

ADOPTED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Michigan Economic Development Corporation, 300 N. Washington Square, on November 13, 2001 at 10:00 a.m.

Members Present

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

Members Absent

Duane Berger

Others Present

Karen Ammarman, MEGA, MEDC
Dawn Baetsen, Deloitte and Touche
Kathy Blake, Senior V.P., Business Development, MEDC
Tino Breithaupt, MEDC
Linda Dankoff, MEGA, MEDC
David DiRita, Assistant General Counsel, Visteon Corporation
Rick Haglund, Booth Newspapers
Val Hoag, MEDC
Susan Ireland, Executive Assistant Assessor, Van Buren Twp.
Dan Jankowski, Vice President, Corporate Communications, Covisint
Gene Johnson, General Motors Corporation
Norman Johnson, Director, Government Affairs, Visteon Corp.
Bryce Kelley, Director of Economic Development, Van Buren Twp.
Cindy King, Township Supervisor, Van Buren Charter Township
Chris Klaver, Gongwer News Service
Carol Knobloch Johns, MEDC
Jennifer Kopp, MEDC
Paul Krepps, MEDC
Amy Lane, Crain's
Peter Look, V.P. of Tax, Visteon
Rich McMillan, Director, Education & Training, General Motors Corp.
Alice Miles, Senior V.P., Covisint
Pauline Millichamp, MEDC
Mark Morante, Vice President, Dev. Finance, MEDC
Marilyn Nix, Acquisition and Portfolio Strategies, General Motors Corporation
Sherry Ocelnik, Senior Project Manager, General Motors Corporation
Jim Paquet, Secretary to the MEGA Board

Renee Rashid-Merem, Public Affairs, General Motors Corp.
Ed Reed, MEDC
Tom Schimpf, Attorney General
Marge Sorge, Director, Strategic Committee, Visteon Corporation
Joe Sproles, Regional Manager, General Motors Corporation
Dave Tyler, Assistant to Director, Dept. of Jobs & Economic Development, Wayne
County

Call to Order

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

Approval of Minutes from September 17, 2001

It was moved, supported and carried that the minutes from the September 17, 2001 meeting be adopted with one change. On page three, in the second sentence, Doug Rothwell requested that the word "cooperation" be stricken and the phrase "qualified local contribution" be added in its place.

Public Comment

There was no public comment.

ACTION ITEM

*General Motors Corporation-Orion Assembly
100 Renaissance Center
Detroit, Michigan 48265*

Val Hoag briefly described the assembly plant's plans and introduced Marilyn Nix from General Motors Corporation. After introductions of other company representatives were made to the Board, Ms. Nix explained the project in more detail.

General Motors Corporation is assessing the possibility of transferring new product lines to the Orion Assembly operation to keep the plant operational. The products currently produced at the facility will build out in 2004, rendering the plant idle unless alternative product lines can be transferred to the facility.

The project would allocate additional automotive final assembly operations to the facility, necessitating an investment of up to \$408 million and the retention of up to 2,288 employees. It is anticipated that capital expenditures would begin in 2003 and the retention of employees would begin in 2005, allowing for current production phase-out and future production phase-in. The retained jobs would pay an average weekly wage of \$927 and a benefit package worth up to 30% of wages.

Val Hoag continued the presentation.

It is estimated the facility will retain a total of 9,933 jobs in the state by the year 2022. Net state government revenues of \$827 million will be maintained through the year 2022 due to the proposed retooling of this facility.

General Motors Corporation is assessing production plans for all of its manufacturing operations and must pay particular attention to putting production where it can get the lowest costs. While the company would like to see the Orion Assembly operation continue, it is making decisions based on a number of variables, including tooling and production piece costs, available capacity, a successful labor agreement and incentive from the State and local government that will enhance the business case and strengthen the company's ability to achieve board approval for the project.

The most cost effective location for the company to add this new production would be at a facility in another Midwest state. Due to the net operating loss status of the company, it is not liable for any income taxes in that location; whereas in Michigan the project alone creates a SBT liability averaging \$7.6 million a year over the 20-year period. Other savings in the other state include slightly lower wages, lower utility and transportation costs and lower property taxes. When added together, the cost differential totals over \$300 million over a 20-year period. Without the MEGA and other incentives, this project would not be feasible in Michigan.

