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 19, 2002 at 10:00 a.m.

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

Members Absent
Duane Berger

Others Present
Daphne Adams, General Motors
Karen Ammarman, MEGA, MEDC
Peter Anastor, MEGA, MEDC
Amy Banninga, MEDC
Kathy Blake, Sr. Vice President, Business Development, MEDC
Kathy Bommarito, Community Manager, General Motors
Kurt Brouwer, Gentex Corporation
Candace Butler, Sr. Project Manager, General Motors
Bryce Currie, TRW Automotive
John Czarnecki, MEDC
Jim Donaldson, Michigan Business Dev., MEDC
Frank Ferro, MEDC
Dan Foster, Ernst & Young
Larry Gormezano, MEDC
Matt Hanley, Michigan Department of Treasury
Shelly Iacobelli, TRW Automotive
Enoch Jen, V.P. Finance, Gentex Corporation
Jeffrey Kaczmarek, MEDC
Carol Knobloch Johns, MEDC
Paul Krepps, MEDC
Penny Launstein, MEDC
Peggy McNichol, Ernst & Young
Pauline Millichamp, MEDC
Don Mitchell, Acheson Ventures, L.L.C.
Mark Morante, Vice President, Bus. Finance & Adv., MEDC
Donna Niester, Manager, Acheson Ventures, L.L.C.
Nicole Nystrom, Dykema Gossett

Jim Paquet, Secretary to MEGA Board
Laura Partlow, MEDC
Mike Pohnl, MEDC
Ed Reed, MEDC
Chris Roberts, Champion Foods
Tom Schimpf, Attorney General's Office
Bradley Slagh, Township Supervisor, Zeeland Charter Township
Joe Sproles, Government Relations, General Motors
Eric Stavriotis, Pollina Corporate Real Estate
Vern Taylor, MEDC
Duane Thelen, MEDC
John Tomlinson, Acheson Ventures, L.L.C.
Kurt Vaaler, Jaytec LLC (L&W Engineering)
Alan Valade, Honigman, Miller, et al
Richard Wooten, City of Inkster

Call to Order

Tim Ward called the meeting to order at 10:00 a.m.

Approval of Minutes from October 10, 2002

It was moved, supported and carried that the minutes from the October 10, 2002 meeting be adopted.

Public Comment

There was no public comment.

ACTION ITEM

L&W Engineering
6301 Haggerty Road
Belleville, Michigan 48111

Jim Donaldson began the presentation by reminding the Board that this project was originally presented and approved by the MEGA Board on September 11, 2002. Since that time, L&W Engineering has discovered some environmental issues at the original site and is seeking Board approval for an alternative site. Mr. Donaldson introduced Kurt Vaaler from L&W Engineering, who explained the concerns with the original site and the need to move the project to a location in Dundee, Michigan.

L&W Engineering is a subsidiary of L&W, Inc. a holding company that also owns Advanced Engineering. Currently, L&W has 1,623 employees in Michigan. It intends to relocate from Spring Arbor, and expand its automotive metal tube fabrication and related assembly operations to Dundee, Michigan. L&W Engineering would purchase 15 acres of land and construct a new 75,000 square foot facility. The expansion is expected to generate 200 new jobs that will pay an average weekly wage of $608.

Total capital investment for the project would be approximately $19.7 million, including $4.3 million for the purchase of land and building construction costs, and $15.4 million for new machinery and equipment.

It is estimated that this facility will generate a total of 421 jobs in the state by the year 2014. Total state government revenues through the year 2014, would be increased by $18.7 million due to the presence of this facility.

As part of the company decision-making process, L&W Engineering compared the costs of the project in Dundee and Terre Haute, Indiana. The major cost gaps include labor, building and property tax costs. The company estimates that labor costs will be nearly $500,000 per year higher in Michigan when the facility is fully operational. The company expects building costs to be $750,000 higher in Michigan because of the need to construct a new facility as compared to utilizing an existing facility in Indiana. In addition, Terre Haute is offering local property tax abatements.

