

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 19, 2004, at 10:00 a.m.

Members Present

Cullen DuBose

Bo Garcia

David Hollister

Donald Jakeway

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

Others Present

Peter Anastor, MEDC

Amy Banninga, MEDC

Dale Benish, Sanilac County EDC

Kathy Blake, Sr. VP Business Development, MEDC

Ed Bowerman, Jr., President, E.A.B. Fabrication

Thelma Bowerman, Treasurer, E.A.B. Fabrication

Kurt Brauer, Bodman LLP

Bruce Brickman, Charter Township of Redford

Toni Brownfield, MEDC

Karl Dehn, Battle Creek Unlimited

Jim Donaldson, MEDC

Kelly Feneley, AKT Peerless

F. Thomas Lewand, Bodman LLP

Jeff Kaczmarek, MEDC

Kevin Kelly, Redford Township Supervisor

Dale Kerbyson, City of Marlette

Carol Knobloch Johns, MEDC

Jim McBryde, MEDC

Susan McCormick, MEDC

Mark Morante, MEDC

Dan Oegema, City of Grand Rapids

Art Papapanos, City of Detroit

Jim Paquet, Secretary to the Board

Mike Pohnl, MEDC

Ed Reed, MEDC

Eric Rucker, Grupo Antolin

Tom Schimpf, Attorney General's Office

Mike Shore, MEDC

Dennis Sturtevant, Martineau Ltd. Dividend Housing Assoc.

Tyler Swartout, Musashi Auto Parts

Vern Taylor, MEDC

Eric Zuzga, Village of Quincy

Call to Order

David Hollister called the meeting to order at 10:06 a.m.

Approval of Minutes from September 14, 2004

Approval of board minutes from the September 14, 2004 meeting was tabled until November's meeting date.

Public Comment

There was no public comment.

ACTION ITEM

*Musashi Auto Parts - Michigan, Inc.
195 Brydges Drive
Battle Creek, Michigan 49015*

Jim Donaldson began the presentation by introducing Tyler Swartout from Musashi Auto Parts, and Karl Dehn with Battle Creek Unlimited. Mr. Swartout discussed the company's history in Battle Creek, and plans for expansion. Musashi Auto Parts-Michigan manufactures automotive transmission gears, cam shafts, and 4 pinion differential assemblies, as well as other automotive parts. The company was founded in 1980 and has operated a manufacturing facility in Battle Creek since 1984. Musashi Auto Parts- Michigan is directly owned by Musashi Seimitsu Industries of Japan and American Honda. Musashi Auto Parts- Michigan is headquartered in Battle Creek and currently has 361 employees in Michigan.

Musashi Auto Parts- Michigan is expanding due to growth in the demand for their products. The expansion project is primarily related to two areas; machining and assembly lines for 4 pinion differentials, and machining lines for rear differentials. The project would lead to the addition of 30,000 square feet in the first year of the project and another 60,000 square feet in the third year at the existing site in Battle Creek. Job creation would total 178 new positions, including 138 in the first year of the project. The new positions would pay a starting average weekly wage of \$440.

The project would require a capital investment of \$26.4 million, including \$6 million for the building additions and \$20.4 million for new machinery and equipment.

It is estimated that this facility will create a total of 346 jobs in the state by the year 2014. We also estimate that the project would create total state government revenues through the year 2014, of \$10.5 million due to the location of this facility in Michigan.

Musashi Auto Parts is considering three locations for this expansion, Battle Creek, Bennettsville, South Carolina and Arthur, Ontario, Canada. Musashi has existing

facilities at each of these locations and this business could be placed at either of the three. When comparing the three locations, the company estimates that wage rates in South Carolina and Ontario are significantly lower than in Battle Creek. When this project is fully staffed, that wage differential would save the company between \$500,000 and \$1 million per year in wage costs.