The Michigan Economic Development Corporation will recommend up to \$3 million for the funding of needed public road improvements adjacent to the company's site. These improvements will be evaluated by the Michigan Department of Transportation for eligibility, appropriate applications and approvals. The state will also provide a 100 percent abatement of the 6-mill State Education Tax to match the length of the local property tax abatement. The estimated value of this abatement is \$5,040,600.

Orion Township has provided an abatement of 50 percent of the real and personal property taxes for a period of 12 years. The estimated value of this abatement is \$17,137,746.

Recommendation

The Michigan Economic Development Corporation recommends an employment credit of 50 percent for the retention of up to 2,288 jobs for a period of 20 years and a business activity credit of 50 percent for a period of 20 years.

Board Discussion

Tim Ward gave the report of the Executive Committee. The Executive Committee discussed this classic retention project and recommended the award to assure product plans for the plant beyond 2004.

Jackie Shinn from Michigan Department of Transportation said that MDOT has met with local officials in Oakland County and that road use studies have been completed.

Ms. Shinn stressed that, due to budget constraints imposed on MDOT for this fiscal year, MDOT will be reviewing proposed road improvements and will evaluate these based on need, along with the review and approval of the application.

Tom Schimpf asked whether Orion Township has approved the tax abatements. Linda Dankoff answered 'Yes'.

A motion was made and supported, and Resolution 2001-046 awarding a MEGA Tax Credit to General Motors Corporation was adopted.

ACTION ITEM

*Covisint, LLC
25800 Northwestern Highway
Southfield, Michigan 48075*

Kathy Blake began the presentation by introducing Alice Miles, Senior Vice President of Covisint, LLC. Ms. Miles introduced Dan Jankowski from the company and described the project.

Covisint operates an online marketplace among automotive suppliers, manufacturers and other parties. It also provides tools for use of the internet. Covisint was established in 2000, and currently has 169 employees, all in Southfield, Michigan.

Ms. Miles stressed that the selection of the proper location, as well as tax incentives, is imperative to Covisint's success. The company prefers to be in Michigan due to the proximity of major automotive manufacturers and suppliers. However, since this is an Internet-based business, it can literally locate anywhere. A Michigan location will be hard to justify to current and future investors without MEGA tax credits to help offset these cost differences.

Kathy Blake continued the presentation stating that the company would lease a facility at an estimated cost of \$13.6 million and invest another \$9.25 million in leasehold improvements, furniture and fixtures and computers over the next five years.

The project would create up to 431 net new jobs and wages would average \$1,904 per week plus a benefit package equal to approximately 30 percent of wages. The company anticipates that a facility will be available by the end of 2002; however, since operations have begun at the current location and hiring has occurred already, the first 75 of these new jobs will be in place by July 2002.

It is estimated the facility will generate a total of 1,966 jobs in the state by the year 2021. Net state revenues through the year 2021 would be increased by \$106,514,000 due to the presence of the Covisint headquarters facility.

Covisint has entertained offers from many states but has focused its attention on Michigan and Georgia. Georgia is attractive due to lower wage rates, lower occupancy costs and a more favorable tax situation. It is estimated that the annual cost difference between Michigan and Georgia will range between \$2.5 and \$3.0 million, creating a \$50 to \$60 million cost differential over the life of the MEGA.

The State of Michigan will provide a 100 percent abatement of the six mill State Education Tax estimated to be worth \$413,774. In addition, an Economic Development Job Training (EDJT) grant of \$1,000,000 will be provided for up to 450 net new jobs. A worker recruitment grant of up to \$1,000,000 will be provided to help offset costs Covisint might incur in recruiting qualified workers. Both the job training and worker recruitment monies will be made available to Covisint over a three-year period. The Michigan Economic Development Corporation will also be providing a rent subsidy to the company of up to \$5 million over a five-year period.

The City of Southfield has committed \$200,000 worth of staff time to help the company with the permit process, locate appropriate facilities, and otherwise assist the company in any way possible. In addition, the Oakland County Department of Development and Planning has offered a \$45,000 Automation Alley membership for three years. The City of Detroit has pledged at least \$125,000 in staff time and resources towards the successful location of Covisint to its community.