The State of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of $500 for the 200 new employees or up to $100,000. The company may also be eligible for an Investment Tax Credit worth up to $90,000. In addition, the state of Michigan will provide the local community a Community Development Block Grant (CDBG) worth up to $500,000 to provide water, sewer and road infrastructure improvements.

The Village of Dundee approved a 50 percent abatement of the company's new real and personal property taxes for 12 years, valued at $2,006,500, on November 5, 2002.

Recommendation

The Michigan Economic Development Corporation recommends an eleven-year employment tax credit of 100 percent for ten years and 50 percent for the eleventh year, for up to 200 net new employees.

Board Discussion

Beth Chappell gave the report of the Executive Committee. The Executive Committee recommended approval of the tax credits.

Hearing no further discussion, a motion was made and supported, and Resolution 2002-42 awarding MEGA tax credits to L&W Engineering was adopted.

ACTION ITEM

Gentex Corporation
600 North Centennial Street
Zeeland, Michigan 49464

Kathy Blake introduced Enoch Jen from Gentex, who explained the planned expansion. Gentex Corporation is a global manufacturing company that provides automotive and fire protection products. Gentex is best known for its automatic-dimming mirrors. The company's Night Vision Safety (NVS) Mirrors are offered as standard or optional equipment on over 140 models around the world. Gentex has five operations in Michigan, employing 1,819 associates, with the vast majority located in the Zeeland area.

Gentex needs to expand its mirror system manufacturing operations. The company is considering sites in the City of Zeeland, Zeeland Township and Cordele, Georgia. The project and anticipated growth would require 100 acres of land and would lead to the construction of a new 225,000 square foot facility. The project is expected to generate 125 new jobs in the first year of operation and 625 new jobs over a five-year period. The new positions will pay an average weekly wage of $550.

Total capital investment for the project would be approximately $97 million over five years, including $17 million for site development, building and infrastructure costs, and $80 million for new machinery and equipment. The project would begin construction in the Spring of 2003, with operations starting by the Summer of 2005. The purchase and installation of new machinery and equipment will begin in early 2005.

It is estimated that this facility will generate a total of 1,499 jobs in the state by the year 2022. Total state government revenues through the year 2022, would be increased by $86.6 million due to the presence of this facility.

Gentex compared the costs of the project in the Zeeland area to Cordele, Georgia, a location closer to many Gentex customers in the South. After a comprehensive analysis, the major cost gaps identified by the company included labor and site development costs. The company estimates that labor costs will be approximately $2.5 million per year higher in Michigan, once the facility is fully operational. The state of Georgia has also been aggressive in recruiting the company, offering a package of incentives that includes free land and site preparation and job creation tax credits valued at $12.5 million. The location in Georgia would also be eligible for Federal Enterprise Zone Tax Credits, which could provide the company with an additional $9.4 million of federal tax credits.

The state of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of up to $625,000. The company will also be eligible, for an Investment Tax Credit worth approximately $606,000. In addition, the state of Michigan will provide 100 percent abatement of the six-mill State Education Tax for a period of time to match the local property tax abatement. This abatement is estimated to be worth $1,972,600.

The state of Michigan will also provide the local community a Community Development Block Grant worth between $1.1 million and $1.3 million, depending on the final site location. The grant will be used for site preparation and/or other infrastructure improvements, including water, sewer and road improvements. Finally, we will support application through the local community for a Transportation Economic Development Grant for road infrastructure improvements from the Michigan Department of Transportation. The approximate value of this grant will range from $780,000 to $943,000 depending on final site location.

The City of Zeeland and Zeeland Township have both approved a 50 percent abatement of the company's new real property taxes for twelve years. In addition, the company will receive a 50 percent abatement of its new personal property taxes for twelve years once that equipment is purchased and in use by the company. The City of Zeeland tax abatement, approved on October 23, 2002, has an estimated value of $7.8 million. The Zeeland Township tax abatement, approved on November 4, 2002, has an estimated value of $7.0 million.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 20 years, for up to 625 net new employees, and a business activity credit of 100 percent for ten years.

