

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 18, 2003, at 10:00 a.m.

Members Present

Cullen DuBose
Bo Garcia
David Hollister (acting for and on behalf of Mitch Irwin, authorization attached)
Denise Ilitch
Faye Nelson
Jay Rising
Jackie Shinn (acting for and on behalf of Gloria Jeff, authorization attached)

Others Present

Peter Anastor, MEDC
Bruce Babiarz, Barton Malow
Amy Banninga, MEDC
Kathy Blake, Sr. V.P., MEDC
Jerry Brown, Ford Motor Company
Greg Burcz, Manager, Huber-Manchester
Rick Chapla, V.P., The Right Place Program
John Czarnicki, MEDC
Maggie DeSantis, Executive Director, WCDC
Jim Donaldson, MEDC
Jack Duso, Asst. City Manager, City of Midland
Donald Jakeway, Pres. & CEO, MEDC
David Jeup, KPMG, LLP
Robert Kaminski, Senior Vice President, Mercantile Bank
Carol Knobloch Johns, MEDC
Karen Lee, MEDC
Ben Mason, MEDC
Jim McBryde, MEDC
Peter J. McInerney, Director, City of Wayne
Matthew Miller, City Planner, City of Wayne
Mark Morante, MEDC
Art Papananos, Detroit Economic Growth Corporation
Jim Paquet, Secretary to the Board
Mike Pohnl, MEDC
Matthew Rick, Assistant Attorney General
Tom Schimpf, Assistant Attorney General
Marci Sewell, Dow Corning
Vern Taylor, MEDC
John Teeples, Attorney, Mercantile Bank
Tim Timmerman, Ford Motor Company
Mark Thomas, Mack-Alter LLC
Bruce Thompson, CFO, VITEC, LLC

Call to Order

David Hollister called the meeting to order at 10:15 a.m.

Approval of Minutes from October 14, 2003

A motion was made, supported and carried that the minutes from the October 14, 2003 meeting be adopted.

Public Comment

There was no public comment.

ACTION ITEM

Ford Motor Company
One American Road
Dearborn, Michigan 48126

Jim Donaldson began by introducing Jerry Brown and Tim Timmerman from Ford Motor Company, who thanked the MEGA board and MEDC staff and explained the project.

The Ford Wayne Assembly operation currently employs 7,029 workers. The facility produces the Focus, Expedition and Navigator models. Ford Motor Company is assessing the possibility of consolidating all North American Focus production at the Wayne facility, which would relocate production from Mexico and Europe. In addition to Focus production, they are considering a new SUV derivative based on the Expedition platform. Without major updates to these product lines, annual volume of these products is likely to decline over the next few years, resulting in reduced employment at the facility.

The project would require an investment of up to \$583 million and the retention of up to 2,662 employees. It is anticipated that capital expenditures would begin in 2003 and continue through 2007. The retention of employees would begin in the last quarter of 2005, and increase as production ramps up. The retained jobs would pay an average weekly wage of \$967.

It is estimated that this facility will retain a total of 11,426 jobs in the state by the year 2024. We also estimate that the project would maintain total state government revenues through the year 2024, of \$970 million due to the retention of this facility.

Ford Motor Company 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 Wayne operation continue to operate at its current level, it is making decisions based on a number of variables, including available capacity, a successful labor agreement and an incentives plan from

the state and local government that will enhance the business case and strengthen the company's ability to operate profitably.

The project involves moving production from Mexico and Europe. Since the bulk of the relocated production is from Mexico, Ford faces higher wage and fringe benefit costs in Wayne, which are partially offset by savings in transportation costs. The project also requires a major capital commitment, including building alterations and a new flexible body shop. Operating costs at the Wayne facility are more than \$20 million higher each year than the other locations under consideration. Without the MEGA and other incentives, this project would not be feasible in Michigan.

The State of Michigan will offer an abatement of 100 percent of the six-mill State Education Tax for a length of time to match the local property tax abatement. The value of this abatement is estimated at \$10 million.

Peter McInerny from the City of Wayne was on hand and explained that the City of Wayne is expected to approve a 50 percent abatement of the company's new real and personal property taxes for 12 years at their December 2, 2003 city council meeting. This tax abatement has an estimated value of \$48 million.

Recommendation

The Michigan Economic Development Corporation recommends an employment credit of 50 percent for the retention of up to 2,662 jobs for a period of 20 years.

