

ADOPTED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) board was held at the Michigan Economic Development Corporation, 300 N. Washington Square, on November 14, 2006, at 10:00 a.m.

Members Present

Cullen DuBose

Jim Epolito

Bo Garcia

Michael Kapp (acting on behalf of Kirk Steudle, authorization attached)

Scott Schrager (acting on behalf of Robert Kleine, authorization attached)

Robert Swanson

Others Present

Karen Ammarman, Secretary to the Board, MEDC

Peter Anastor, MEDC

Dwight Belyue, Belmar Development

Joe Borgstrom, MSHDA

Lisa Dancsok, MEDC

Deb Dansby, MEDC

Paul Grey, Edgewater Automation

Anne Jamieson, AKT Peerless

Carol Knobloch Johns, MEDC

Michael Lewis, Erwin Properties, LLC

Mark Morante, MEDC

Dan Oegema, City of Grand Rapids

Jim Paquet, MSHDA

Nate Pilon, MEDC

Janelle Pistro, AKT Peerless

Mariangela Pledl, City of Detroit BRA

Mike Pohnl, MEDC

James Rosloniec, Seventh Street Properties, LLC

Mike Shore, MEDC

Vern Taylor, MEDC

Bill Hall, Schostak Brothers

Ed Tinsley, Spingarn Development

Grant Trigger, REI Group

Steve Willobee, NTH Consultants

Call to Order

Jim Epolito called the meeting to order at 10:05 a.m.

Approval of Minutes from October 17, 2006

After review, a motion was made, supported and carried that board meeting minutes from the October 17, 2006 meeting be adopted

Public Comment

There was no public comment.

ACTION ITEM

*Spingarn Development, LLC
11500 Oakland Avenue
Detroit, Michigan 48211*

Jim Paquet from MSHDA introduced Ed Tinsley from Spingarn Development and Steve Willobee with NTH Consultants. Mariangela Pledl from the City of Detroit Brownfield Redevelopment Authority was also introduced. Mr. Tinsley presented this request to the board. Spingarn Development is the developer for this project.

The Chene West Park project is a residential redevelopment on a 2.5 acre parcel of property on the Detroit Riverfront. This redevelopment is part of the City's East Riverfront Development Plan that focuses on pedestrian scaled and walkable urban village schemes, which seamlessly ties into the Riverwalk. The proposed project would consist of a nine-story residential tower containing 95 condominium units, including parking garages on the first and second floor, plus two buildings containing three "City" homes (6 total units) and two buildings containing five "Marina" homes (10 total units). Since the project will be on the riverfront, an easement will be provided to allow for access and continuation of the Detroit Riverwalk. Residential units will be priced from \$370,000 to \$550,000.

The property is currently vacant following the demolition of a cement storage facility by the Michigan Department of Environmental Quality, in cooperation with the City of Detroit. The redevelopment will include certain building requirements to ensure that the architecture of the new buildings is compatible with the City's requirements for waterfront developments. In addition, the redevelopment will incorporate "green" building concepts including energy efficient design and water saving features.

The redevelopment of the property would require at least a \$58 million private investment and will lead to the creation of four permanent building/grounds maintenance jobs. Average wage will range from \$10 to \$18 per hour with a supervisor and three staff. Additional temporary jobs include: two temporary building/residential unit repair jobs and 140 temporary construction jobs.

The project is located within the boundaries of the City of Detroit, a qualified local governmental unit. The property qualifies as a facility, as verified by the Department of

Environmental Quality, and is the subject of a brownfield plan, duly approved by the City of Detroit on October 18, 2006.

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

The unemployment rate (unadjusted) for the City of Detroit was 13.8% in August, 2006. This compares to the statewide seasonally adjusted average of 6.7% in August, 2006.

Spingarn Development LLC is a newly formed entity and does not have financial statements at this time. The company is being capitalized through equity investments from various sources, including Dave Bing, Chairman of the Bing Group. The Bing Group has a successful business track record. Spingarn Development LLC is actively collaborating with the City of Detroit in the development of this project as a part of the City's East Riverfront Development Plan.

This project will be supported with a Neighborhood Enterprise Zone (NEZ) designation from the City of Detroit.

COST OF MEGA ELIGIBLE ACTIVITIES:

Infrastructure Improvements	\$	334,800
Site Preparation	+	3,021,500
Sub-Total	\$	3,356,300
Contingency (15%)		503,445
Interest (6%)	+	1,664,802
TOTAL	\$	5,524,547

With the Homestead Property Tax exemption, there are 44.6305 mills available for capture with state school tax millage equaling six mills (13%) and local millage equaling 38.6305 mills (87%). However, during the first 12 years of the project, a Neighborhood Enterprise Zone (NEZ) will limit the capture to a total of 11.1057 mills, including 1.5443 mills of state school tax capture and 9.5614 mills of local tax capture.

