

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 16, 2004, at 10:00 a.m.

Members Present

Cullen DuBose

Bo Garcia

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

David Hollister

Faye Nelson

Sandy Ring (acting for and on behalf of Donald Jakeway, authorization attached)

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

Others Present

Amy Banninga, MEDC

Kathy Blake, Sr. VP Business Development, MEDC

Toni Brownfield, MEDC

Stephanie Buikema, pgam

JoAnn Crary, Saginaw Future Inc.

Jim Donaldson, MEDC

Jack Duso, City of Midland

Brenda Flory, MEDC

Dennis W. Griffin, Milestone Realty Services, Inc.

Bruce Johnson, Mayor Pro Tem, City of Midland

Jeff Kaczmarek, MEDC

John Klein, Vice President, Michigan Packaging

Carol Knobloch Johns, MEDC

Corey Leon, Development Incentives and Consulting, LLC

Jim McBryde, MEDC

Susan McCormick, MEDC

H. Kirk Meadows, Honigman, Miller, Schwartz and Cohn,

Mary Ann Miller, City of Auburn Hills

Mark Morante, MEDC

Jim Paquet, Secretary to the Board

Mike Pohnl, MEDC

Mark Recker, The Dow Chemical Company

Matthew Rick, Assistant Attorney General

Christine Roeder, MEDC

Eugene Schuster, President & CEO, pgam

Vern Taylor, MEDC

Therese Thill, Oakland County

John Tierney, Hemlock Semiconductor

Call to Order

David Hollister called the meeting to order at 10:00 a.m.

Approval of Minutes from September 14 and October 19, 2004

Motions were made, supported and carried that board minutes from the September 14, 2004 meeting, as well as minutes from the October 19, 2004 meeting, be adopted.

Public Comment

There was no public comment.

ACTION ITEM

*pgam Corporation
4120 Luella Lane
Auburn Hills, Michigan 48326*

Kathy Blake introduced Eugene Schuster with pgam Corporation. Mr. Schuster introduced Stephanie Buikema from pgam Corporation, and went on to explain the project to the board. pgam is a tool and die facility that produces low volume manufacturing requirement tools and parts for Ford, General Motors, Bentley and Audi specialty vehicles. The company's parent, pgam Advanced Technologies AG of Georgsmarienhütte, Germany, was founded in 1979, and expanded to the US in 1999. pgam Corporation's US headquarters is located in Auburn Hills, Michigan, and currently has 77 employees.

pgam Corporation would like to transfer additional armoring and specialty vehicle technology, as well as expand US production in Michigan. This project would lead to the addition of 60,000 square feet at the existing site in Auburn Hills. Up to 117 new jobs would be created, paying average weekly wages of \$787.

The project would require a capital investment of \$15.3 million, including \$2.9 million for the building additions and \$12.4 million for new machinery and equipment.

It is estimated that that this facility will create a total of 117 jobs in the state by the year 2010. We also estimate that the project would create total state government revenues through the year 2015, of \$6.8 million due to the location of this facility in Michigan.

pgam Corporation is considering locations in Auburn Hills and Lima, Ohio for this expansion. When comparing the two locations, the company estimates that wage rates in Lima are significantly lower than in Auburn Hills. When this project is fully staffed, that wage differential would save the company up to \$2.6 million per year in wage and benefit costs, if the expansion were to take place in Ohio.

The City of Auburn Hills has proposed 50 percent abatement of the company's new personal property taxes for eight years. The estimated value of the local property tax abatement is \$700,000. The abatement is expected to be finalized in December 2004. Therese Thill from Oakland County was present and expressed community support for the project.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 10 years, for up to 117 net new employees.

Board Discussion

Faye Nelson 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 2004-71, approving a standard MEGA tax credit for pgam Corporation, was adopted. Howard Heideman, representing Jay Rising, was not present to vote on this motion.

ACTION ITEM

*Michigan Packaging Company
700 Eden Road
Mason, MI 48854*

Mike Pohnl introduced John Klein with Michigan Packaging Company. Michigan Packaging Company (MPC) is a manufacturer of corrugated paper sheets. Mr. Klein discussed the company's request for a MEGA tax credit. He explained that this project would be an expansion of the current facility in Mason, Michigan. In 2002 an additional line was added with the purchase of an Asitrade machine, establishing the company in another niche in the market. The Asitrade allows the company to offer a new label application process for their current customer base and has allowed an opportunity to bring new business into the State of Michigan. Investment includes new equipment consisting of a corrugator, material handling roll tracks, conveyors, boiler/steam system, starch system, and various other machinery and building improvements.

