Jim Paquet explained that two Resolutions have been prepared for board approval; one dealing with the Brownfield Redevelopment tax credit and the other to deal with the tax capture.

Hearing no further discussion, a motion was made and supported and Resolution 2003-37, authorizing a Brownfield Redevelopment Credit for Grand River Place L.L.C., was adopted.

Next, a motion was made and supported to adopt Resolution 2003-38, authorizing a capture of school operating taxes for the City of Detroit Brownfield Redevelopment Authority, for this same project. The motion carried.

ACTION ITEM

City of Ferndale Brownfield Redevelopment Authority
300 East Nine Mile Road
Ferndale, Michigan 48220-1797

Marsha Scheer from the Ferndale Brownfield Redevelopment Authority was introduced. She introduced Richard Barr, legal counsel for the developer. Ms. Scheer presented a discussion of the Ferndale project to the board. This project will facilitate the redevelopment of the former ITW Woodworth manufacturing facility into an interior self-storage facility. The project provides the city with a beneficial reuse of a vacant former manufacturing facility that has been idle for approximately one year. The property is a "facility" as defined by Part 201.

Through extensive internal demolition and renovation, the building will be reconfigured to accommodate several different sized storage uses and an on-site manager's apartment.

The developer is experienced in operating self-storage facilities throughout Michigan. The brownfield tax capture will be used to fund interior demolition, lead and asbestos abatements, infrastructure improvements, exterior site demolition, site preparation, contingencies and interest reimbursements.

Total private development costs are estimated to be more than \$2.8 million. NMS of Ferndale Limited Partnership (the "Developer") has asked the Brownfield Redevelopment Authority and the city to partner with this project. With approval of this plan, the tax increment revenues generated by the proposed development will be used to reimburse the Developer for a portion of the cost in undertaking this development.

This project also fits within the city's plan to create storage space for industrial, commercial and residential units within the adjoining area of this site.

Tax capture request for this project is projected at \$620,326.

\$273,522 State School Property Taxes (45%)
\$334,304 Local Property Taxes (55%)
 \$607,826

The work plan requests approval for the following eligible activities:

Infrastructure Improvements	\$ 15,000.00
Demolition Activities	\$160,000.00
Asbestos and Lead Based Paint	\$ 50,000.00
Site Preparation	\$ 45,000.00
Contingency (15%)	\$ 40,500.00
Interest on Reimbursement (1% over prime rate)	\$296,326.00
MEDC Review Costs	<u>\$ 1,000.00</u>
Total:	\$607,826.00

The property, formerly used for industrial stamping and molding, is contaminated and is located within the boundaries of the City of Ferndale, a qualified local governmental unit. The project is the subject of a brownfield plan duly approved on August 25, 2003.

Recommendation

The Michigan Economic Development Corporation recommends approval in the amount \$607,826.00 for the eligible activities described above.

Board Discussion

Faye Nelson gave the Executive Committee report and recommended approval of the requested tax capture.

Hearing no further discussion, a motion was made and supported and Resolution 2003-39, authorizing a capture of school operating taxes for the City of Ferndale Brownfield Redevelopment Authority, was adopted.

ACTION ITEM

Mike Pohnl with the MEDC presented a request by USF Technology Services, Inc. to amend the Resolution adopted by this board on August 26, 2003. A High Tech MEGA credit was approved for USF Technology Services at the August 26, 2003 board meeting. The original resolution committed the company to the retention of 1391 jobs. This number included all Michigan-based jobs for USF Corporation, a company that provides transportation for a wide variety of products throughout the nation. USF Technology Services is a wholly owned subsidiary of USF Corporation and was organized in December 2001 to design, develop, implement and support common applications and information technology infrastructure for USF and its operating companies.

In the case of High Tech MEGA credits, the MEDC and the MEGA board have approved projects with a lower base number in cases where there is little possibility of transfer of jobs between related entities and when the applicant is a separate legal entity. Because this is a High Tech MEGA and USF Technology Services, Inc., is a separate entity from USF Corporation and is also the MEGA applicant, the company was offered a credit with a base jobs number that includes only its 62 current Michigan employees. The terms letter outlining the incentive package offered to the company is attached. Due to miscommunication within MEDC, this base jobs number was not available to all staff involved in preparation of MEGA materials for the board meeting.

USF Technologies has signed its credit agreement so it can begin hiring new staff. The company has requested this amendment to their agreement to meet the terms negotiated for the credit. A revised agreement will be finalized pending approval by the MEGA board of directors.

Board Discussion

Faye Nelson gave the report of the Executive Committee and recommended approval of the requested resolution.

Hearing no further discussion, a motion was made and supported, and Resolution 2003-40, amending Resolution 2003-25 and adjusting the base employment level for USF Technology Services, Inc., was adopted.

The meeting was adjourned at 10:30 a.m.

The next meeting of the MEGA board is scheduled for Tuesday, November 18, 2003.



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ANIFER M. GRANHOLM
GOVERNOR

JAY B. RISING
STATE TREASURER

October 14, 2003

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

Dear Mr. Paquet:

I hereby designate Howard Heideman, Manager, Tax Policy Analysis, Office of Revenue and Tax Analysis, Department of Treasury, to represent me at the Michigan Economic Growth Authority Board meetings, which I am unable to attend.

Sincerely,

Jay B. Rising
State Treasurer



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF MANAGEMENT & BUDGET
LANSING

~~DIANE BERGER~~
~~XXXXXXXXXXXXXXXXXXXX~~
Mitch Irwin
Director


January 29, 2003

Mr. Jim Paquet
Secretary to the MEGA Board
300 N. Washington Square
Lansing, Michigan 48913

Dear Mr. Paquet:

I hereby designate David Hollister, Director of Consumer and Industry Services, to represent me at meetings of the MEGA Board and ancillary functions related to the MEGA, when I am unable to attend.

Sincerely,


Mitch Irwin
Director

cc: David Hollister, CIS
Sabrina Keeley, MEDC