Board Discussion

Elizabeth Chappell reported that the Executive Committee has discussed this project and recommends approval by the MEGA Board.

Jim Paquet noted that the company has not made a final decision as to whether to locate the expansion in the City of Zeeland or in Zeeland Township. The company must make a decision within sixty days in order to sign the MEGA Agreement. In addition, the company must have the personal property tax abatement in place before it can collect on the credits. The resolution incorporates these requirements.

Hearing no further discussion, a motion was made and supported and Resolution 2002-43, awarding MEGA tax credits to Gentex Corporation was adopted.

ACTION ITEM

TRW Automotive Inc.
12025 Tech Center Drive
Livonia, MI 48150

Jim Donaldson began this presentation by introducing Bryce Currie from TRW Automotive. Mr. Currie stated that the company is wholly owned by TRW Inc., which is headquartered in Cleveland, Ohio. Earlier this year, TRW Inc. agreed to be acquired by Northrop Grumman, a leading aerospace and defense company. As part of the acquisition, TRW Automotive will become an independent company

TRW Automotive Inc. is a supplier of automotive products including chassis systems, occupant safety systems and other automotive components. The company has annual sales of approximately $10 billion, over 64,000 employees, and operates 152 production facilities in 22 countries around the world.

TRW Automotive Inc. is considering two options for the location of its headquarters operations: relocation of headquarters staff to the company's Tech Center campus in Livonia, Michigan; or to remain as a tenant at the current TRW headquarters in Cleveland, Ohio. If the TRW Automotive headquarters is located in Michigan, the company will construct a new 120,000 square foot facility at a cost of approximately $14 million on a 7-acre parcel at the company's Tech Center campus in Livonia. The project is expected to result in the creation of approximately 165 jobs over the next five years with an average weekly wage of $1,565. Investment of approximately $2.0 million in new furniture and fixtures, computers and other personal property is also expected.

It is estimated that this facility will generate a total of 272 jobs in the state by the year 2013. Total state government revenues through the year 2013, would be increased by $12.8 million due to the presence of this facility.

TRW Automotive compared the costs of the project in Livonia and Cleveland, Ohio. The major cost gaps being faced by the company include employee relocation costs, training of new employees, and the cost of building a new facility instead of remaining a tenant in their current headquarters. These costs add approximately $20 million to the project budget.

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 $497,138.

The City of Livonia has approved a 50 percent abatement of the company's new real and personal property taxes for 12 years. The City of Livonia tax abatement, approved on October 28, 2002, has an estimated value of $1.5 million.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 10 years and a 50 percent employment tax credit for one year, for up to 165 net new employees.

Board Discussion

The Executive Committee report was given by Beth Chappell. On behalf of the committee, she expressed support for the requested tax credit.

Doug Roberts sought advice on a possible conflict of interest with relation to the acquisition of the company by Northrop Grumman. Some pension funds for the State of Michigan are invested in the company's owner. Tom Schimpf explained that there is no conflict of interest.

Craig DeNooyer asked whether any related companies would be brought in with TRW Automotive or whether it would continue as a stand-alone company. Mr. Currie said he expected TRW Automotive to remain a stand-alone company.

Jeff Bryant, Economic Development Director for the City of Livonia, clarified that the meeting during which community support was given for this project, was November 6th.

Hearing no further discussion, a motion was made, supported and passed, and Resolution 2002-44, authorizing a MEGA tax credit to TRW Automotive, Inc. was adopted.

ACTION ITEM

Champion Foods, LLC
2211 Woodward Avenue
Detroit, Michigan 48201

Jim Donaldson introduced Chris Roberts, who explained the plan to create a factory to produce pizza crusts. Champion Foods, LLC has been established to commercialize the partially baked (par-baked) pizza products developed by Little Caesar's Enterprises, and Little Caesar's Pizza Kit Company. Little Caesar's manufacturing operations currently employ 157 people.

Due to the high level of demand for par-baked pizza crusts, the company has decided to create a large manufacturing facility. The business will produce par-baked pizzas and other related food products.