Board Discussion

Faye Nelson reported on the Executive Committee's review of the proposed project and on behalf of the Executive Committee, recommended board approval of the requested tax credit.

Hearing no further discussion, a motion was made and supported, and Resolution 2003-41, approving a MEGA tax credit for Ford Motor Company, was adopted.

ACTION ITEM

Discussion regarding ZF Lemforder Corporation was tabled until December.

ACTION ITEM

City of Grand Rapids Brownfield Redevelopment Authority
111 Pearl Street NW
Grand Rapids, Michigan 49503

Mercantile Bank Real Estate Company, LLC
310 Leonard Street NW
Grand Rapids, Michigan 49503

John Czarniecki began the presentation by explaining that this item is a request for both a work plan approval and a brownfield redevelopment credit. He introduced Robert Kaminski from Mercantile Bank. As part of his presentation, Mr. Kaminski showed photographs of the obsolete structure and an artist's projection of how the new building project will look upon completion. Mr. Kaminski also introduced Rick Chapla from The Right Place Program.

This project consists of the demolition of the existing, functionally obsolete structure and the new construction of a 60,000 square foot headquarters building for Mercantile Bank. The building project is designed to consolidate the efforts of Mercantile Bank, and create a headquarters location. Approximately 50 employees will be transferred from existing branches to the headquarters. It is expected that as the bank grows in the next few years, 100 jobs may be created.

The tax capture request is for \$4,069,142. The tax breakdown is as follows:

\$2,238,028	State School Property Taxes (55%)
<u>\$1,831,114</u>	Local Property Taxes (45%)
\$4,069,142	

Demolition		\$ 25,000
Site Preparation		\$ 512,558
Excavation and Clearing	(\$351,000)	
Replacement of Asphalt and Curb	(\$61,308)	
Stormwater Filtration System	(\$20,250)	
Engineering, Legal	(\$80,000)	
Infrastructure		\$3,000,000
Sidewalks	(\$25,875)	
Improve Outdated Utilities	(\$50,000)	
Utility/Road Improvements	(\$2,924,125)	
MEDC Administrative Cost		\$ 1,000
Contingency (15%)		<u>\$ 530,584</u>
Total		\$4,069,142

The eligible investment to be undertaken in Grand Rapids by Mercantile Bank Real Estate Company, LLC, includes:

Site Improvements	\$ 125,932
Building Improvements	\$ 8,414,728
Equipment and Fixtures	<u>\$ 1,845,907</u>
Project Total	\$10,386,570

The property, formerly used for commercial purposes, is functionally obsolete and is located within the boundaries of the City of Grand Rapids, a qualified local governmental unit. Mercantile Bank Real Estate Company, LLC, is a qualified taxpayer. The project is the subject of a brownfield plan duly approved on October 14, 2003.

Recommendation

The Michigan Economic Development Corporation recommends approval in the amount of \$578,594 for the following activities: demolition, site preparation (excluding the \$61,308 for pavement and curb replacement), infrastructure (to cover the sidewalk replacement, but excluding the \$2,974,125 in additional infrastructure costs), work plan review costs and a 15% contingency. The excluded costs have been determined by the MEDC to be unnecessary to facilitate the development of this project. The MEDC recommends approval of a MEGA Brownfield Redevelopment Credit of 10% of the eligible investment in the Mercantile Bank Real Estate Company, LLC, project, not to exceed a \$1,038,657 credit.

Board Discussion

Faye Nelson gave the report of the Executive Committee. The Executive Committee recommends approval of both the work plan and the Brownfield Redevelopment Credit for this project.

Jackie Shinn asked whether the project is in an area of high unemployment, and whether hiring within the city is a condition of eligibility for the brownfield credit. John Czamecki answered, stating that this is not a condition of eligibility. Mr. Kaminski added that the Mercantile Bank and their project developers are committed to the city and intend this to be an attractive employment opportunity for the City of Grand Rapids.

Hearing no further discussion, a motion was made and supported, and Resolution 2003-42, approving a brownfield redevelopment tax credit for Mercantile Bank Real Estate Company L.L.C., was adopted.

Next, a motion was made and supported, and Resolution 2003-43, approving the capture of school operating taxes for the City of Grand Rapids Brownfield Redevelopment Authority for the Mercantile Bank Headquarters, was adopted.

