

## **ADOPTED MINUTES**

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Detroit Riverfront Conservancy, 200 Renaissance Center, Detroit, on October 18, 2005, at 10:00 a.m.

### **Members Present**

Cullen DuBose  
James Epolito  
Bo Garcia  
David Hollister (by telephone)  
Sande MacLeod  
Faye Nelson  
Jackie Shinn (acting for and on behalf of Gloria Jeff, authorization attached)

### **Others Present**

Peter Anastor, MEDC  
Kathy Blake, Sr. Vice President, MEDC  
Dennis Brovont, President, Michigan Rubber Products  
Toni Brownfield, MEDC  
John Byl, Warner, Norcross & Judd, LLP  
Rob Crabb, Kellogg Company (Keebler)  
George Franklin, Kellogg Company  
Curtis Holt, City Manager, City of Wyoming  
Sue Jackson, The Right Place, Inc.  
Carol Knobloch Johns, MEDC  
Tom McHugh, Controller, Michigan Rubber Products  
Mark Morante, MEDC  
Jeff Noel, Whirlpool Corporation  
Jim Paquet, MEDC  
Tom Schimpf, Attorney General's Office  
Pete Stalker, City Manager, City of Cadillac  
Vern Taylor, MEDC  
Greg Vaughn, Cornerstone Alliance

### **Call to Order**

David Hollister called the meeting to order at 10:05 a.m.

### **Approval of Minutes from September 20, 2005**

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

### **Public Comment**

There was no public comment.

**ACTION ITEM**

*Otsego Mill Acquisition, LLC  
100 Miller Street, Suite 300  
Ann Arbor, Michigan 48104*

This project was removed from the agenda prior to this meeting date.

**ACTION ITEM**

*Keebler Company  
One Kellogg Square  
Battle Creek, Michigan 49016*

Keebler Company is a subsidiary of Kellogg Company, the world's leading producer of cereal and a leading producer of convenience foods, including cookies, crackers, toaster pastries, cereal bars, frozen waffles and meat alternatives. Currently, the Kellogg Company has nearly 2,600 employees in Michigan.

This project involves the purchase of equipment and renovation of an under-utilized facility in order to increase production capacity. Kathy Blake introduced Rob Crabb with Kellogg Company (Keebler) and George Franklin, from Kellogg Company, along with Curtis Holt from the City of Wyoming. The project includes the renovation of two recently acquired facilities in Wyoming, Michigan. The project would lead to the creation of 236 new jobs in the first year of the project and up to 352 jobs over the next two years. The jobs will have an average weekly wage of \$657.

The project would require a capital investment of \$5.6 million, including \$1.75 million for building improvements and \$3.8 million for updated manufacturing equipment and computers.

It is estimated that this facility will create a total of 664 jobs in the state by the year 2015. We also estimate that the project would create total state government revenues through the year 2015, of \$20.8 million due to the location of this facility.

In addition to the site in Wyoming, Keebler also considered an existing manufacturing facility in Rome, Georgia for this expansion. The site in Georgia was attractive to the company because of several operational cost benefits, including lower wages and lower electrical costs. An analysis completed by the company indicates that wages are lower by 10 percent in Georgia while electrical costs are almost three times higher in Michigan. In addition, Keebler anticipates spending \$1.75 million for building renovations costs in Michigan, compared to \$500,000 for the facility in Georgia.

The State of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$500 for each of the 352 new hires, up to \$176,000.

The City of Wyoming has agreed to a 50 percent abatement of the company's new real and personal property taxes for 12 years. The estimated value of the local property tax abatement is \$608,000.

### **Recommendation**

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for ten years, for up to 352 net new employees.

### **Board Discussion**

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

Hearing no further discussion, a motion was made and supported, and Resolution 2005-77, authorizing a standard MEGA tax credit for Keebler Company, was adopted.

### **ACTION ITEM**

*Michigan Rubber Products, Inc.  
1200 Eighth Avenue  
Cadillac, Michigan 49601*

Michigan Rubber Products (MRP) has been producing high quality custom molded rubber products for the automotive industry for over 30 years. MRP, located in Cadillac, is a recognized leader in custom molding applications, and is a preferred automotive supplier, employing 400 people. The company was privately held until 1998 when it was sold to Applied Tech Products, an equity management group. Subsequently, MRP was acquired by Myers Industries in March of 2004. Myers Industries, Inc., is an international manufacturer of polymer products for industrial, agricultural, automotive, commercial, and consumer markets.

Kathy Blake introduced Dennis Brovont and Tom McHugh with Michigan Rubber Products. Mr. Brovont explained the project. MRP has an opportunity to expand its operations by attracting two new product lines to its Cadillac manufacturing facility. These two new product lines include rubber products for the heavy truck industry, as well as durable rubber mats that meet the Americans with Disabilities Act requirements for newly constructed sidewalk corners.