There would be no new jobs created, however 107 jobs would be retained with an average hourly wage of approximately \$16.00 for manufacturing operations. Total capital investment is estimated to be \$11 million. MPC is also considering locating this facility in Fort Wayne, Indiana.

It is estimated that this facility will retain a total of 107 jobs in the state through the year 2014. We also estimate that the project would maintain total state government revenues through the year 2014 of \$4.9 million due to the retention of this facility in Michigan.

MPC is considering an alternative location in the Fort Wayne, Indiana area. While this location would require the construction of a new facility, the company could address storage issues and placement of machinery to maximize productivity. The Mason facility lacks adequate ceiling height to accommodate larger paper rolls. In addition, wages in Indiana would be lower and the community and state are offering an incentive package that would reduce costs significantly in the first several years of operation. The Michigan facility is only 10 years old and is readily marketable for almost any other type of industry.

The State of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$654 for each of the 107 retained workers, or up to \$70,000. The State of Michigan has also offered 100 percent abatement of the six-mill state education tax worth approximately \$186,000 over the same period as the local property tax abatement.

The City of Mason approved a 50 percent abatement of the company's new real and personal property taxes for 12 years at their May 18, 2004, city council meeting. This tax abatement has an estimated value of \$700,000, based on investment of approximately \$11 million.

Recommendaiton

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 10 years, for up to 107 retained employees.

Board Discussion

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

Hearing no further discussion, a motion was made and supported, and Resolution 2004-72, after language amendment, authorizing a Retention MEGA tax credit for Michigan Packaging Company, was adopted. Howard Heideman, representing Jay Rising, was not present to vote on this motion.

ACTION ITEM

*Hemlock Semiconductor Corporation
12334 Geddes Road
Hemlock, Michigan 48626*

Hemlock Semiconductor Corporation (HSC) was formed as a wholly-owned subsidiary of Dow Corning Corporation in 1979, and in 1984 added partners to become a joint venture of Dow Corning Corporation and two of Japan's largest single-crystal wafer manufacturers: Shin-Etsu Handotai Company, Ltd. and Mitsubishi Materials

Corporation. HSC is the leading U.S. supplier of polycrystalline silicon to the semiconductor industry. The company currently has 320 employees in Michigan.

Kathy Blake introduced John Tierney from the Hemlock Semiconductor Corporation. Mr. Tierney discussed the potential for expansion of HSC's existing polycrystalline silicon manufacturing facility in Thomas Township. This expansion would serve the growing demand for the silicon used as a component of photovoltaic cells used in solar energy systems. The company anticipates capital investment of \$40 million to extend and equip two existing manufacturing buildings, and expects to create a total of 60 jobs paying an average weekly wage of \$945.

It is estimated that this facility will create a total of 122 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 \$4.8 million due to the location of this facility.

The company has also considered locating the expansion in Butte, Montana. The manufacture of silicon consumes large amounts of electric power, and the company estimates that Michigan's high electrical costs will add up to \$3 million in operating costs each year. Labor costs in Montana are up to 20 percent lower than in Michigan, which results in higher labor and benefit costs of \$1 million per year.

The company will be eligible for job training assistance of \$500 per worker for 60 new workers, or up to \$30,000, under the Economic Development Job Training program.

Thomas Township has proposed 50 percent abatement of the company's taxes on new real and personal property for 12 years. The estimated value of the local property tax abatement is \$3,230,000. It is anticipated that this abatement will be approved at the township's December board meeting.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent high technology employment tax credit for ten years, for up to 60 net new employees.

Board Discussion

Faye Nelson gave the Executive Committee report. The Executive Committee recommended approval of the requested tax credit.

Hearing no further discussion, a motion was made and supported and Resolution 2004-73, authorizing a high-tech MEGA tax credit for Hemlock Semiconductor Corporation, was adopted. Howard Heideman, representing Jay Rising, was not present to vote on this motion.

ACTION ITEM

MSC Walbridge Coatings, Inc.
39303 Country Club Drive, Suite A-11
Farmington Hills, Michigan 48331

Jim Paquet brought the company's requested amendment before the board.

In June of 2004, the MEGA Board approved a high-tech tax credit for MSC Walbridge Coatings Inc. for location of its existing operations and creation of a technical center in Plymouth Township, Wayne County. The company executed a MEGA Tax Credit Agreement on August 12, 2004.

MSC Walbridge Coatings subsequently located a building in the Charter Township of Canton, Wayne County, which better meets its needs, particularly for future expansion.

The local assistance provided by Canton Township, a 12-year tax abatement, is comparable to that approved by Plymouth Township. A copy of the resolution granting the abatement was provided to the board.