The project requires an investment of $42.4 million over a five-year period, including $16.8 million in land and buildings and $25.6 million in machinery and equipment. The facility is expected to create up to 199 new jobs within six years of start-up. Average weekly wage at the facility would total $459 with a benefit package of an additional 20 percent.

It is estimated that this facility will generate a total of 411 jobs in the state by the year 2023. Total state government revenues through the year 2023, would be increased by $20.8 million due to the presence of this facility.

The company found two existing facilities that are suitable for the project, one in Huron Township, Michigan and one in Columbus, Ohio. The Columbus facility is exactly the size required, while the Michigan facility needs to be built out extensively in order to accommodate the growth expected. Electrical costs in Michigan are also considerably higher. These two items create a cost gap of roughly $750,000 per year over a 20-year period. In addition, the company will qualify for an Ohio Jobs Tax Credit worth $2.1 million and an Ohio Machinery and Equipment Tax Credit of $1.9 million, bringing the total gap to approximately $19 million over a 20-year period. A MEGA will help to bridge this gap and make Michigan a profitable location for this new entity.

The Michigan Economic Development Corporation will provide an Economic Development Job Training grant of $59,700.

The State of Michigan will also provide a 100 percent abatement of the 6 mills State Education Tax to match the length of the local property tax abatement. This abatement is estimated to be worth up to $773,486.

Huron Township has approved an abatement of 50 percent of all new real and personal property taxes to be generated by the project for 12 years. The estimated value of this abatement is $3 million.

Recommendation

The Michigan Economic Development Corporation recommends an employment credit of 100 percent for 20 years and a business activity credit of 100 percent for 20 years for up to 199 net new jobs.

Board Discussion

The Executive Committee report was given by Beth Chappell. On behalf of the committee, she expressed support for the requested tax credit.
There was no further discussion. A motion was made and supported and Resolution 2002-45, awarding MEGA tax credits to Champion Foods, L.L.C. was adopted.

ACTION ITEM

General Motors Corporation
Willow Run Power Train Operations
Ecorse and Wiard Roads
Ypsilanti, Michigan 48198-6198

Jim Donaldson briefly explained the project and introduced Candace Butler from General Motrors. Ms. Butler explained the request for tax credits and the proposed job-retention project in more detail. The General Motors Willow Run operation currently employs 577 workers. The facility produces transmissions for cars and trucks and also makes components for transmissions that are built at other company facilities.

General Motors Corporation is assessing the possibility of transferring a new product line to the Willow Run operation to keep the plant operational. The products currently produced at the facility will build out in the next few years, rendering the plant idle unless alternative product lines can be transferred to the facility.

The project would allocate a new 6-speed rear wheel drive transmission to the facility, necessitating an investment of up to $309 million and the employment of up to 850 employees. It is anticipated that capital expenditures would begin in 2003 and the retention of employees would begin in the last quarter of 2005, allowing for current production phase- out and future production phase-in. The retained jobs would pay an average weekly wage of $981 and provide a benefit package worth up to 30% of wages.

It is estimated that this facility will retain a total of 3,510 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 $299 million due to the retention of this facility.

The most cost effective location for the company to add this new production would be at a facility in another Midwest state. Due to higher fringe benefit costs, supplemental unemployment benefit costs, and property taxes, the cost at the Willow Run plant is $4 million higher each year than the other locations under consideration. The cost differential totals over $80 million over a 20-year period. Without the MEGA and other incentives, this project would not be feasible in Michigan.

Ypsilanti Township has approved a Plant Rehabilitation abatement of the company's real and personal property taxes for a period of 15 years for this project. The estimated value of this abatement is $27 million.

Recommendation

The Michigan Economic Development Corporation recommends an employment credit of 50 percent for the retention of up to 850 jobs for a period of 20 years and a business activity credit of 50 percent for a period of 20 years.

Board Discussion

Elizabeth Chappell gave the report of the Executive Committee. She commented that this was a very large project with a large incentive, but that it was important for the community and necessary in order to keep the jobs in Ypsilanti. She conveyed the committee's recommendation that the Board approve the requested tax credits.

