

ADOPTED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Michigan Economic Development Corporation, 300 N. Washington Square, on December 14, 2004, at 10:00 a.m.

Members Present

Cullen DuBose

Bo Garcia

David Hollister

Janet Hunter-Moore (acting for and on behalf of Jay Rising, authorization attached)

Donald Jakeway

Faye Nelson

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

Others Present

Amy Banninga, MEDC

R. Drummond Black, Mayor, City of Midland

Luke Bonham, MJC Carrington Village

George Bosanic, City Manager, City of Greenville

Toni Brownfield, MEDC

Greg Burkart, Squire Sanders

Mark Chilcott, Chilcott Development Services

Steve Deisler, Downtown Kalamazoo Inc.

Jim Donaldson, MEDC

Bob Dykstra, Main Street Development

Kelly Feneley, AKT Peerless

Pat Greve, AKT Peerless

Matthew Herbert, Patriot Antenna Systems, Inc.

Jeff Kaczmarek, MEDC

Mark Kassab, MJC Carrington

Jerome Kisscorni, City of Kalamazoo

John Klein, Vice President, Michigan Packaging

Carol Knobloch Johns, MEDC

Tom Knoll, The Dow Chemical Company

Susan Lackey, Washtenaw Development Council

Dennis Laforest, City Manager, City of St. Johns

Penny Launstein, MEDC

Corey Leon, Development Incentives and Consulting, LLC

Graten Little

Jim McBryde, MEDC

Susan McCormick, MEDC

Tony McGhee, Cornerstone Alliance

Mark Morante, MEDC

Irv Morse, Federal-Mogul

Walter Nevolis, Affinia Group, Inc.

Jim Paquet, Secretary to the Board
Mike Pohnl, MEDC
Dick Randazzo, Federal-Mogul
Mark Recker, The Dow Chemical Company
George Rendziperis, Squire Sanders
Matthew Rick, Assistant Attorney General
Mike Shore, MEDC
Vern Taylor, MEDC
Keith Tipping, Patriot Antenna Systems, Inc.
Lloyd Walker, Mayor, City of Greenville
Joshua T. Weiner, Meyer C. Weiner Co.
Kara Wood, MEDC
Fred Zorn, MJC Carrington Village

Call to Order

David Hollister called the meeting to order at 10:05 a.m.

Approval of Minutes from November 16 and November 30, 2004

Motions were made, supported and carried that board meeting minutes from the November 16, 2004 meeting, as well as minutes from the November 30, 2004 meeting, be adopted.

Public Comment

There was no public comment.

ACTION ITEM

*Affinia Group, Inc.
1796 Indianwood Circle
Maumee, Ohio 43537*

Jim Donaldson introduced Walter Nevolis from Affinia Group, and Susan Lackey from the Washtenaw Development Council. Mr. Nevolis explained the project. On November 2, 2004, an agreement was finalized by which the Affinia Group, Inc., would acquire certain operating assets and existing corporate entities that comprised what was known as the "Dana Aftermarket Group". This group of companies manufactures, distributes and sells products that are primarily used in the automotive aftermarket, including various Brake System and Filtration applications. The company currently has eight employees in Michigan.

The company is considering a headquarter location in Pittsfield Township. The headquarter operations will provide administrative support for the decentralized operations of the Affinia Group. The support will include management oversight, accounting, treasury, information technology, sales and procurement. The company

anticipates capital investment of \$4.3 million to equip, renovate, and lease an existing building, and expects to create a total of 100 jobs over five years, paying an average weekly wage of \$1,372.

It is estimated that this facility will create a total of 145 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 \$3.7 million due to the location of this facility.

Affinia Group, Inc., is considering locations in Pittsfield Township and Maumee, Ohio for this new headquarters location. When comparing the two locations, the company estimates that taxes after Ohio incentives are significantly lower than in Michigan. The tax differential would save the company up to \$2.5 million in the first five years of operations.

The Washtenaw Development Council will sponsor a job fair for the company, valued at \$9,000. Because Affinia Group, Inc, does not have any manufacturing operations in the state, they do not qualify for a local tax abatement.

Recommendation

The Michigan Economic Development Corporation recommends a 50 percent standard employment tax credit for 10 years, and a 100 percent standard business activity tax credit for four years for up to 100 net new employees.

Board Discussion

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

It was brought to the board's attention that the resolution as presented is in need of correction. The resolution should match the recommendation of 50 percent standard employment tax credit for 10 years, and 100 percent standard business activity tax credit for four years. An amendment was agreed to that would correct the resolution. Hearing no further discussion, a motion was made and supported and Resolution 2004-81, approving standard MEGA tax credits for both employment tax and business activity tax, for Affinia Group, Inc., was adopted as amended.