ACTION ITEM

VITEC, LLC
2627 Clark Street
Detroit, Michigan 48210

Jim Donaldson introduced Bruce Thompson, CFO for VITEC, LLC. Mr. Thompson explained what his company does, and the nature of the expansion plans. VITEC is a tier-one automotive supplier that designs, tests and assembles plastic fuel tanks. VITEC plans on expanding its current operations to accommodate growing business demands. The company will spend \$400,000 to add 2,000 square feet of space and

invest \$20.2 million in new machinery and equipment. The investment will occur in the Clark Street Technology Park, the former location of the General Motors Cadillac Assembly Plant in Detroit.

The project will add 26 new jobs and retain 20 positions, while expanding a manufacturing business in the City of Detroit. The project will reuse a contaminated property and generate employment opportunities for local residents in an economically depressed, low-income area targeted for revitalization.

The eligible investment to be undertaken in Detroit by VITEC includes:

New Construction:	\$ 358,000
Machinery & Equipment	<u>\$ 20,235,000</u>
Project Total	\$ 20,593,000

The City of Detroit will consider a PA 198 tax abatement for this project. The value of that abatement is estimated at \$1,530,000.

The State of Michigan will provide the company with a 50 percent abatement of the six-mill State Education Tax for a period of time to match the local tax abatement. The estimated value of the state abatement is \$115,200. In addition, the State of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$500 for each of the 25 new skilled labor employees, or up to \$12,500.

The property, formerly used for industrial purposes, is a facility 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 duly approved on September 10, 2003, by the Detroit City Council, and VITEC is a qualified taxpayer.

Recommendation

The MEDC recommends approval of a MEGA Brownfield Redevelopment Credit of 10% of the eligible investment in the VITEC project, not to exceed a \$1,000,000 credit.

Board Discussion

Faye Nelson recommended approval of the requested tax credit on behalf of the Executive Committee.

Hearing no further discussion, a motion was made and supported and Resolution 2003-44, approving a brownfield redevelopment tax credit for VITEC, LLC, was adopted.

ACTION ITEM

Huber-Manchester Investments, LLC
34200 Mound Road
Sterling Heights, Michigan 48310

Jim Donaldson began the discussion by introducing Greg Burcz from Huber-Manchester. Mr. Burcz showed a projected portrait of how the project will look after completion and explained the project and the need for the Brownfield credit. This proposed development is the first phase in the establishment and redevelopment of the I-94 Industrial Park in the City of Detroit. Through a focused effort, the City of Detroit has acquired hundreds of parcels to secure sites for new industrial facilities in the city. Huber-Manchester Investments would build a new 300,000 square foot building to perform various manufacturing, light assembly, and warehousing operations. Huber-Manchester Investments is in negotiations to lease the facility to a global auto supplier (TDS Automotive), which would use the facility to support their surrounding automotive assembly and supply operations.

The total investment in the project is estimated at \$26.5 million. Construction on the site will begin in December of this year with project completion expected by May 2004. The proposed investment will provide approximately 250 new job opportunities in the City of Detroit. The project is also expected to create 350 temporary construction jobs.

Mr. Donaldson continued by outlining eligible activities. The eligible investment to be undertaken in Detroit by Huber-Manchester Investments, LLC and unknown lessees includes:

Site Improvements:	\$ 3,500,000
New Construction:	\$ 17,000,000
Machinery & Equipment	<u>\$ 6,000,000</u>
Project Total	\$ 26,500,000

The MEGA board approved a Brownfield Workplan for this project on October 10, 2002. As part of that approval, the board approved eligible activities totaling \$795,048 for this site. Site activities included demolition, infrastructure development, site preparation and review and contingency costs.

The City of Detroit has also been provided \$5 million in Core Communities funding and \$2 million in Urban Land Assembly funding for land acquisition, demolition and infrastructure improvements at the I-94 Industrial Park.

In addition, the site being considered for this project is located within the boundaries of the I-94 Industrial Park Renaissance Zone. The Renaissance Zone designation for this site expires in 2011. The developer and lessee in this project will benefit from both property tax savings and Single Business tax savings due to the Renaissance Zone designation. The estimated value of the Renaissance Zone benefits includes \$5.7 million in property tax savings and \$887,600 in Single Business Tax savings.

The property, formerly used for industrial purposes, is a facility 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 duly approved on September 11, 2002, by the Detroit City Council, and Huber-Manchester Investments, LLC is a qualified taxpayer.