2007-2019 (NEZ):

State school tax capture (14%)	\$	515,627
Local tax capture (86%)	+	3,192,457
TOTAL	\$	3,708,084

2020-2021

State school tax capture (13%)	\$	243,406
Local tax capture (87%)	+	1,573,057
TOTAL	\$	1,816,463

OVERALL

State school tax capture (14%)	\$	759,033
Local tax capture (86%)	+	<u>4,765,514</u>
TOTAL	\$	5,524,547

COST OF ELIGIBLE INVESTMENTS: \$51,003,074 for new construction.

Recommendation

The Brownfield Redevelopment staff recommends the approval of local and school tax capture for the eligible activities totaling \$5,524,547 described above. Utilizing the state and local capture ratios described above, the amount of school tax capture for this project is estimated at \$759,033.

The Brownfield Redevelopment staff also recommends approval of a MEGA SBT brownfield redevelopment credit of 10% of the eligible investment, not to exceed a \$5,100,307 credit.

Board Discussion

Bo Garcia gave the Executive Committee report. The Executive Committee recommends approval of the requested brownfield redevelopment tax credit, along with the capture of school and local operating taxes for this project.

Peter Anastor discussed the fact that the Board has designated Detroit riverfront redevelopment projects as transformational allowing interest expense to be included in the work plan eligible activities. This project is a part of the riverfront redevelopment and, therefore, the work plan does include interest expense.

Hearing no further discussion, a motion was made and supported, and Resolution 2006-100, authorizing the capture of local and school taxes for the City of Detroit, for the Chene West Park redevelopment project, was adopted.

A motion was made and supported, and Resolution 2006-99, authorizing a brownfield redevelopment tax credit for Spingarn Development, LLC, for the Chene West Park project, was adopted.

ACTION ITEM

*@water Lofts, LLC
78 Watson, Suite 100
Detroit, Michigan 48201*

Jim Paquet introduced Dwight Belyue with @water Lofts and Ann Jamieson from AKT Peerless. Mr. Belyue explained the project to the board.

The project, marketed as Atwater South, is a mixed-use redevelopment of a three-acre, former industrial site at 1470 East Atwater Street. The site is adjacent to Tricentennial State Park and just east of the Renaissance Center. Atwater South will be developed into one of Detroit's premier neighborhoods. A mid-rise structure will provide 22,000 square feet of street-level retail space along Atwater for neighborhood oriented shops. The river side of the parcel will be occupied by 260 to 300 market-rate townhomes with a garden court. Units on the third through the fifth floors will have unrestricted views of the river. Resident and public parking will be within the structure screened from the street by retail or grade-level residential units.

The applicant is a single-purpose, limited liability company formed to complete the development on the east riverfront in Detroit. Dwight Belyue, who leads the group, has completed several residential and mixed use developments in Detroit. Mr. Belyue was selected by the Detroit Economic Growth Corporation in a competitive process to develop the site, which is one of three major projects considered strategic to the revitalization of the riverfront.

Total capital investment is estimated at \$119,660,000 including \$97,089,603 of investment eligible for the SBT credit. The applicant has requested a credit of \$9,708,960.

The project is located within the boundaries of the City of Detroit, a qualified local governmental unit. The property qualifies as a facility, as verified by the Department of Environmental Quality, and is the subject of a brownfield plan, duly approved by the City of Detroit on October 18, 2006.

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

Approximately 90 to 100 permanent retail/commercial jobs, paying \$10 to \$12.50 per hour, will be created by the project. Estimates of the number of construction jobs are not yet available, but the construction period will span three to four years and the wages will be subject to prevailing wage and living wage standards.

The unemployment rate for the City of Detroit was 13.8% in August of 2006, more than double the statewide rate of 6.7% in the same period.

The qualified taxpayers are LLCs formed for the single purpose of carrying out the development and as such they have no operating history. The financial statements of the principal investors indicate that they have the capacity to provide the required equity capital. Standard Federal Bank will provide the senior debt.

The project has received a grant for predevelopment expenses from the Detroit Wayne County Port Authority. The project also has support for creation of a Neighborhood Enterprise Zone. The Detroit Investment Fund will provide \$2.5 million of subordinated debt for the project.

