

## 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 30, 2004, at 10:00 a.m.

### Members Present

Bo Garcia

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

David Hollister

Donald Jakeway

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

### Others Present

Amy Banninga, MEDC

Candace Butler, General Motors Corporation

Jeff Kaczmarek, MEDC

Carol Knobloch Johns, MEDC

Susan McCormick, MEDC

Mark Morante, MEDC

Jim Paquet, Secretary to the Board

Darla Park, General Motors Corporation

Mike Pohnl, MEDC

David W. Schostak, Schostak Brothers

Joseph Sproles, General Motors Corporation

Vern Taylor, MEDC

Grant Trigger, Honigman, Miller, Schwartz and Cohn

### Call to Order

David Hollister called the meeting to order at 10:08 a.m.

### Public Comment

There was no public comment.

### ACTION ITEM

*City of Oak Park Brownfield Redevelopment Authority  
13700 Oak Park Boulevard  
Oak Park, Michigan 48237*

Jeff Kaczmarek introduced David Schostak with Schostak Brothers and Company, Inc., and Grant Trigger of Honigman, Miller, Schwartz and Cohn. Mr. Trigger and Mr. Schostak briefed the board on this redevelopment project. 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 occupied by Farmer Jack, a retail strip mall, Warehouse Music, Taco Bell, and Office Depot. The property is owned by Northland Plaza Associates, LLC. 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 and light industrial redevelopment.

Schostak Brothers and Company Inc., Northland Plaza Associates LLC, and Armory Plaza LLC intend to demolish the majority of the buildings on the site. The redevelopment project is speculative but the developers believe it could produce approximately 2,000 new jobs. The total preliminary estimated cost of the project will be approximately \$93 million.

At this time the Work Plan request is for demolition, but approval for additional eligible activities that will increase the total cost to \$6,950,000 will be requested at a later date.

Demolition (included 15% contingency)	\$2,400,000
Work Plan Preparation	\$ 10,000
Total	\$2,410,000

Brownfield Work Plan approvals are granted based on several criteria outlined in the statute. These are discussed below.

The public will benefit from the demolition of a vacant, functionally obsolete eyesore and its replacement with a modern, fully functioning facility. Residents of the community will benefit from both the aesthetic improvements on the site and the increased property taxes that will be generated by the increased value of the project site and surrounding property. The general public will benefit from the jobs expected to be created by the project.

Based on a preliminary development concept, the project may result in the creation of up to 2,000 jobs.

The City of Oak Park is located in an area of high unemployment relative to its surroundings. From January 2003 through June 2004, Oak Park's unemployment rate has averaged approximately 6.2%, while Oakland County's average rate for that period has been 5.2 %.

The redevelopment of the site will be privately financed by the developers.

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	\$1,063,533 (44.13%)
Local tax capture	<u>\$1,346,467 (55.87%)</u>
	\$2,410,000

The property has been deemed contaminated through the Environmental Site Assessment and Baseline Environmental Assessments. The project is the subject of a brownfield plan approved on November 1, 2004, by the City of Oak Park's City Council.

**Recommendation**

The Michigan Economic Development Corporation recommends approval of school tax capture not to exceed \$1,063,533 based on eligible activities totaling \$2,410,000, described above.

**Board Discussion**

David Hollister asked whether this project will require a zoning change. Mr. Schostak responded in the affirmative, and explained that this has already been accomplished.

Howard Heideman asked whether the Farmer Jack retail store will be relocating. Mr. Schostak said that it will be relocating.

Bo Garcia gave the Executive Committee report. Upon consideration of this request, the committee recommended approval of the work plan and the capture of school operating taxes. Hearing no further discussion, a motion was made and supported, and Resolution 2004-79, authorizing the capture of school operating taxes for the City of Oak Park Brownfield Redevelopment Authority for the redevelopment of the former Detroit Artillery Armory, was adopted.

**ACTION ITEM**

*General Motors Corporation  
200 Renaissance Center  
Detroit, Michigan 48265*

Mark Morante introduced Candace Butler, Joseph Sproles, and Darla Park with General Motors Corporation. Ms. Butler made the presentation to the board.

General Motors is considering major investments in its operations in Flint. The General Motors Flint Truck Assembly facility currently employs approximately 2,500 workers. This facility produces Chevrolet and GMC heavy duty pick-up trucks. The investments are related to two major areas: the production of the next generation of heavy duty pickup trucks, and development of a new global V-6 engine. The engine product will have upgraded features and will be the first of this class of engine to be produced in the United States.

These expansions will result in the retention of 2,862 jobs in the state, including the addition of 400 workers at the Flint site. Positions retained from these projects will include workers already employed at the site, as well as employees from the company's jobs bank. These positions will pay approximately \$1,063 per week.

The project would require an investment of at least \$400 million, including \$50 million for a new engine production facility and \$350 million for new machinery and equipment, and tooling. It is anticipated that capital expenditures for renovations would begin this year with production initially targeted for mid-2007.

It is estimated that this facility will retain 2,862 jobs in the state and add 400 jobs. Total state government revenues through the year 2014, would be increased by \$517 million due to the retention of this facility in Michigan.

General Motors performed a comprehensive analysis of potential facilities where this production could be performed. Sites throughout North America were considered for these opportunities. Other sites offer lower construction or labor costs, which could save General Motors up to \$100 million annually.

For new real property related to the Engine portion of the project, the State of Michigan will offer 100 percent abatement of the six-mill State Education Tax for a length of time to match the local property tax abatement.

The City of Flint approved 50 percent abatement of the company's new real property taxes and 100 percent abatement of the new personal property taxes for 12 years.

These state and local abatements have an estimated value of \$42.8 million.

### **Recommendation**

The Michigan Economic Development Corporation recommends an employment credit of 60 percent for two years, followed by an employment credit of 50 percent for eight years for the retention of up to 2,510 jobs at the truck assembly facility.

Additionally, the Michigan Economic Development Corporation recommends an employment credit of 100 percent for 10 years for the retention of up to 352 jobs at the new engine facility.

### **Board Discussion**

The Executive Committee report was given by Bo Garcia. The Executive Committee recommended full Board support for the requested tax credits.

Jim Paquet discussed the claw-back provision in the resolution, whereby General Motors must retain a minimum of 1000 jobs in the first three years, or be subject to a 50% repayment of the credit.

Hearing no further discussion, a motion was made and supported, and Resolution 2004-80, authorizing MEGA retention credits for the General Motors Corporation's Flint Engine and Truck Assembly plants, was adopted.

The meeting was adjourned at 10:29 a.m.

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