The City of Battle Creek has proposed 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 \$2,592,800. The abatement is expected to be finalized on December 7, 2004.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 10 years, for up to 178 net new employees.

Board Discussion

Bo Garcia gave the Executive Committee report. The Executive Committee has recommended approval of the requested tax credit.

Hearing no further discussion, a motion was made and supported and Resolution 2004-62, approving a standard MEGA tax credit for Musashi Auto Parts- Michigan, Inc., was adopted.

ACTION ITEM

*E.A.B. Fabrication, Inc.
209 West Elm Street
Reading, Michigan 49274*

Jim Donaldson began by introducing Ed Bowerman, Jr. from E.A.B. Fabrication, and Eric Zuzga with the Village of Quincy. E.A.B. Fabrication was established in 2002 and is a metal fabrication supplier to the automotive industry. The company mainly supplies material handling containers (racks) for automotive parts. The company is temporarily based in Reading, Michigan after a fire destroyed their facility in Quincy. The company currently has nine employees.

E.A.B. Fabrication is quickly outgrowing their temporary facility in Reading due to an increase in their business. The search for a new location is focused on Quincy, where five acres of vacant land are available in the local industrial park. If the company locates at this site, they would construct a new 15,000 square foot facility for their operations. The location would lead to the creation of 12 new jobs in the first year of the project and 75 by the fifth year. The new positions will pay an average weekly wage of \$463.

Total capital investment for the project would be approximately \$800,000, including \$350,000 for building costs and \$450,000 for new machinery and equipment for a powder coat line. Construction on the new facility would begin this year, with operations beginning in June of 2005.

It is estimated that this facility will generate a total of 137 jobs in the state by the year 2014. Total state government revenues through the year 2014, would be increased by \$3.7 million due to the presence of this facility.

In addition to Quincy, E.A.B. Fabrication is considering sites in Northern Indiana, which is 12 miles to the south. Locating in Indiana would provide the company with operational savings for unemployment insurance, worker's compensation and electrical utilities. The company would also see savings in their property taxes, due to lower millage rates in Indiana. In total, locating in Indiana would save the company nearly \$100,000 per year due to these costs.

The State of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$500 for each of the first 25 workers, or up to \$12,500.

The Village of Quincy has proposed a 50 percent PA198 property tax abatement for all new real and personal property for 12 years. The estimated value of the local property tax abatement is \$100,900. The abatement is expected to be finalized on October 19, 2004.

Quincy will also provide five acres of land to the company for the price of \$1 in order to construct the new facility. The estimated savings of this subsidy is \$30,000. The Village will also extend the water, sewer and electrical utilities to the site at an estimated cost of \$10,000. Finally, the community will assist in financing the project, saving the company additional funding due to a more competitive interest rate available to the community.

Recommendation

The Michigan Economic Development Corporation recommends a 75 percent rural employment tax credit for 10 years, for up to 75 net new employees.

Board Discussion

Bo Garcia gave the Executive Committee report and on behalf of the committee, and recommended approval of the requested tax credit.

Jim Paquet suggested adding language to the resolution, that no agreement be executed until MEDC staff has received information from indicating that the company has the financial capacity to complete the project.

Hearing no further discussion, a motion was made and supported, and Resolution 2004-63, as amended, authorizing a Rural MEGA tax credit for E.A.B. Fabrication, Inc., was adopted.

ACTION ITEM

*Grupo Antolin Michigan, Inc.
6300 Euclid Street
Marlette, Michigan 48453*

Jim Donaldson introduced Eric Rucker with Grupo Antolin and Dale Kerbyson from the City of Marlette, as well as Dale Benish from Sanilac County Economic Development Corporation (EDC). Mr. Rucker discussed the company's expansion plans, and the representatives from the City and from Sanilac County EDC talked about community support for the project.

Grupo Antolin Michigan, Inc. is a supplier of automotive interior trim components and systems to the automotive industry. The company's parent has 62 locations world wide with 42 manufacturing, 15 assembly and logistic centers, and five Technical Centers (the most recent in Troy, Michigan). They are also a minority partner in an assembly and sequencing center in Wayne, Michigan.