Craig DeNooyer asked what percentage of activity at Willow Run is involved in this project. Candace Butler estimated that the project involved approximately 20 percent of the employees and 20 to 25 percent of the square footage. Mr. DeNooyer asked how the long time horizon of the project would effect decisions to locate other products at the plant. Ms. Butler indicated it was hard to say given that different products had different life spans.

Hearing no further discussion, a motion was made and supported and Resolution 2002-46 approving MEGA tax credits for General Motors Corporation's Willow Run operations in Ypsilanti was adopted.

ACTION ITEM

The Coca-Cola Company
P. O. Box 1734
Atlanta, Georgia 30301

Jim Paquet explained the reason for the company's requested extension of it's a anniversary date. In May of 2000, the MEGA approved tax credits for The Coca-Cola Company's addition of juice processing and packaging lines at its facility in Paw Paw Township, Van Buren County. In the Agreement, The Coca-Cola Company committed to creating at least 75 new jobs by May 23, 2002.

By its anniversary date, the company had made significant capital investments and created 66 new jobs. In addition, the wastewater treatment facility the company needed to add for its expansion was completed at an approximate cost of $5.2 million.

Due to the softening of the beverage markets for the products manufactured at Paw Paw, the staffing of the facility has been slower than was originally anticipated. However, the company will be adding additional processing equipment by year-end 2002, which will allow Paw Paw to expand its beverage line. The company believes that it will be able to achieve its employment goal of creating more than 75 new jobs by May 31, 2003, and is requesting a twelve-month extension of its anniversary date to allow it to qualify for the credit.

Recommendation

Staff recommends that the MEGA agree to amend The Coca-Cola Company's credit to extend the anniversary date to May 31, 2003, but that the original schedule of the tax years in which the company is eligible for the credit remains unchanged.

Board Discussion

The report of the Executive Committee was given by Elizabeth Chappell. Ms. Chappell commented that Coca-Cola had apparently done its best to create the jobs and was very close to the minimum of 75. Additionally, the company was paying the new jobs a salary in excess of the minimum average weekly wage required. On behalf of the Executive Committee, Ms. Chappell recommended approval of the anniversary date extension.

Craig DeNooyer asked why, since this is not a new business or new product, it has taken six months for the company to request the anniversary date extension. Jim

Paquet responded, stating that the request was brought to the Board as soon as the letter requesting the extension was received.

Mr. DeNooyer asked what would happen if the Board did not extend the deadline date. Jim explained that if an amendment is not passed, extending the deadline date, the company will lose its credit.

Jim Donaldson reminded the Board that the Board usually reviews requests for anniversary date extensions after the deadline has passed.

Karen Ammarman suggested that, since Coca Cola has other projects and other companies, that they may have missed the fact that this deadline was approaching.

Mr DeNooyer made a motion that the Board stipulate that this is to be a one-time only extension of the company's anniversary date.

Sarah Deson-Fried pointed out that if the company misses the deadline, it doesn't cost the state anything. Discussion followed regarding the fact that, usually, requests for extension of the deadline are granted on a one-time only basis, even though the last several extensions were granted without that stipulation being spelled out.

Jackie Shinn pointed out that the company seems to be making an effort and that, based on statements made by The Coca Cola Company, it anticipates exceeding its goal of creating 75 new jobs by May, 2003.

No support was heard for Mr. DeNooyer's motion. The motion died.

Hearing no further questions or discussion, a motion was made and supported and Resolution 2002-47 authorizing the extension of the anniversary date for The Coca Cola Company was adopted.

ACTION ITEM

Acheson Ventures, LLC
600 Fort Street, Suite 101
Port Huron, Michigan 48060

John Czarnecki introduced John Tomlinson, an attorney for Acheson Ventures, LLC. Mr. Tomlinson introduced Donna Niester and Don Mitchell from Acheson Ventures, and then read a letter from Thomas Hutka, City Mamager of the City of Port Huron. The letter was addressed to Doug Rothwell and expresses community support for the Acheson Ventures project. Mr. Tomlin went on to summarize the project and the request for a brownfield redevelopment credit. The project is the construction of a 100,000 square foot headquarters building and parking deck for SEMCO. The headquarters building is part of a larger development plan for an area known as the Southside Development Park, located in the City of Port Huron. Semco plans to lease two thirds of the building. A $14 million YMCA building, $18 million marina basin, and a $7.2 million residential development around the marina basin are also planned for this brownfield redevelopment project.