COST OF MEGA ELIGIBLE ACTIVITIES:

Site Preparation	\$ 763,888
Interest (6%)	143,488
Work Plan Preparation and Review	3,500
Contingency (15%)	<u>+ 114,583</u>
TOTAL	\$ 1,025,459

For the residential portion of the project, there are 11.2382 mills available for capture due to the Neighborhood Enterprise Zone designation and the assumption that the condominiums will be homestead properties. Of those 11.2382 mills, 1.5471 (14%) will be school millage and 9.6911 (86%) will be local millage. For the commercial portion of the project, there are 61.5837 mills available, with state school millage equal to 24 mills (39%) and local millage equaling 37.5837 (61%). The tax capture breaks down as follows:

<u>RESIDENTIAL PORTION</u>	
School tax capture (14%)	\$ 131,930
Local tax capture (86%)	<u>+ 826,413</u>
TOTAL	\$ 958,343

<u>COMMERCIAL PORTION</u>	
School tax capture (39%)	\$ 26,155
Local tax capture (61%)	<u>+ 40,961</u>
TOTAL	\$ 67,116

<u>OVERALL</u>	
School tax capture (15%)	\$ 158,085
Local tax capture (85%)	<u>+ 867,374</u>
TOTAL	\$ 1,025,459

COST OF SBT ELIGIBLE INVESTMENTS: \$97,089,603 for new construction and building renovation.

Recommendation

The Brownfield Redevelopment staff recommends approval of local and school tax capture for the eligible activities totaling \$1,025,459 described above. Utilizing the state to local capture ratio described above, the amount of school tax capture for this project is estimated at \$158,085.

The Brownfield Redevelopment staff also recommends approval of a brownfield redevelopment credit of 10% of the eligible investment, not to exceed a \$9,708,960 credit.

Board Discussion

Bo Garcia gave the Executive Committee report. The Executive Committee recommends approval of the requested brownfield redevelopment tax credit, along with the capture of school and local operating taxes for this project.

Jim Epolito asked how long Phase 1 is expected to take. Mr. Belyue explained that Phase 1 will begin in May, 2007, and is expected to take 18 months to complete.

Robert Swanson asked whether there will be additional phases. The response to this question was 'yes'.

Hearing no further discussion, a motion was made and supported and Resolution 2006-97, authorizing a brownfield redevelopment tax credit for @water Lofts, LLC, was adopted.

A motion was made and supported, and Resolution 2006-98, authorizing the capture of local and school taxes for the City of Detroit, for the @water Lofts South redevelopment project, was adopted.

ACTION ITEM

*Edgewater Automation, LLC
481 Renaissance Drive
St. Joseph, Michigan 49085*

Edgewater Automation has been a supplier of custom automation equipment for assembly and testing of products for the medical, electronic, automotive, stored power and solar industries. This includes the design and build of the equipment as well as complete development of new equipment and processes.

Mike Pohnl introduced Paul Grey from Edgewater Automation. Mr. Grey discussed the company's expansion plans. Edgewater Automation is expanding their operations to service the pharmacy market and alternative fuel market. This is expected to augment their current work and allow them to share resources. However, it is their hope that this expanded project will be able to stand on its own once started.

Edgewater Automation has been in business since 2001, and has grown to over \$9 million in sales. Edgewater received a High-Tech MEGA in 2001 when they initially brought the business to Michigan. The credit was for five years and has been fully awarded. They are located in the St. Joseph Renaissance Zone in St. Joseph, Berrien County.

Should Edgewater Automation decide to expand its current facility in St Joseph, Michigan, initially, they will purchase approximately \$150,000 of equipment and expand their building at the cost of \$900,000, which will be leased. As a result of the proposed

expansion they estimate the creation of 45 jobs over the next five years, at an average hourly wage of \$26.58.

Edgewater Automation qualifies as a high technology company under the MEGA act definition Product Research and Development.

It is estimated that this facility will generate a total of 97 jobs in the state by the year 2011. Total state government revenues through the year 2011, would be increased by \$974,000 due to the presence of this facility.

Edgewater Automation is considering several options in deciding where to build their operations to service these new markets. Their primary consideration is for a geographically centralized location within the U.S. that provides a qualified and low cost work force. From their choice of other locations within Ohio, Indiana or Illinois, their most likely alternative is South Bend, Indiana. They determined that South Bend is well positioned and offers an engineering workforce with median average wages 12% below those found in St. Joseph.

The local economic development organization, Cornerstone Alliance, has committed to providing support to Edgewater Automation's expansion with a \$6,000 annual grant for three years, for a total of \$18,000.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for five years, for up to 45 net new employees.

Board Discussion

Bo Garcia gave the Executive Committee report. The Executive Committee recommended approval of the request for MEGA tax credit.