While these amounts will meet local commitment required by Section 8 of the MEGA act, the MEGA agreement with Covisint will include a condition that in order to collect a credit, the community chosen for the project must provide the company with tax abatement under PA 328, PA 198 and/or a Michigan Renaissance Zone.

Recommendation

The Michigan Economic Development Corporation recommends an employment tax credit of 100 percent for up to 431 net new employees for a period of twenty years and a business activity credit of 100 percent for twenty years. We further recommend that the 120-day look-back provision be applied.

Board Discussion

Tim Ward gave the Executive Committee report. The company's need to lock in a base number of jobs was discussed, along with the fact that the company has yet to decide in which Michigan community to locate. Tom Schimpf from the Attorney General's office clarified the 120-day look-back and when the count of the 120 days will begin. Beth Chappell stressed that, the pledge of staff time and resources was not sufficient and that the local communities are prepared to provide the company with a tax abatement, either under PA 328, PA 198 and/or a Renaissance Zone. Doug Rothwell added that we have strong assurances from both communities of their willingness to provide these tax abatements.

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Craig DeNooyer asked whether we know how much the offered abatements are worth. Mark Morante responded by assuring the Board that the abatements are generous.

Hearing no other discussion, it was moved, and supported, and Resolution 2001-047 approving a MEGA Employment Credit for Covisint, LLC was adopted.

ACTION ITEM

*Visteon Corporation
World Headquarters
5500 Auto Club Drive
Dearborn, Michigan 48126*

Val Hoag provided a brief explanation of the project and introduced David DiRita, Assistant General Counsel of Visteon Corporation, who explained the project in greater detail.

Mr. DiRita explained that Visteon had been spun out of Ford in mid-2000 and wanted to establish a centralized campus for management and technical activities, with investment in the range of \$300 million. He said that state support was critical to locating the company in Michigan.

Val Hoag continued the presentation.

Visteon proposes to construct a world-class corporate headquarters and high technology research and development center in either Michigan or Ohio. The project will help the company to transition from a traditional manufacturer to a supplier of technology systems for vehicles. It will also create a single facility that projects a more visible corporate presence, promotes greater efficiency, provides state-of-the-art technical facilities, helps the company attract and retain the best people and enhances Visteon's overall competitiveness.

The company anticipates capital expenditures of up to \$316 million over the next two years and the creation of up to 475 net new jobs by 2008.

Construction of the new facility will begin in the spring of 2002 and end in December of 2003. It is estimated that the building will be operational by June 2004 and that at least 75 net new jobs will be created within one year of that date. These jobs will have an average weekly wage of \$1,520 and a benefit package equal to approximately 34 percent of wages.

We estimate this facility will generate a total of 808 jobs in the state by the year 2016. Net state government revenues through the year 2016 would be increased by \$50.5 million due to the presence of this facility.

The company looked at many possible locations for its new world headquarters and narrowed its choices to sites in Toledo, Ohio and Van Buren Township, Michigan. Although the company prefers a Michigan location due to the long history of being associated with Ford Motor Company and Michigan, Ohio offered many advantages to the company also. Land costs were lower in Ohio than in western Wayne County and wages are approximately five percent lower. The largest obstacle Michigan has to overcome is that in Ohio, the company pays no corporate taxes since it is in a net operating loss situation. Once the company starts showing a profit, the royalties deduction allowed in Ohio will eliminate its tax liability there. It is estimated that the cost differential between Ohio and Michigan is \$34 million over the term of the incentive.

The company feels that synergies it will enjoy by having administrative and research and development people in the same location, the ability to retain talented workforce, and the value of the MEGA, will help to convince its Board of Directors to locate the new headquarters in Michigan.

The Michigan Economic Development Corporation will recommend up to \$5 million for the funding of needed public road improvements adjacent to the company's site. These improvements will be evaluated by the Michigan Department of Transportation for need, eligibility and required applications and approvals.

Van Buren Township has provided an abatement of 50 percent of the real and personal property taxes for a period of 12 years. The estimated value of this abatement is \$31,177,000.

Recommendation

The Michigan Economic Development Corporation recommends an employment credit of 100 percent for up to 475 net new jobs for a period of 13 years.