Mr. Czarnecki continued, explaining the public benefit and cost breakdowns for the project. Total investment in the 50-acre development will be approximately $100 million and will provide about 284 residential housing units for moderate-income families. Included in this larger development will be a maritime center with ample open spaces, including a pedestrian mall, a section of the Bridge-to-Bay Trail, various playing fields, an outdoor amphitheatre, a four-season water rink and a deep-water port capable of accommodating Great Lakes cruise ships.

This project and larger development will significantly increase property values and provide additional revenues to the City of Port Huron and the State of Michigan.

The eligible investments to be undertaken by Acheson Ventures, LLC include:

Site Improvements	$ 2,578,667
New Construction	19,200,000
Project Total	$21,778,667

The Brownfield Plan for this project has been approved by the City of Port Huron and has been submitted to the MDEQ and MEGA for approval. Acheson Ventures seeks to recapture 50 percent of the tax increment revenues to cover the costs of eligible activities. The remaining 50 percent will be paid to the taxing units.

Project eligibility exists based on the fact that the project site is the subject of a brownfield plan, approved by the City of Port Huron Brownfield Redevelopment Authority, St. Clair County Board of Commissioners, and the City Commission for the City of Port Huron, and is located in a qualified local governmental unit. The property is a "facility" based on an environmental assessment that identified contamination at the project site at levels that exceed generic criteria under Part 201 of the Natural Resources and Environmental Protection Act.

Recommendation

The Michigan Economic Development Corporation recommends approval of a MEGA brownfield redevelopment credit of 10 percent of the eligible investment to Acheson Ventures, LLC, but no more than a $2,177,866.70 credit.

Board Discussion

Beth Chappell reported on the Executive Committee's discussion of this project. She said that the Executive Committee was pleased to have the opportunity to play a role in this redevelopment and was very supportive of the project.

Hearing no further discussion, a motion was made and supported and Resolution 2002-48, authorizing a brownfield redevelopment credit for Acheson Ventures, LLC, was adopted.

ACTION ITEM

City of Port Huron Brownfield Redevelopment Authority
100 McMorran Boulevard
Port Huron, Michigan 48060

This work plan for the City of Port Huron goes along with the request for brownfield redevelopment credit discussed above. John Czarnecki outlined the work plan and explained the request for tax capture. The project will consist of new streets, sidewalks, curb and gutter and storm and sanitary sewers, and other infrastructure improvements for a new development. The redevelopment area is about 50 acres. This will include a maritime center of approximately 20 acres with marine-themed public, educational, historical and entertainment facilities. One third of the available land area will be comprised of public open space (land and water) including park-like settings, a pedestrian mall, and civic and recreational facilities. SEMCO Energy will have a 100,000 square foot headquarters building in the development, along with a YMCA and mixed retail, commercial and residential loft buildings. An existing seaway terminal and docks will be renovated and rebuilt to accommodate large cruise ships as well.

The investment in the new development is expected to exceed $100 million. Fifty percent of the additional tax revenues generated by the increased taxable value of the property will be paid to the taxing units according to their respective millage rates. The remaining 50 percent will be used to reimburse Acheson Ventures for approved infrastructure improvement costs amounting to only $6,087,000, although eligible reimbursement costs are $16 million.

Environmental contamination exists at various locations throughout the site. Therefore, the Brownfield Redevelopment Authority is seeking MDEQ approval in the amount of $1,454,700 for baseline environmental assessments, due care activities, and additional response activities.

Tax capture for this project is projected to begin in 2005 until 2018. Tax capture (based on MEGA approval) would be approximately 43 percent state school tax and 57 percent local tax for the total project cost. The total estimated tax increment revenue is $15,422,228 over a 15-year period. Using these projections, Acheson Ventures will be reimbursed for its eligible costs by 2018.