Robert Swanson asked how many are currently employed by the company. Mr. Grey responded, saying that the company has 45 employees at the St. Joseph facility.

Hearing no further discussion, a motion was made and supported, and Resolution 2006-96, authorizing a high-tech MEGA employment tax credit for Edgewater Automation, LLC, was adopted.

ACTION ITEM

*Charter Township of Buena Vista Brownfield Redevelopment Authority
Saginaw, Michigan 48601*

Joe Borgstrom from MSHDA began the presentation by introducing Janelle Pistro with AKT Peerless and Michael Lewis from Erwin Properties, LLC. Mr. Lewis discussed the

project for the board. The developer, Erwin Properties, LLC, plans to demolish the vacant building which was historically operated as a bowling alley, located at 3936 Dixie Highway in Buena Vista Township. The developer proposes to construct a 3,000 square foot building for retail/commercial use, along with residential structures in conjunction with development activities on an adjoining property. This project site consists of five acres.

The project is located within the boundaries of Buena Vista Charter Township, a qualified local governmental unit, and has been deemed blighted by Buena Vista Township. The property is the subject of a brownfield plan, duly approved by Buena Vista Charter Township on August 14, 2006.

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

The commercial/retail component of this project will create 10 new jobs.

The unadjusted unemployment rate for Saginaw County was 7.2% in August 2006. This compares to the statewide seasonally adjusted average of 6.7% in August 2006.

The project will be financed by Erwin Properties with the total cost of the project to be approximately \$1 million dollars. Buena Vista Charter Township is supporting the project through their support of Tax Increment Financing.

There are 43.1758 mills available for capture, with school millage equaling 24 mills (56%) and local millage equaling 19.1758 mills (44%). The recommended tax capture breaks down as follows:

School tax capture (56%)	\$ 98,000
Local tax capture (44%)	+ 77,000
TOTAL	\$ 175,000

COST OF MEGA ELIGIBLE ACTIVITIES:

Demolition	\$ 125,000
Infrastructure Improvements	25,000
Site Preparation	+ 25,000
TOTAL	\$ 175,000

Recommendation

The Brownfield Redevelopment staff recommends approval of local and school tax capture for the eligible activities totaling \$175,000 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$98,000.

Board Discussion

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

Hearing no further discussion, a motion was made and supported, and Resolution 2006-101, authorizing the capture of local and school operating taxes for the Charter Township of Buena Vista for the 3936 Dixie Highway redevelopment project, was adopted.

ACTION ITEM

*City of Grand Rapids Brownfield Redevelopment Authority
Grand Rapids, Michigan 49503*

James Rosloniec from Seventh Street Properties and Dan Oegema with the City of Grand Rapids were introduced. Mr. Rosloniec presented this project.

The project will redevelop an existing building into a mixed-use building containing approximately 30 residential apartment units and 49,500 square feet of retail or office space. Residential units will comprise 50 percent of the building and the retail/office space will utilize the remaining 50 percent. The property is located within the City of Grand Rapids, a qualified local governmental unit.

The property currently consists of an outdated, obsolete furniture manufacturing facility. The property is no longer used for furniture manufacturing and the age, condition, and design of the building render the property obsolete and ill-suited for modern manufacturing processes. The project will involve a significant renovation of the current building while maintaining certain portions of the structure that are of historical significance.

The total capital investment to be made in the property is approximately \$7.9 million. The project will retain 45 jobs in Grand Rapids, and carries the potential to expand the number of employees to 60.

The project has been deemed a facility. The property is the subject of a brownfield plan, duly approved by the City of Grand Rapids on October 31, 2006, and by the City of Grand Rapids Brownfield Redevelopment Authority on November 6, 2006.

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 8.1% in August, 2006. This compares to the statewide seasonally adjusted average of 6.7% in August, 2006.

The developer will be contributing approximately \$5,101,995.

The project is located in a Renaissance Zone that will phase out between 2009 and 2012. The developer intends to submit a Brownfield Single Business Tax Credit application requesting approximately \$730,000 in SBT credit.

There are 44.7983 mills available for capture, with school millage equaling 23.8258 mills (53%) and local millage equaling 20.9725 mills (47%). The recommended tax capture breaks down as follows:

School tax capture (53%)	\$ 704,904
Local tax capture (47%)	+ 620,488
TOTAL	\$ 1,325,392

COST OF MEGA ELIGIBLE ACTIVITIES:

Demolition	\$ 837,117
Infrastructure Improvements	446,575
Site Preparation	+ 41,700
TOTAL	\$ 1,325,392

Recommendation

The Brownfield Redevelopment staff recommends approval of local and school tax capture for the eligible activities totaling \$1,325,392 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$704,904.