Board Discussion

Tim Ward gave the Executive Committee report. The Executive Committee recommends approval by the MEGA Board in order to compete with the incentives offered by Ohio.

Hearing no further discussion from the Board, it was moved and supported and Resolution 2001-048 approving a MEGA Employment Credit for Visteon Corporation was adopted.

ACTION ITEM

*Duncan Aviation
W.K. Kellogg Airport
15745 S. Airport Road
Battle Creek, Michigan 49015*

In September of 2000, the MEGA approved tax credits for Duncan Aviation's expansion project at W.K. Kellogg Airport in Battle Creek. In its MEGA Agreement, Duncan Aviation committed to creating at least 75 new jobs by September 30, 2001. By year-end, the company will have made \$1 million of the \$18 million in capital investments it projected through 2005. The ramp expansion associated with the project has been financed by the Battle Creek Tax Increment Finance Authority and is near completion. The company has created 43 new jobs and still expects to increase employment by about 660 due to the expansion.

Due to the slowdown of the national economy and its impact on corporate and private air travel, the company has reduced its hiring rate and has requested a fifteen-month extension of its anniversary date to allow it to qualify for the credit.

Staff recommends that the MEGA agree to amend the Duncan Aviation credit to extend the anniversary date to December 31, 2002, but that the original schedule of the tax years in which the company is eligible for the credit remain unchanged.

Recommendation

The Michigan Economic Development Corporation recommends that the MEGA Board agree to extend Duncan Aviation's anniversary date to December 31, 2002.

Board Discussion

Tim Ward gave the report of the Executive Committee and recommended approval of the anniversary date extension.

Hearing no questions from the Board, motion was moved and supported and Resolution 2001-049 approving an extension of the anniversary date to December 31, 2002 for Duncan Aviation was adopted.

ACTION ITEM

*Recticel, N.A., Incorporated
1653 Atlantic Boulevard
Auburn Hills, Michigan 48326*

In September of 2001, the MEGA authorized an Employment Credit of 100 percent for five years followed by an Employment Credit of 75 percent for five years to

Recticel N.A., Inc. for up to 286 jobs. The project involves leasing and equipping a new building in Independence Township, Oakland County, to manufacture molded interior components for the automotive industry, expand its North American headquarters, add research and development capabilities, and provide quality laboratories. A tax credit agreement between the MEGA and Recticel was executed on September 21, 2001.

It was the intent of Recticel and the MEGA staff that the first year of the credit begin with the company's tax year ending December 31, 2004. However, Resolution 2001-038 erroneously stated that the credit would begin no later than the company's tax year ending December 31, 2003.

Staff recommends that the MEGA agree to amend Resolution 2001-038 changing the first year of the tax credit to the tax year ending December 31, 2004 and authorizing staff to make the necessary changes to the Agreement.

Recommendation

The Michigan Economic Development Corporation recommends that the MEGA Board agree to a change in beginning tax year for Recticel, N.A., Incorporated.

Board Discussion

Tim Ward gave the report of the Executive Committee and recommended approval of the change.

Hearing no questions from the Board, motion was moved and supported and Resolution 2001-050 approving a change in beginning tax year from December 31, 2003 to December 31, 2004 for Recticel, N.A., Incorporated was adopted.

ACTION ITEM

*Solvay Automotive, Incorporated
6001 N. Adams Road, Suite 150
Bloomfield Hills, Michigan 48304*

In April of 1995, the MEGA authorized a Business Activity Credit of 100 percent for twelve years, and an Employment Credit of 100 percent for twelve years to Solvay Automotive, Incorporated. The project involved construction of a manufacturing facility in Adrian to produce blow-molded fuel tanks for the auto industry. The facility has been in operation since 1997 and currently employs 227.

In July of 2000, Solvay contributed the project to Inergy Automotive Systems, LLC, a joint venture with Plastic Omnium Industries. Solvay has requested that the MEGA credit be transferred to the joint venture.

Recommendation

The Michigan Economic Development Corporation recommends that the MEGA agree to the transfer of the Solvay credit to Inergy. Because the Michigan jobs of Plastic Omnium were not included in the original jobs base established for the Solvay credit, and because Solvay has experienced job growth at its non-project facilities since the credit was awarded, staff is recommending that the jobs base be adjusted from 74 to 167 in connection with the transfer. Staff also recommends that the transfer be effective as of August 1, 2000 so that the tax credit for 2000 may be properly allocated between Solvay Automotive and Inergy Automotive Systems.