ACTION ITEM

*Patriot Antenna Systems, Inc.
704 North Clark Street
Albion, Michigan 49224*

Jim Donaldson introduced Matthew Herbert and Keith Tipping from Patriot Antenna Systems, Inc. (PAS). Mr. Herbert discussed the project that the company is hoping to win from NASA and explained the reason for the requested tax credit. PAS was formed

in 1992 as Satellite Export & Engineering. In December of 2001 the company changed its name to Patriot Antenna Systems. The Company manufactures, markets, and sells satellite antenna systems and accessories. The company currently has 90 employees in Michigan.

The company is considering an expansion of their existing manufacturing facility in Sheridan Township. This expansion is intended to facilitate the designing, engineering, and fabricating of new antenna products. These new products will serve emergency response, military, and homeland security markets. The company anticipates capital investment of \$3.5 million to equip and renovate their existing manufacturing facility, and expects to create a total of 25 jobs over five years, paying an average weekly wage of \$1,086.

It is estimated that this facility will create a total of 56 jobs in the state by the year 2014. We also estimate that the project would create total state government revenues through the year 2014, of \$1.3 million due to the location of this facility in Michigan.

Patriot Antenna Systems, Inc., is considering locations in Sheridan Township and Lake Havasu City, Arizona for this expansion. When comparing the two locations, the company estimates that wages and utility rates in Arizona are significantly lower than in Michigan. When this project is fully staffed, differentials in operating costs will add up to \$100,000 per year.

On October 19, Sheridan Township approved a 50 percent abatement of the company's taxes on new real and personal property for six years. The estimated value of the local property tax abatement is \$133,000.

Recommendation

The Michigan Economic Development Corporation recommends a 90 percent high technology employment tax credit for 10 years, for up to 25 net new 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 2004-82, authorizing a high technology MEGA tax credit for Patriot Antenna Systems, Inc., was adopted.

ACTION ITEM

*Federal-Mogul Corporation
26555 Northwestern Highway
Southfield, Michigan 48034*

Jim Donaldson introduced Dick Randazzo from Federal-Mogul, who briefed the board on the company's restructuring plan. The company expanded its operations through acquisitions in the 1990s, and grew from \$2 billion in annual revenues to over \$6 billion. Today the company employs 45,000 people in 24 countries, including 1,866 in the State of Michigan.

The historical use of asbestos by companies, that have been acquired, has resulted in overwhelming litigation expenses. To separate its asbestos liabilities from its true operating potential, the company voluntarily filed for financial restructuring under Chapter 11 of the U.S. Bankruptcy Code. Since the October 1, 2001 filing, the company has continued its business operations without interruption, and with the full support of its major customers and suppliers. The company's plan of reorganization, as amended, was filed with the Bankruptcy Court in Delaware on June 4, 2004.

As part of its restructuring plan, the company has performed detailed assessments of its facilities around the globe. Through this analysis, the Greenville and St. Johns facilities were identified as producers of products that could be manufactured at lower cost at other Federal-Mogul facilities.

Over the past year, the company has worked with its employees to improve operations, and has negotiated new, lower cost contracts with its workers at all three manufacturing facilities in the state. As a result, the company has agreed to invest \$6 million in the next year to implement new environmentally friendly product lines at the Greenville and St. Johns facilities. Over the next five years, the company could invest up to \$100 million in its Michigan manufacturing, research and development, and headquarters facilities.

It is estimated that retention of the company's manufacturing facilities will retain a total of 9,544 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 \$480 million due to the retention of this facility.

Federal-Mogul performed a comprehensive analysis of potential facilities where this production could be performed, and determined that most Michigan production could be moved to its facility in Puebla, Mexico. The company estimates that closure of the Greenville and St. Johns facilities could save up to \$30 million in annual operations costs.

The City of Greenville approved 50 percent abatement of the company's new real and personal property taxes for 12 years. This abatement has an estimated value of \$140,000.

The City of St. Johns approved 50 percent abatement of the company's new real and personal property taxes for 6 years. This abatement has an estimated value of \$186,000.

Representatives from each community were in attendance to express their continued support of the company in Michigan.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent employment credit for 20 years for the retention of up to 1,866 jobs at the company's Michigan facilities.

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 2004-83, authorizing a retention MEGA tax credit for Federal-Mogul Corporation, was adopted.

ACTION ITEM

*Phoenix Communities, Inc.
4150 Grand River
Detroit, Michigan 48208*

Jeff Kaczmarek introduced Corey Leon with Development Incentives and Consulting LLC, and Mr. Graten Little. These gentlemen described the project for the board. This project encompasses the southern portion of the former Whittier Hotel property. Currently, the property has a 15-story tower that will be rehabilitated and renovated into approximately 165 residential apartments. The developers are currently consulting with a team of architects specializing in historic renovation, to assess the feasibility of restoration and the use of tax credits for an historic rehab of this type.