In April, 2003, the company was awarded a MEGA credit for up to 214 new employees to begin operations at a former Lear Seating facility in Marlette. Extensive renovations of the facility have been completed, production activities are well underway. The company currently employs 140 at the Marlette facility.

The company recently has been offered new opportunities in the assembly of modular headliner systems that may also lead to growth into injection molding of commodities used across the company. The expansion will require a capital investment of \$8.8 million and will create up to 120 net new jobs with an average weekly wage of \$440.

It is estimated that this facility will create a total of 310 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 \$10.5 million due to the location of this facility in Michigan.

The company is also considering using an assembler and sequencer in Oshawa, Ontario. Using a contract sequencer would increase the company's labor costs, but would reduce their capital and transportation costs. The company estimates that operating costs would be as much as \$540,000 lower per year, in Ontario.

The State of Michigan has offered a 50 percent abatement of the 6-mill State Education Tax for the term of the abatement offered by the City of Marlette. This abatement is valued at \$52,000.

The City of Marlette has proposed 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 \$400,000. The abatement is expected to be finalized on October 18, 2004.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent rural employment tax credit for 10 years, and a 100 percent rural business activity credit for three years for up to 120 net new employees.

Board Discussion

Bo Garcia gave the Executive Committee report. The Executive Committee recommended approval of the requested rural tax credits.

Hearing no further discussion, a motion was made and supported and Resolution 2004-64, authorizing rural MEGA tax credits for Grupo Antolin Michigan, Inc., was adopted.

ACTION ITEM

*TG North America Corporation
1095 Crooks Road
Troy, Michigan 48084*

Jim Paquet explained the reason for the company's location change and brought the request for an amendment to the board.

In May of 2004, the MEGA Board approved a high-tech tax credit for TG North America Corporation for expansion of its research and development and engineering operations in Troy, Oakland County. The company executed a MEGA Tax Credit Agreement on July 9, 2004.

The company was unable to negotiate a satisfactory lease on the building it originally intended to occupy and has located another building in Troy that is suitable for its needs.

The local assistance provided by Troy, and approved by the MEGA for the project, involved the development of a corporate park at a cost of \$57,000 to the City. With the proposed change in location, that assistance is no longer applicable.

TG North America Corporation is requesting an amendment to its credit award to permit the location of the project at the new site and approval of alternative local assistance. The new local assistance involves improvements to Stephenson Highway, south of 15 Mile Road. The improvements have been completed north of 15 Mile but funding had been withdrawn for the rest of the project due to budget constraints and proposed

changes to the improvement plan. City Council will be asked to approve a request for funding in the amount of \$500,000 to continue work that had been cancelled in the area.

Recommendation

Staff is recommending approval of the request to amend the TG North America tax credit.

Board Discussion

Tom Schimpf asked whether the City Council has acted on the request for funding. Mike Pohnl and Amy Banninga had knowledge of this action and responded. The local resolution addressed the need for continued repairs, but in an amount less than \$500,000. Discussion ensued with regard to the specific nature of the road repair. Jackie Shinn mentioned that the City of Troy has not been active in roadway development. She asked whether TEDF could be used. Amy Banninga reported that the City will try to find the additional amount. David Hollister suggested that the resolution be amended to require that the minimum contribution be \$100,000.

Bo Garcia gave the Executive Committee report. Mr. Garcia expressed the committee's recommendation to approve the company's requested amendment.

Hearing no further discussion, a motion was made and supported, and Resolution 2004-65, as amended, approving a change of location for TG North America Corporation, was adopted.