MSC Walbridge Coatings Inc. is requesting an amendment to its credit award to permit the location of the project at the new site and approval of the alternative local assistance.

Recommendation

Staff is recommending approval of the request to amend the MSC Walbridge tax credit.

Board Discussion

Faye Nelson gave the Executive Committee report. Ms. Nelson expressed the committee's recommendation to approve the company's requested amendment.

Hearing no further discussion, a motion was made and supported, and Resolution 2004-74, approving a change of location for MSC Walbridge Coatings Inc., was adopted. Howard Heideman, representing Jay Rising, was not present to vote on this motion.

ACTION ITEM

The Dow Chemical Company
2030 Dow Center
Midland, Michigan 48674

Mark Morante began the presentation by introducing Mark Recker with The Dow Chemical Company. The project would rehabilitate nearly 41,000 square feet of processing area at Dow Chemical's Michigan Operations site in Midland. The project

will construct a new suspension train in the saran resin suspension facility, allowing for the continued manufacturing of this product in Midland. The project requires a new capital investment of \$45.1 million and will lead to the retention of 41 full-time positions. The re-investment in the site will contribute to the long term viability of the resins business in Midland.

The project will require Dow Chemical to upgrade the infrastructure at the site, modernize the control room, and rehabilitate several functionally obsolete structures, most notably the #967 building. Improvements will also be made to two other buildings.

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

The eligible investments to be undertaken in Midland by The Dow Chemical Company include:

Demolition of Buildings	\$ 747,000
Site Improvements	\$ 2,789,000
Building Improvements and Renovations	\$ 5,896,000
New Machinery, Equipment and Fixtures	\$ 35,690,000
Project Total	\$ 45,122,000

The City of Midland approved a 12-year PA 198 plant rehabilitation property tax abatement on October 25, 2004. The value of the abatement is estimated at \$7.8 million.

The property, formerly used for industrial purposes, is functionally obsolete, as certified by a Level III assessor, and is located within the boundaries of the City of Midland, a qualified local governmental unit. The project is the subject of a brownfield plan duly approved on October 25, 2004, by the Midland City Council and The Dow Chemical Company is a qualified taxpayer.

Recommendation

The MEDC recommends approval of a MEGA Brownfield SBT Credit of 10% of the eligible investment in the Saran Sapphire project, not to exceed a \$4,512,000 credit.

Board Discussion

Faye Nelson gave the Executive Committee report. Upon consideration of this request, the committee recommended approval of the Brownfield SBT Credit. Hearing no further discussion, a motion was made and supported, and Resolution 2004-75, authorizing a Brownfield SBT credit for The Dow Chemical Company, was adopted. Howard Heideman, representing Jay Rising, was not present to vote on this motion.

ACTION ITEM

*River Pointe Development Company Limited Partnership
4150 Grand River Avenue
Detroit, Michigan 48208*

Jeff Kaczmarek introduced Corey Leon, President of Development Incentives & Consulting, LLC. Mr. Leon, presented the project to the board. The redevelopment project will replace seven acres of a mobile home park with a mid-rise residential building and six to 10 low-rise residential buildings. The residential units, approximately 60, will be sold at market rate.

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

The City of Detroit's unemployment rate exceeded the State of Michigan's September unemployment rate by over two-times. The unemployment rate in September was 14.1 percent.

The local government has granted a Neighborhood Enterprise Zone to assist the project.

The eligible investments to be undertaken in Detroit by River Pointe Development include:

Demolition	\$250,000
Site Improvements	\$2,151,000
New Construction	\$52,099,750
New Machinery, Equipment and Fixtures	\$ 2,100,000
	<u>\$56,600,750</u>

The property is blighted. The project is the subject of a brownfield plan approved by the City of Detroit Brownfield Authority on October 27, 2004.

Recommendation

The MEDC recommends approval of a MEGA SBT Brownfield Redevelopment Credit of \$5,660,075.

Board Discussion

The Executive Committee report was given by Faye Nelson. The Executive Committee recommended full Board support for the requested SBT credit.

Hearing no further discussion, a motion was made and supported, and Resolution 2004-76, authorizing a Brownfield Single Business Tax Credit for the River Pointe Development's redevelopment project, was adopted. Howard Heideman, representing Jay Rising, was not present to vote on this motion.

ACTION ITEM

*1001 Woodward Redevelopment Project
306 South Washington
Royal Oak, Michigan 48067*

Jeff Kaczmarek began this presentation and then introduced Dennis Griffin with Milestone Realty Services. Mr. Griffin outlined the redevelopment project for the board. The project will consist of the demolition of several vacant buildings, which will be replaced with a multi-level parking garage development with first floor retail space, and the redevelopment of the adjoining office building. The parking structure will contain approximately 550-650 spaces and 16,000-18,000 square feet of retail space fronting Woodward Avenue. Remediation of the office building will include reconfiguring office space to residential units.