The project will be implemented in phases, with an initial investment of \$80,000 that will allow MRP to begin operations of this new project. Over a five year period, MRP will make capital investments of \$595,000.

If MRP can attract the capital investment from their parent company, MRP anticipates adding 73 new full time jobs paying \$400 per week.

It is estimated that this facility will create a total of 103 jobs in the state by the year 2015. We also estimate that the project would create total state government revenues through the year 2015, of \$1,992,000 due to the location of this facility.

MRP is competing for two new product lines with another Myers Industries company, Buckhorn Rubber Products, Inc., located in Hannibal, Missouri. When comparing the Michigan and Missouri locations, the company estimates that transportation costs in Hannibal are significantly lower than in Cadillac. When this project is fully staffed, transportation costs in Michigan are expected to be \$500,000 higher per year versus Missouri.

The City of Cadillac has finalized a 50 percent abatement of the company's new personal property taxes for twelve years. The estimated value of the local property tax abatement is \$25,000. Pete Stalker, Cadillac's City Manager, was present at the meeting and expressed community support for this project.

### **Recommendation**

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 10 years, for up to 73 net new employees.

### **Board Discussion**

Faye Nelson gave the Executive Committee report. The Executive Committee has reviewed the company's request for a MEGA rural tax credit, and recommends approval.

Jackie Shinn asked whether negotiations have been undertaken for rail service. Mr. McHugh explained that rail transport is not used and that they currently use trucks exclusively for transportation.

Hearing no further discussion, a motion was made and supported, and Resolution 2005-78, authorizing a rural tax credit for Michigan Rubber Products, Inc., was adopted.

### **ACTION ITEM**

*ICG Berrien, Inc.  
101 Poplar Street  
Dowagiac, Michigan 49047*

In April of 2004, the MEGA approved a tax credit for ICG Berrien, Inc. for a new aluminum die casting facility in Bridgeman, Berrien County. Jim Paquet brought a request for amendment before the board. In its MEGA Agreement, ICG committed to maintaining its base employment level of 243, and to create at least 75 new jobs by September 30, 2005.

The company's project was slowed by a six-month delay in taking possession of the building and the need to repair equipment purchased from the prior owner before it

could be used. The company invested \$7.6 million in equipment and has created 39 new jobs while maintaining its base employment level.

The company expects to create the remaining 36 jobs needed to qualify for the credit within the next year and is requesting a one year extension of its anniversary date.

### **Recommendation**

Staff recommends that the MEGA extend ICG Berrien, Inc's anniversary date by one year, to September 30, 2006. The original schedule of the tax years in which the company is eligible for the credit will remain the same. The extension will give the company the opportunity to qualify for nine of the ten years of the credit.

### **Board Discussion**

Faye Nelson gave the Executive Committee report. The Executive Committee reviewed the company's request for anniversary date extension, and recommended approval of the requested amendment.

Hearing no further discussion, a motion was made and supported and Resolution 2005-79, authorizing a one year extension to the anniversary date for ICG Berrien, Inc., was adopted.

### **ACTION ITEM**

*Berrien County Brownfield Redevelopment Authority  
811 Port Street  
St. Joseph, Michigan 49085*

Vern Taylor introduced Greg Vaughn from Cornerstone Alliance and Jeff Noel from Whirlpool Corporation. The Whirlpool Corporation, in partnership with the City of Benton Harbor, the City of St. Joseph, Benton Charter Township and Cornerstone Alliance, is working with developers on a major redevelopment project on approximately 500 acres. The total project will include approximately 1,000 residential housing units, and at least 200,000 square feet of commercial space including retail and commercial, arts and entertainment. Mr. Vaughn explained the project to the board. The project consists of the construction of two hotels. An indoor water park will be connected to the larger hotel. The main feature of the project will be a Jack Nicklaus Signature 18-hole golf course. Marinas will be included in a portion of the residential area with access via the St. Joseph and Paw Paw Rivers to Lake Michigan. It is anticipated that the project will cost between \$400 and \$500 million.

The project will be constructed in multiple phases with the first phase being located at the southwesterly portion of the project area. The first phase is the subject of this work plan request and includes approximately 40 acres. Approximately 300 mid-rise residential units will be constructed along with associated parking structures and about 60,000 square feet of retail and commercial space. The estimated cost of this phase of

the project is \$141.6 million. Eligible activities for the project include demolishing an existing water tower, dredging portions of the St. Joseph and Paw Paw Rivers, and public utilities. Site preparation for the project will include installing sheet pilings, relocating utilities, clearing and grubbing, land balancing, etc.

Approval of the work plan for this phase of the project will be contingent upon a formal and binding approval of a P.A. 425 agreement between the City of Benton Harbor and the City of St. Joseph.

The Work Plan request is for public infrastructure improvements, demolition and site preparation activities associated with the development of the site.