Mr. Art Papapanos with Detroit Economic Growth Corporation was on hand to express community support for this project.

Recommendation

The MEDC recommends approval of a MEGA brownfield redevelopment credit of 10% of the eligible investment in the Huber-Manchester Investments project, not to exceed a \$1,500,000 credit.

Board Discussion

Faye Nelson gave the Executive Committee report and recommended approval of the board.

Hearing no further discussion, a motion was made and supported to approve a MEGA brownfield redevelopment credit for Huber-Manchester Investments. The motion carried and Resolution 2003-45 was adopted with two abstentions. (Jay Rising and Cullen DuBose both abstained from voting.)

ACTION ITEM

Dow Corning Corporation
2200 West Salzburg Road
Midland, Michigan 48686

Jim Donaldson introduced Marci Sewell and Jack Duso, from Dow Corning and the City of Midland, respectively. Ms. Sewell explained the proposed project to the board. The project rehabilitates approximately 4,300 square feet of processing area in building #505 at Dow Corning's site in Midland, and upgrades equipment in building #505, adjacent buildings, and the adjacent tank farm. The redevelopment will be used to increase the production of phenyl based silicone materials. The project will involve approximately \$13 million of capital spending, will create two new jobs and retain 80 chemical manufacturing positions. Through improved methods and new waste recovery equipment, the investment will also reduce waste generation, which will decrease the amount of waste sent to land fills or waste treatment facilities by approximately 3500 metric tons per year.

The initial investment of \$2.2 million will add machinery and equipment to building #505 and add waste handling equipment adjacent to the building. After this investment is completed, investment of \$2.7 million will be made to improve the production process in building #505. This will double production output. A further \$8.4 million will then be invested in equipment and waste management equipment to be located in the adjacent buildings, and the tank farm.

The eligible investment to be undertaken in Midland by Dow Corning includes:

Site Improvements	\$ 400,000
Building Improvements	\$ 200,000
Machinery & Equipment	\$ <u>12,700,000</u>
 Project Total	 \$ 13,300,000

The City of Midland has approved a PA 198 tax abatement for the initial investments. The value of that abatement is estimated at \$240,000. The company will also apply for further PA 198 tax abatement as later stages of the project come into the time frame for local consideration.

The property is a facility as defined in Section 20101 of the Natural Resources and Environmental Protection Act and is designated as a Resource Conservation and Recovery Act (RCRA) site. The project is the subject of a brownfield plan duly approved on October 13, 2003, by the Midland City Council, and Dow Corning Corporation is a qualified taxpayer.

Recommendation

The MEDC recommends approval of a MEGA Brownfield Redevelopment Credit of 10% of the eligible investment in the Dow Corning project, not to exceed a \$1,330,000 credit.

Board Discussion

Faye Nelson reported that the Executive Committee has considered the request for tax credit from Dow Corning and recommends board approval of the requested tax credit.

Hearing no further discussion, a motion was made and supported and Resolution 2003-46, approving a brownfield redevelopment tax credit for Dow Corning Corporation, was adopted.

ACTION ITEM

St. Mary's Hospital has withdrawn their request.

ACTION ITEM

City of Detroit Brownfield Redevelopment Authority
211 West Fort Street
Detroit, Michigan 48226
Southwest Corner of Mack and Alter—Retail Development

John Czarnecki introduced Maggie Desantis. Ms. DeSantis explained the project to the board. This site has been targeted for redevelopment for many years. The proposed

project would convert the site, located at the southwest corner of Mack and Alter on Detroit's far east side, to a new \$8.5 million, 55,000 square foot multi-use retail center.

Mark Thomas from Mack-Alter LLC, showed drawings of the project.

This area of Detroit has experienced deterioration in the surrounding neighborhoods and a decline in commercial retail activity. The bulk of the project site and the overwhelming majority of the surrounding properties are tax reverted. The uncertain retail market, combined with the difficulty of assembling 48 separate parcels of property and unique added brownfield costs, have dissuaded private developers from pursuing this project.

In an effort to address these concerns, Eastside Land, Inc., a non-profit community based organization formed to facilitate commercial development on Detroit's east side, has worked to assemble the property. In turn, they have partnered with The Curis Group, a local developer who has successfully completed similar projects in Detroit. The Curis Group will invest \$8.5 million in the retail project, which is the second phase of Eastside Land, Inc.'s long term plan for this area.