The project entails interior demolition, abatement of antiquated construction materials, and the rehabilitation of a 21-story office building located at the northwest corner of Campus Martius. It also includes demolition of three dilapidated buildings and replacement with a newly constructed mixed-use/retail parking structure. It will replace the 1001 Woodward block, with its obsolete and vacant buildings, with sustainable commercial businesses and a downtown housing component.

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

It is estimated that the project will create 325 jobs in the 16,000 to 18,000 square feet of commercial space. These jobs will have an average hourly rate of \$30.

The City of Detroit's unemployment rate exceeded the State of Michigan's September unemployment rate by over two-times. The unemployment rate in September was 14.1 percent.

The property has been deemed functionally obsolete and blighted, and only asbestos has been detected contaminating the property, which will be abated.

The developer will invest approximately \$50.5 million for demolition, rehabilitation, and the reconfiguration of the existing structures.

The local government has granted a Neighborhood Enterprise Zone, an Obsolete Property Rehabilitation designation, and a DDA loan.

The eligible investments to be undertaken in Detroit by 1001 Woodward Redevelopment include:

Demolition	\$ 3,100,000
New Construction	\$12,600,000
Restoration, Alteration, Renovation	\$11,600,000
New Machinery, Equipment and Fixtures	<u>\$10,700,000</u>
	\$38,000,000

The property is blighted and functionally obsolete. The project is the subject of a brownfield plan approved by the City of Detroit Brownfield Redevelopment Authority on August 18, 2004.

Recommendation

The MEDC recommends approval of a MEGA Awarding approval of a large SBT Brownfield Redevelopment Credit, not to exceed \$3,800,000.

Board Discussion

Faye Nelson asked when the project is expected to be finished. Mr. Griffin said that the project must be finished by January, 2006. Jeff Kaczmarek asked about financing. Besides the financing mentioned earlier (Neighborhood Enterprise Zone, an Obsolete Property Rehabilitation designation, and a DDA loan), local bankers and pension funds are also interested in investing.

Faye Nelson gave the Executive Committee report. The Executive Committee considered the request for Brownfield SBT Credit and recommended approval of the request.

Hearing no further discussion, a motion was made and supported, and Resolution 2004-77, authorizing a Brownfield SBT credit for the 1001 Woodward Redevelopment Project, was adopted.

ACTION ITEM

*City of Detroit Brownfield Redevelopment Authority
660 Woodward, Suite 1590
Detroit, Michigan 48226*

Jeff Kaczmarek discussed the request for work plan approval and school operating tax capture for the 1001 Woodward Redevelopment Project. The project is discussed above.

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

Eligible activities for which taxes will be captured are:

Demolition	\$ 1,300,000
Site Preparation	\$ 1,025,000
Lead/Asbestos Abatement	\$ 2,575,000
Contingency Costs	\$ 736,650
Administrative Costs	\$ 11,000
Total	\$ 5,647,650

Vern Taylor explained that the project costs and resulting tax capture are still being finalized. The allocation of tax capture among state and local taxes has not yet been determined due to existing tax capture for the DDA and OPRA. He recommended approval of \$1 million tax capture by the board and advised that the project would return to the board with firmer information and a request to amend this resolution. The urgency to begin this project and the rapidly approaching deadline for completion were given as reasons for requested board action on the project today.

The property has been deemed blighted and functionally obsolete, and is located within the boundaries of the City of Detroit, a qualified local governmental unit. The project is the subject of a brownfield plan approved by the Detroit Brownfield Authority on August 18, 2004.

Recommendation

The Michigan Economic Development Corporation recommends approval of school tax capture not to exceed \$1,000,000 based on eligible activities totaling \$5,647,650 described above.

Board Discussion

Faye Nelson gave the report from the Executive Committee meeting. The Executive Committee has recommended approval of the requested school operating tax capture.

Cullen DuBose disclosed that he had previously voted in support of the project in his capacity as a board member of the Detroit Investment Fund, but has no personal financial interest in the project.

Hearing no further discussion, a motion was made and supported, and Resolution 2004-78, authorizing the capture of school operating taxes for the City of Detroit Brownfield Redevelopment Authority for the 1001 Woodward Office, LLC, and 1001 Woodward Parking, LLC, was adopted.

The meeting was adjourned at 10:55 a.m.

The next regularly scheduled meeting of the MEGA board is scheduled for Tuesday, December 14, 2004.