Board Discussion

Bo Garcia gave the Executive Committee report and, 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 2006-102, authorizing the capture of local and school operating taxes for the City of Grand Rapids, for the 600 Seventh Street redevelopment project, was adopted.

ACTION ITEM

*City of Oak Park Brownfield Redevelopment Authority
Oak Park, Michigan 48237*

The City of Oak Park Brownfield Redevelopment Authority has submitted a Work Plan amendment request for the approval of \$6,105,248 in local and school tax capture. Peter Anastor brought this request for amendment to the board. Grant Trigger with REI Group, and Bill Hall from Schostak Brothers, were introduced. Mr. Trigger explained the request for amendment.

The original Work Plan of \$2,410,000 was approved by the MEGA Board on November 30, 2004. That plan was then amended on March 14, 2006 to increase the approved amount to \$3,465,297.

The developer has pursued a phased approach to the work plan process, identifying potential eligible activities of \$6,950,000 in their original plan, but requesting authorization for each portion of the costs as the project developed. The current request should complete the MEGA related activities by approving activities related to the residential portion of the project. This portion of the project should proceed, now that the initial demolition and preparation for the commercial portion of the project have progressed.

The changes to the amended Work Plan are as follows:

Eligible Activities	Amended Activity Request	Activity Amount Approved on March 14, 2006	Increase
Public Infrastructure Improvements	2,108,411	728,303	1,380,108
Site Preparation	1,308,005	291,292	1,016,713
Demolition	2,672,832	2,435,702	237,130
Work Plan Preparation	15,000	10,000	5,000
MEGA Review Cost	1,000	0	1,000
TOTAL	6,105,248	3,465,297	2,639,951

Two Properties make up the project site. The Northland Plaza Shopping Center Property consists of two combined parcels totaling approximately 20.711 acres. The property currently contains five commercial buildings. The second property is the former Detroit Artillery Armory and consists of one parcel containing approximately 73.2 acres. The property contains several vacant structures. It has been purchased by Armory Plaza, LLC, for commercial, light industrial and residential redevelopment.

There are 54.333 mills available for capture, with school millage equaling 23.9783 mills (44%) and local millage equaling 30.3547 mills (56%). The recommended tax capture breaks down as follows:

School tax capture (44%)	\$ 2,798,158
Local tax capture (56%)	+ <u>3,307,090</u>
TOTAL	\$ 6,105,248

Recommendation

The Brownfield Redevelopment staff recommends approval of local and school tax capture for the amended eligible activities totaling \$6,105,248 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$2,798,158.

Board Discussion

Bo Garcia gave the report on behalf of the Executive Committee. The committee has recommended support of the requested amendment.

Hearing no further discussion, a motion was made and supported and Resolution 2006-103, authorizing a second and final amendment to the eligible activities amount for the Oak Park Brownfield Redevelopment Authority, for their Former Detroit Artillery Armory redevelopment project, was adopted.

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

The next board meeting is scheduled to take place on December 19, 2006.



STATE OF MICHIGAN
DEPARTMENT OF TRANSPORTATION
LANSING

JENNIFER M. GRANHOLM
GOVERNOR

KIRK T. STEUDLE
DIRECTOR

March 10, 2006

Ms. Karen Ammarman
Michigan Economic Growth Authority Board
Michigan Economic Development Corporation
300 North Washington Square
Lansing, Michigan 48913

Dear Ms. Ammarman:

As of March 3, 2006, I am appointing Jacqueline G. Shinn, Acting Chief Deputy Director, to attend and act on my behalf at the Michigan Economic Growth Authority Board meetings as an alternate representative.

In the case when Ms. Shinn is unable to attend a particular board meeting due to scheduling conflicts. I am appointing Michael Kapp, Acting Administrator, Transportation Economic Development and Enhancement, as my alternate representative to attend and act on my behalf.

If you have any question regarding these appointments, please call me at 373-0718.

Sincerely,

A handwritten signature in cursive script that reads "Kirk T. Steudle".

Kirk T. Steudle, P.E.
Director



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JENNIFER M. GRANHOLM
GOVERNOR

Robert J. Kleine
State Treasurer

April 12, 2006

Michigan Economic Growth Authority
300 North Washington Square
Lansing, MI 48913

To Whom It May Concern:

I hereby designate Scott Schragger, Special Assistant to State Treasurer to represent me at meetings of the Michigan Economic Growth Authority Boards, which I am unable to attend.

Sincerely,

A handwritten signature in cursive script that reads "Robert J. Kleine".

Robert J. Kleine
State Treasurer

C: Scott Schragger