ACTION ITEM

City of Grand Rapids Brownfield Redevelopment Authority Martineau Project

Jeff Kaczmarek introduced Dan Oegema from the City of Grand Rapids, and Dennis Sturtevant from Martineau Limited Dividend Housing Association, LLC (the developer). Mr. Sturtevant explained to the board that the City of Grand Rapids Brownfield Redevelopment Authority has submitted a work plan request for the approval of \$1,683,000.

He discussed the project, which is located within the locally designated Heartside Historic District, a major corridor into downtown Grand Rapids. The project involves the rehabilitation of the properties into a 47,932 square foot mixed use development, consisting of 23 live/work apartment units and 12,863 square feet of commercial space. The renovation will be completed in compliance with the United States Department of Interior Guidelines for Renovation of Certified Historic Structures.

The project is the centerpiece of the City of Grand Rapids Cool Cities Initiative and has been awarded the state's Cool Cities grant. This project will result in a major renovation

and reuse in a deteriorating area of the city. It will act as a catalyst to other projects in the city.

The Work Plan requests demolition, public infrastructure and site preparation costs associated with the redevelopment of the site.

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

According to the Department of Labor and Economic Growth, the City of Grand Rapids' unemployment rate was 9.4% in June, 2004. This compares to the statewide average of 6.8% and national average of 5.8%.

The property is contaminated due to the presence of tetrachloroethylene in the groundwater and of cadmium and chromium in the soils on the site, both at concentrations that exceed Part 201 Generic Residential Cleanup Criteria. The contaminants identified in the Phase I, II and Baseline Environmental Assessment reports will be removed as part of the renovation project. In addition, due care plans are in place to ensure no human exposure to contaminated soils and water.

The project is using Federal New Markets Tax Credit Equity, Federal Historic Tax Credits, Michigan Historic Tax Credits, MSHDA HOME funds and local HOME funds on the project. The project has also received pre-approval for a \$752,900 Brownfield Single Business Tax Credit.

PROJECT COSTS

Public Infrastructure	\$400,000
Demolition	\$ 74,000
Site Preparation	\$ 30,000
Lead and Asbestos Abatement	\$ 43,000
Work Plan Preparation	\$ 10,000
Contingency	<u>\$ 53,000</u>
Total	\$810,000
Authority Administrative Cost (local TIF capture only)	\$ 53,000
Interest expense (local TIF capture only)	<u>\$820,000</u>
	\$873,000

There are 43.54 mills available for capture, with school millage equaling 23.92 mills (55%) and local millage equaling 19.62 mills (45%). The recommended tax capture breaks down as follows:

School tax capture	\$ 810,000 (55%)
Local tax capture	<u>\$ 873,000 (45%)</u>
	\$1,683,000

Recommendation

The Michigan Economic Development Corporation recommends approval of school tax capture not to exceed \$810,000 based on eligible activities totaling \$1,683,000, described above.

Board Discussion

David Hollister asked when the project will begin. Mr. Sturtevant reported that they would like to begin this month. The Executive Committee report was heard. Bo Garcia, on behalf of the Executive Committee, recommended approval of the requested tax capture.

Hearing no further discussion, a motion was made and supported, and Resolution 2004-66, authorizing the capture of school operating taxes for the City of Grand Rapids Brownfield Redevelopment Authority for the Martineau project, was adopted. Cullen DuBose, who is a member of the National City board, abstained from the vote.

ACTION ITEM

Redford Township Brownfield Redevelopment Authority
Pinnacle Commerce Center

Bruce Brickman was introduced to the board, along with Kevin Kelly, both from the Charter Township of Redford. The Redford Township Brownfield Redevelopment Authority has submitted a work plan request for the approval of \$1,750,000. Mr. Brickman described the project.

A developer proposes to reuse a 980,000 square foot single tenant building on a 35.5 acre site located at Telegraph and Glendale, previously used by the Ford Motor Company as a distribution center. The project will involve demolition, infrastructure improvements and site preparation that will allow the building to be reconfigured and used for multi-tenant warehousing and industrial purposes.