Board Discussion

Tim Ward gave the report of the Executive Committee and recommended approval of the proposed transfer of tax credit from Solvay to Inergy, along with the suggested adjustment to the jobs base.

Hearing no questions from the Board, motion was moved and supported and Resolution 2001-051 approving a transfer of tax credit from Solvay Automotive, Inc. to Inergy Automotive Systems, LLC adopted.

ACTION ITEM

*Meritor Light Vehicle Systems, Incorporated
2135 Maple Road
Troy, Michigan 48084*

In December of 1999, the MEGA authorized a Business Activity Credit of 100 percent for ten years, and an Employment Credit of 100 percent for fifteen years and 50 percent for three years to Meritor Light Vehicle Systems, Inc. (MLVS). The project involved construction of a facility in the Detroit Renaissance Zone to manufacture sunroof assemblies for the auto industry. MLVS has completed the facility and created 256 net new jobs.

At the time the original credit was awarded, MLVS was a wholly owned subsidiary of Meritor Automotive, Inc. On July 7, 2000, Meritor Automotive, Inc. merged with Arvin Industries, Inc. to create ArvinMeritor, Inc. On September 30, 2001 MLVS was merged into ArvinMeritor OE, LLC as part of a consolidation of ArvinMeritor, Inc's many subsidiaries. As a result of that merger, ArvinMeritor OE, LLC has requested the transfer of the MLVS tax credit to it.

Recommendation

Staff recommends that the MEGA agree to the transfer of the Meritor Light Vehicle Systems Inc. credit to ArvinMeritor OE, LLC. Because the Michigan jobs of many of the ArvinMeritor, Inc. subsidiaries were not included in the original jobs base

established for the MLVS credit, staff is recommending that the jobs base be adjusted from 227 to 1007 in connection with the transfer. Staff recommends that the transfer be effective as of September 30, 2001, the date of the merger of MLVS into ArvinMeritor OE, LLC.

Board Discussion

Tim Ward gave the report of the Executive Committee and recommended approval of the proposed transfer of tax credit from Meritor Light Vehicle Systems, Inc. to ArvinMeritor OE, LLC, along with the suggested adjustment to the jobs base.

Hearing no questions from the Board, motion was moved and supported and Resolution 2001-052 approving a transfer of tax credit from Meritor Light Vehicle Systems, Inc. to ArvinMeritor OE, LLC was adopted.

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

TRANSPORTATION
COMMISSION

BARTON W. LABELLE, Chairman
JACK L. GINGRASS, Vice Chairman
LOWELL B. JACKSON
BETTY JEAN AWREY
TED B. WAHBY
JOHN W. GARSIDE

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STATE OF MICHIGAN



JOHN ENGLER, GOVERNOR

DEPARTMENT OF TRANSPORTATION

TRANSPORTATION BUILDING, 425 WEST OTTAWA POST OFFICE BOX 30050, LANSING, MICHIGAN 48909
PHONE: (517) 373-2090 FAX: (517) 373-0167 WEB SITE: <http://www.mdot.state.mi.us>

GREGORY J. ROSINE, DIRECTOR

January 8, 2001

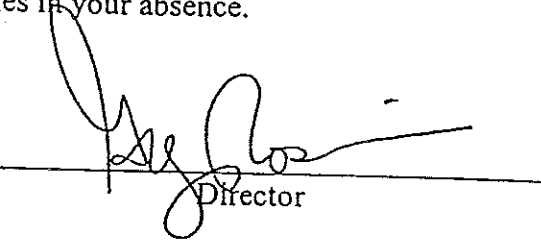
TO: Philip F. Kazmierski, Deputy Director
Bureau of Urban and Public Transportation

FROM: Gregory J. Rosine
Director

RE: Michigan Economic Growth Authority (MEGA) Board

I hereby appoint you to attend and act on my behalf at the MEGA board meetings when I am unable to attend.

I appoint Jackie Shinn to assume these responsibilities in your absence.


Director

cc: Doug Rothwell, Director
Michigan Economic Development Corporation
Jackie Shinn