Project eligibility exists, based on prescribed prescribed Brownfield Redevelopment guidelines. Approval is requested for infrastructure improvements in the amount of $6,087,000.

Recommendation

The MEDC recommends approval of the South Side Development Park work plan as submitted by the City of Port Huron Brownfield Redevelopment Authority.

Board Discussion

Elizabeth Chappell gave the Executive Committee report and recommends Board approval for the requested MEGA tax credit. Hearing no further discussion, motion was made and supported and Resolution 2002-49, authorizing the City of Port Huron to capture taxes levied for school operating purposes for the South Side Development Park, was adopted.

ACTION ITEM

City of Inkster Brownfield Redevelopment Authority
2121 Inkster Road
Inkster, Michigan 48141

John Czarnecki introduced Richard Wooten, Community Development Director from the City of Inkster, who discussed the work plan and the proposed development project for the City of Inkster Brownfield Redevelopment Authority.

The City of Inkster and Creative Land Design, Inc., also known as Crosswinds Communities, Inc., are partnering to rebuild a city neighborhood. The project will consist of 160 market rate homes to be constructed in what is now a highly blighted area of the city.

The property was developed during World War II as low income housing for the large influx of workers moving to the area. Originally designed to meet only a short-term need, the housing stock has declined significantly over the past 60 years. Of the 110 parcels in this development, 58 are tax-reverted. An additional 27 parcels are in the final stages of tax reversion and the city is condemning the remaining parcels.

The development will be built in multiple phases, with a total of 160 residential units upon completion of all phases. The average home price is expected to be $135,000.

Just as the housing stock has deteriorated, the infrastructure servicing this area must be replaced. The water, sewer, storm sewer and streets are in complete disrepair. To facilitate this private investment, the site must be cleared of all buildings and the infrastructure must be rebuilt.

The City of Inkster has an abundance of subsidized housing units. To diversify their economic base and stabilize their population, new housing development projects are necessary. Currently, this area has a taxable value of $445,955 and generates $18,511 in real property taxes annually. Conservatively, this development will have a taxable value of more than $16 million and will generate nearly $650,000 in real property taxes annually.

To finance the infrastructure improvements, the development agreement with Crosswinds Communities, Inc., calls for the developer to front the money for the initial phase of infrastructure improvements. At such time as the private development is generating enough tax increment revenue, the City of Inkster and its Brownfield Redevelopment Authority will issue bonds to pay back the developer. Additional municipal bonds will be issued to fund subsequent phases.

The cost of the eligible activities totals $4,306,350. The tax breakdown is as follows:

$ 624,421 State School Property Taxes (14.5%)
$3,681,929 Local Property Taxes (85.5%)
$4,306,350

Over the life of the bonds (to be paid off in 2021), the capture necessary to pay back the debt, including interest, is estimated at $8,243,887. The breakdown is as follows:

$1,195,363 State School Property Taxes (14.5%)
$7,048,524 Local Property Taxes (85.5%)
$8,243,887

The property meets the legislative definition of blighted property because; a) parcels comprising the project site were previously used for residential, commercial or industrial purposes, b) all parcels within the development area are classified as blighted (58 tax reverted parcels) or adjacent or contiguous to blighted parcels, c) the property is located within a qualified local unit of government, and d) is the subject of a duly approved brownfield plan.

1. Infrastructure Removal and Replacement	$3,721,000
2. Demolition	$ 245,000
3. Site Preparation	$ 332,850
4. Work Plan Preparation	$ 7,500
Total	$4,306,350

Recommendation

The MEDC recommends approval of the work plan. The project will result in the complete redevelopment of a highly blighted area and build the tax base of the community. The project, when completed, will result in 160 new residential units and meet the city's objective to broaden its tax base.