Demolition consists of up to 375,000 square feet of the low-bay building and approximately 75,000 square feet of the high-bay building, in order to create a functional, multi-tenant complex with separate exterior truck docks to accommodate shipping and receiving operations. Additional truck wells along with new driving and maneuvering lanes will be required, resulting in soil removal, grading, utility relocation, engineering and survey cost for site preparation activities. Redford Township plans to upgrade Glendale Road, which is currently a Class A road, approximately 37 feet wide. Present plans call for the road to be resurfaced with deep-strength asphalt for approximately 0.4 miles.

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

Redford Township is approximately 11.25 square miles and has a population of approximately 58,783 people. Per the 2000 census, the unemployment rate was 8.2%.

The project is using local TIF on the project. Also, on September 1, 2004, Director Hollister approved a Brownfield SBT credit not to exceed \$820,000 based on \$8,200,000 private investment.

PROJECT COSTS

Public Infrastructure	\$ 250,000
Demolition	1,200,000
Site Prep (Excludes \$130,000 ineligible)	<u>\$ 170,000</u>
Total	<u>\$1,620,000</u>

There are 48.9175 mills available for capture, with school millage equaling 24 mills (49%) and local millage equaling 24.9175 mills (51%). The recommended tax capture breaks down as follows:

\$ 793,800	State School Property Tax (49%)
<u>+ 826,200</u>	Local Property Taxes (51%)
\$1,620,000	

The property has been deemed functionally obsolete, and is located within the boundaries of Redford Township, a qualified local governmental unit. The project is the subject of a brownfield plan approved by the Redford Township Brownfield Authority on February 24, 2004.

Recommendation

The Michigan Economic Development Corporation recommends approval of school tax capture not to exceed \$793,800 based on eligible activities totaling \$1,620,000 described above.

Board Discussion

The Executive Committee report was given by Bo Garcia. The Executive Committee recommended full Board support for the requested tax capture.

Hearing no further discussion, a motion was made and supported, and Resolution 2004-67, authorizing the capture of school operating taxes for Redford Township Brownfield Redevelopment Authority for the Pinnacle Commerce Center project, was adopted.

ACTION ITEM

*City of Cheboygan Brownfield Redevelopment Authority
Mariner Village Amended Work Plan*

A work plan for this project was approved on June 15, 2004. The amended work plan requests additional eligible activities regarding soil conditions. This will increase the amount of eligible activities from \$247,250 to \$759,000

Infrastructure	\$ 21,000
Demolition	\$ 65,000
Site Preparation	\$573,000
Work Plan Preparation	\$ 1,000
Contingency	<u>\$ 99,000</u>
Total	\$759,000

TAX CAPTURE BREAKDOWN

School tax capture	\$379,500 (50%)
Local tax capture	<u>\$379,500 (50%)</u>
	\$759,000

Recommendation

The Michigan Economic Development Corporation recommends approval of school tax capture not to exceed \$379,500 based on non-environmental eligible activities totaling \$759,000

Board Discussion

Bo Garcia gave the Executive Committee report. The Executive Committee considered the request for amendment and recommended approval of the request.

Hearing no further discussion, a motion was made and supported, and Resolution 2004-68, authorizing an amendment to increase the amount of school operating costs captured for the Mariner Village redevelopment project in the City of Cheboygan, was adopted.

ACTION ITEM

*City of Southfield Brownfield Redevelopment Authority
Lear Corporation World Headquarters*

Lear's work plan and SBT Credit requests were approved at the September, 2004 MEGA Board Meeting. At that time some of the activities included in Lear's work plan were not clearly eligible. Since that time, the company has provided adequate

geotechnical evidence to support reclassifying these items from SBT eligible investments to TIF eligible expenses. This change is reflected in a decrease to the SBT amount approved by the board in September, and an increase in TIF eligible expenses.

The total of the work plan matches the amount previously approved by the local authorities.