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

The Berrien County unadjusted unemployment rate was 6.3% in August, 2005. This compares to the statewide seasonally adjusted average of 6.7% in August, 2005.

The developer anticipates that the investment for phase 1 of the project will cost in excess of \$141.6 million.

The project is using \$12,475,151 of state and local Tax Increment Financing. It is anticipated that Brownfield Single Business Tax Credits will be applied for as the developers define their investment.

There are 64.7070 mills available for capture, with school millage equaling 24 mills (37%) and local millage equaling 40.71 mills (63%). The tax capture breaks down as follows:

School tax capture	\$ 4,615,806 (37%)
Local tax capture	<u>\$ 7,859,345 (63%)</u>
	\$12,475,151

PROJECT COSTS

Public Infrastructure	\$2,575,300
Site Preparation	\$4,680,000
Demolition	\$ 200,000
Work Plan Preparation	\$ 4,250
MEGA Review Cost	\$ 1,000
Contingency (15%)	\$1,118,295
Interest (estimate)	<u>\$3,896,306</u>
Total	\$12,475,151

The property has been determined to be a "facility" and is located within the boundaries of the City of Benton Harbor, a qualified local governmental unit. The project is the subject of a brownfield plan duly approved by Berrien County on October 3, 2005 with the concurrence of the City of Benton Harbor.

## **Recommendation**

The Michigan Economic Development Corporation recommends approval of the work plan request to capture school taxes, not to exceed \$4,615,806 based on eligible activities totaling \$12,475,151, as described above.

## **Board Discussion**

Faye Nelson gave the Executive Committee report. The Committee has recommended support of the work plan and of school tax capture for this project.

Hearing no further discussion, a motion was made and supported, and Resolution 2005-80, authorizing the capture of school operating taxes for Berrien County Brownfield Redevelopment Authority for the Harbor Shores redevelopment project, was adopted.

## **ACTION ITEM**

*City of Grand Rapids Brownfield Redevelopment Authority  
300 Monroe NW  
Grand Rapids, Michigan 49503*

The building at 2 East Fulton in Grand Rapids is currently vacant and has been vacant for these 15 years. The building has been deemed functionally obsolete by a Level III Assessor. Vern Taylor outlined the proposed project for the board. The project consists of the renovation of a two-story building with the addition of four floors. The renovation will result in approximately 28,000 sq. ft. of commercial/office/retail space. Floors one through four will be retail, commercial and office space, with the fifth and sixth floors containing market-rate, residential condominium space. The exterior will be renovated in the character of its original style. The entire interior will be renovated to upgrade mechanical, electrical, plumbing and telecommunications infrastructures. Renovations will include replacement of roofing, windows, doors and hardware. Interior walls and flooring will be stripped and replaced. The current interest for the mixed-use space includes a coffee house, pharmacy, bookstore, specialty retail and commercial offices.

The redevelopment is being undertaken by 2 East Fulton, LLC, a group of experienced private developers and investors interested in revitalizing the Grand Rapids' urban core.

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

The unemployment rate (unadjusted) for the City of Grand Rapids was 7.6% in August, 2005. This compares to the statewide seasonally adjusted average of 6.7% in August, 2005.

The developers will invest over \$4.5 million in the redevelopment project.

There are 43.5365 mills available for capture, with school millage equaling 24 mills (55%) and local millage equaling 19.5365 mills (45%). The recommended tax capture breaks down as follows:

School tax capture	\$ 85,525 (55%)
Local tax capture	<u>\$ 69,975 (45%)</u>
	\$ 155,500

**PROJECT COSTS**

Demolition	\$ 130,000
Work Plan Preparation	\$ 5,000
MEGA Review Cost	\$ 1,000
Contingency (15%)	<u>\$ 19,500</u>
Total	\$ 155,500

The project is located within the boundaries of the City of Grand Rapids, a qualified local governmental unit and has been deemed functionally obsolete. The property is the subject of a brownfield plan, duly approved by the City of Grand Rapids on July 26, 2005.

**Recommendation**

The Michigan Economic Development Corporation recommends approval of the school tax capture not to exceed \$85,525 based on eligible activities totaling \$155,500, described above.

**Board Discussion**

The report of the Executive Committee was given by Faye Nelson. Ms. Nelson expressed the Committee's recommendation for approval of this work plan and tax capture.

Jim Paquet discussed additional language to be added to the resolution, stipulating that authorization for tax capture will be contingent upon receipt of an executed development agreement within 30 days of this date.

Hearing no further discussion, a motion was made and supported and Resolution 2005-81, authorizing the capture of school operating taxes for the City of Grand Rapids for the 2 East Fulton redevelopment project, was adopted with changes noted above.

The meeting was adjourned at 10:45 a.m.

The next meeting of the MEGA board is scheduled for Tuesday, November 15, 2005.