The first phase, the "Wow" site, was approved for brownfield incentives by the MEGA Board in March 2003. Demolition and infrastructure improvements on the first phase have been completed. The private development portion of that project is expected to be completed within six months.

The purpose of this work plan is to address the demolition and site preparation costs of the property. Four residential homes and three commercial structures remain on the site and must be demolished. The remaining 41 parcels consist of vacant land partially covered in asphalt, rubble and sparse vegetation. Subsurface demolition debris from former buildings is likely present on the majority of the parcels.

The project is eligible to apply for a brownfield Single Business Tax Credit, which could total \$850,000. As detailed in the Development Agreement submitted with the work plan, the land assembly and preparation activities are the responsibility of the non-profit, Eastside Land, Inc. The developer will receive a fully assembled, fully prepared site for development.

The tax capture request is for \$462,300. The tax breakdown is as follows:

\$175,674 State School Property Taxes (38%)
\$286,626 Local Property Taxes (62%)
\$462,300

Demolition	\$ 62,000
Site Preparation	\$335,000
Work Plan Preparation	\$ 5,000
Contingency (15%)	<u>\$ 60,300</u>
Total	\$462,300

The property, formerly used for commercial purposes, is blighted 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 duly approved on February 26, 2003, by the Detroit City Council.

Recommendation

The Michigan Economic Development Corporation recommends approval of school tax capture up to \$175,674 of the \$462,300 for the demolition and site preparation activities described above.

Board Discussion

Denise Ilitch asked about the assistance offered by the city for this project. Ms. DeSantis talked about the type of assistance that is being offered to support the project.

Jay Rising asked whether the city owns all of the property. Ms. DeSantis explained that almost all of the property is now owned by the city. Negotiations are under way to obtain more.

Denise Ilitch mentioned that The Curris Group is bringing many much-needed services to the City of Detroit and how important that is. She feels that this is a great project.

Faye Nelson gave the Executive Committee report and, on behalf of the Executive Committee, recommends that the MEGA board approve the requested tax capture.

Hearing no further discussion, a motion was made and supported and Resolution 2003-47, approving a capture of school operating taxes for the City of Detroit Brownfield Redevelopment Authority's work plan to proceed at the southwest corner of Mack and Alter, was adopted. (Jay Rising abstained from voting on this Resolution.)

ACTION ITEM

Wayne County Brownfield Redevelopment Authority
L-14 Wayne County Building
600 Randolph
Detroit, Michigan 48226

John Czarnecki reminded the board that on May 27, 2003, the Wayne County Brownfield Redevelopment Authority submitted a \$950,000 Brownfield Work Plan request for a project within the City of Ecorse. The MEGA Board was supportive of the project, but due to a technical deficiency in the work plan submittal, only a portion of the work plan could be acted upon by the board. A description of the eligible project costs follows:

Demolition:	\$ 47,000
Infrastructure (repave alleyways, curb and gutter, Sidewalks, street lighting, etc)	\$ 804,275
Work Plan Preparation	\$ 6,000
Subtotal	\$ 857,275
Contingency	\$ 92,725
Total	\$ 950,000
Estimated Interest Expense @ 4%	\$ 133,773
Grand Total	\$1,083,773

NOTE: The above tax capture breakdown represents the entire project. Due to technical deficiencies within the submitted work plan, formal action was taken only on a portion of the project plan when the board convened in May, 2003. The eligible activities within the allowable area totaled \$408,766, with \$133,258 in school capture and \$275,508 in local capture. Staff anticipated a subsequent submittal from the community seeking to amend the boundaries of this approval to incorporate the entire project as outlined above. This amendment will address the entire project.

Recommendation

The Michigan Economic Development Corporation recommends approval for an additional school tax capture in the amount of \$176,442, which will increase the total school tax capture to \$309,700 of a total project cost of \$950,000 for the demolition and infrastructure activities that were omitted from the original project approval on May 27, 2003.

Board Discussion

Faye Nelson gave the report of the Executive Committee and, on behalf of the committee, recommended approval of the requested amendment by the MEGA board.

A motion was made and supported and Resolution 2003-48, approving an amendment to Resolution 2003-13, as adopted by the MEGA board on May 27, 2003, for the Wayne County Brownfield Redevelopment Authority for their Salliotte Avenue Redevelopment Project, was adopted.

The meeting was adjourned at 11:10 a.m.

The next meeting of the MEGA board is scheduled for Tuesday, December 16, 2003.