Board Discussion

Elizabeth Chappell gave the Executive Committee report. The Executive Committee thought the numbers and pictures did a good job of justifying this project and recommends approval of the work plan. There was no further discussion. A motion was made and supported and Resolution 2002-50 authorizing the City of Inkster to capture taxes levied for school operating purposes for the reimbursement of the eligible activities for the City of Inkster – Carver Homes Subdivision Redevelopment, was adopted.

ACTION ITEM

KWA1 LLC
Merchant's Row Redevelopment Project
220 West Congress, Suite 500
Detroit, Michigan 48226

John Czarnecki reminded the MEGA Board that this project was previously approved by the Board in December, 2001. At that time, the development team was working to finalize property acquisition. Due to the unusual ownership situation of one particular parcel, KWA1, LLC was unable to acquire the property within the 90 days allotted by the Board. At this time, KWA1, LLC, holds the deed for all properties in question.

The Merchant's Row development will completely rehabilitate six buildings along Woodward Avenue, near the Campus Martius area, into loft apartments, retail space, and a parking deck. Specifically, the portion of the project under consideration for the credit will result in 101 residential loft apartments, 20,000 sq. ft. of retail space, 20,000 sq. ft. of storage space, and a 264 parking space garage. The amount of eligible investment in this portion of the project is $25,718,319.

The buildings in question have been largely vacant since the mid-1980's. The utilities have been shut off and/or disconnected, and the mechanical, plumbing and electrical systems have been allowed to deteriorate to conditions that require substantial renovation to effectively operate the buildings. In their current condition, the buildings are unfit for use. Beyond the extensive renovations, it is necessary to demolish three of the buildings to allow for the construction of a new entryway for the loft apartments as well as the automated parking deck system. The building at 1247 Woodward is only 20 feet wide with floor heights different than the three buildings to be renovated. This building will be demolished and replaced with the entry-way to the lofts and parking facility. Twelve seventy-five (1275) and 1281 Woodward will be demolished and replaced with the 264 space parking deck and first floor retail.

The development of high-end housing and retail opportunities in this area of the downtown is critical to overall redevelopment plans of Campus Martius. This portion of Woodward Avenue has been plagued by empty buildings and boarded up storefronts.

This project will turn a string of six buildings from its current blighting influence into an attractive stretch of Woodward Avenue.

In addition to new housing and retail opportunities downtown, this project is anticipated to create 50 retail jobs, and provide housing for 170 individuals.

The eligible investments to be undertaken in Detroit by KWA1, LLC, include:

Demolition	$ 1,239,953
Site Improvements	$ 450,112
New Construction	$10,526,058
Building Improvements	$12,633,304
Fixtures	$ 868,892
Project Total	$25,718,319

The developer is applying for historic tax credits approximating $3,200,000. The developer also will be seeking an Obsolete Property Rehabilitation Exemption Certificate, which will freeze local property taxes at current levels. The developer has received approval from the Detroit Downtown Development Authority for an interest free loan of $4,750,000. Further, the MEDC awarded the City of Detroit a $150,000 Urban Land Assembly Loan in support of this project.

The property meets the legislative definition of blighted property and is located within the boundaries of a qualified local unit of government. The property is the subject of a duly approved brownfield plan.

Recommendation

The MEDC recommends approval of a MEGA Brownfield Redevelopment Credit of 10% of the eligible investment in the Merchant's Row project, not to exceed a $2,571,832 credit.

Board Discussion

Elizabeth Chappell gave the report of the Executive Committee. Although the Merchant's Row project was discussed during the Committee meeting, the Executive Committee did not review this the project as presented at today's Board meeting. Although she is familiar with the project, and is personally comfortable with it as presented today, she is not able to make a recommendation on behalf of the Executive Committee.

John Czarnecki mentioned that this is basically the same project that was approved during last December's Board meeting. Cost increases and the delay with property acquisition have necessitated presenting the project to the Board again.

Jackie Shinn added that the Michigan Department of Transportation is working closely with the developers and expressed the support of the MDOT for this redevelopment project.

Hearing no further discussion, a motion was made and supported, and Resolution 2002-51, awarding a brownfield redevelopment credit to KWA1 LLC for the Merchant's Row Redevelopment Project, was adopted.

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