Infrastructure—Street, Utilities	\$3,441,013	
Demolition	514,000	
Asbestos Abatement	50,000	
Site Preparation	2,200,147	
Architectural & Engineering for Eligible Activities	73,100	
14% Contingency	<u>896,740</u>	
Subtotal	\$7,175,000	
Interest (5%) – Local Revenues Only	<u>6,269,091</u>	
TOTAL	\$13,444,091	
State School Property Taxes	\$6,807,240	(95% of MEGA Activities)
Local Property Taxes	<u>367,760</u>	(5% of MEGA Activities)
Total MEGA Activities	\$7,175,000	
Local Property Taxes Interest	<u>6,269,091</u>	(100% of Interest)
TOTAL	\$13,444,091	

This tax capture breakdown reflects that local revenues will continue to be collected by the existing local development finance authority for the first eleven years of the project. This pre-existing capture reduces the local revenues available for brownfield tax capture.

COST OF ELIGIBLE INVESTMENTS:

Site Improvements	\$6,578,524
New Construction	31,943,394
Machinery & Equipment	<u>8,715,178</u>
TOTAL	\$47,237,096

Recommendation

The Michigan Economic Development Corporation recommends amendment of the prior approval to allow for capture of up to \$7,175,000 for the MEGA eligible activities described above. School tax capture is not to exceed \$6,807,240.

The MEDC also recommends an amendment of the approval of a MEGA Brownfield Redevelopment Credit of 10% of the eligible investment in the project, not to exceed a \$4,723,710 credit.

Board Discussion

Bo Garcia gave the report from the Executive Committee meeting. The Executive Committee has recommended approval of the requested amendment.

Hearing no further discussion, a motion was made and supported, and Resolution 2004-69, authorizing the capture of additional school operating taxes for the Lear Corporation World Headquarters project in the City of Southfield, was adopted. No amendment to the Lear brownfield single business tax credit is needed because amount requested decreased.

ACTION ITEM

*DLI Properties, LLC
2000 Brush Street
Detroit, Michigan 48226*

Tom Lewand and Kurt Brauer from Bodman LLP were introduced, along with Art Papapanos with the City of Detroit. DLI Properties proposes to construct a new office building that will house one or more professional services tenants. The building will consist of approximately 107,000 square feet of Class A professional office space. The total cost of eligible investments for the building is anticipated to be approximately \$28 million. The project is a joint venture between DLI and Madison Office Associates, LLC.

Brownfield SBT Credits are based on several criteria outlined in the statute. These criteria have been satisfied.

The City of Detroit has an unemployment rate that exceeds both the county and statewide averages.

The main tenant for the office building, PricewaterhouseCoopers, is seeking a personal property tax exemption. No other incentives have been identified for the new office building project.

The eligible investments for the project include:

Site Improvements	\$ 522,227
New Construction	\$23,373,463
Equipment and Fixtures	<u>\$ 4,372,875</u>
Total	\$28,268,565

The property has been determined to be a facility and is the subject of a brownfield plan duly approved by the City of Detroit on August 1, 2003.

Recommendation

The MEDC recommends approval of a brownfield single business tax credit up to a maximum of \$2,600,000 conditioned upon the applicants meeting project completion requirements identified in a development agreement between DLI Properties, LLC, Madison Office Associates and MEGA.

Board Discussion

Bo Garcia gave the Executive Committee report. The Executive Committee was not allowed an opportunity to review this request for Brownfield Single Business Tax credit.

Since the request was not reviewed by the Executive Committee, it was agreed that the Development Agreement will be brought before the board before being executed. The resolution will reflect this decision. Hearing no further discussion, a motion was made and supported, and Resolution 2004-70, authorizing a Brownfield SBT credit for DLI Properties, LLC, was adopted.

The meeting was adjourned at 11:13 a.m.

The next regularly scheduled meeting of the MEGA board is scheduled for Tuesday, November 16, 2004.



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