The adjacent vacant lot will be used to construct a mid-rise building containing approximately 180 residential units. The building will be modern, but will keep with its historic surroundings.

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

Michigan's September 2004 Unemployment Rate was 6.8 percent. This compares to the year-to-date average for Wayne County of 8.7 percent, and to the City of Detroit's 14.1 percent average.

The project has requested a Neighborhood Enterprise Zone for \$14 million in tax savings, and federal Historic Tax Credits for approximately \$4.25 million.

The eligible investments to be undertaken in Detroit by Phoenix Communities Inc. include:

Demolition	\$ 300,000
Site Improvements	2,700,000

New Construction	38,000,000
Restoration, Alteration, Renovation, And Improvement of Buildings	21,765,000
Addition of Machinery, Equipment And Fixtures	<u>+ 2,700,000</u>
Project Total	\$ 65,465,000

The property is functionally obsolete and is the subject of a brownfield plan approved by the Detroit City Council on September 15, 2004.

Recommendation

The MEDC recommends approval of a MEGA SBT Brownfield Redevelopment Credit of 10 percent of the eligible investment, not to exceed a \$6,546,500 credit.

Board Discussion

Faye Nelson gave the Executive Committee report. Ms. Nelson expressed the committee's recommendation to approve the company's request for Brownfield Redevelopment Credit.

Hearing no further discussion, a motion was made and supported, and Resolution 2004-84, approving a Brownfield SBT credit for Phoenix Communities, Inc., was adopted.

ACTION ITEM

*River Park Village Senior Apartments LDHA LP
4150 Grand River Avenue
Detroit, Michigan 48208*

Jeff Kaczmarek began the presentation. The project encompasses the northern half of the former Whittier Hotel property. The property consists of two eight-story, mid-rise towers, a parking deck and surface parking lot located between the buildings and Jefferson Avenue. The two eight-story tower structures will be completely renovated to accommodate 140 apartments for seniors. The current parking lot will be developed into approximately 60 loft-style residential units and will also include 25,000 square feet of retail space. Because of the poor configuration of the existing parking deck, the development team plans to demolish this structure and construct a new deck. The total investment in this project is \$29.895 million, consisting of \$10.201 million for the renovation of the twin eight-story towers, \$12.944 million for the construction of the lofts, and \$6.75 million for the parking deck.

This application is part of the overall plan to redevelop the historic Whittier Hotel property. The property was originally built in phases. Renovation will begin in early 2005.

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

Michigan's September 2004 Unemployment Rate was 6.8 percent. This compares to the year-to-date average for Wayne County of 8.7 percent, and to the City of Detroit's 14.1 percent average.

The City of Detroit has granted a Neighborhood Enterprise Zone, and is pursuing a local PILOT, as well as LIHTC from MSHDA, and loans from HOME funds. The project has also requested public bond financing.

The eligible investments to be undertaken in Detroit by River Park Village Senior Apartments include:

Demolition	\$ 550,000
Site Improvements	1,350,000
New Construction	17,165,000
Restoration, Alteration, Renovation & Building Improvements	9,250,000
Machinery, Equipment & Fixtures	+ 1,580,000
Project Total	\$29,895,000

The property is functionally obsolete. The project is the subject of a brownfield plan approved by the Detroit City Council on September 15, 2004.

Recommendation

The MEDC recommends approval of a MEGA SBT Brownfield Redevelopment Credit of 10 percent of the eligible investment, not to exceed a \$2,989,500 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 2004-85, authorizing a Brownfield SBT credit for River Park Village Senior Apartments LDHA LP, was adopted.

ACTION ITEM

*8344 East Jefferson, LLC
33 Bloomfield Hills Parkway, Suite 100
Bloomfield Hills, Michigan 48309*

Jeff Kaczmarek presented this project to the board. Again, Mr. Leon and Mr. Little were on hand to describe important aspects of the project and to answer questions. The River Pointe Terrace project will be a market rate, residential community of

approximately 96 units. The site is along East Jefferson, extending to the Detroit River. Multiple 4-5 story buildings will be built with residential floors stacked above decked parking. A portion of the decked parking will be below grade to take advantage of the gradual slope of the site.

The site will require substantial subsurface work including fill, underground obstructions, and utilities.

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

Michigan's September 2004 Unemployment Rate was 6.8 percent. This compares to the year-to-date average for Wayne County of 8.7 percent, and to the City of Detroit's 14.1 percent average.

The project has requested a Brownfield SBT credit for \$2,788,500 and a Neighborhood Enterprise Zone for \$750,000 in tax savings.

The eligible investments to be undertaken in Detroit by 8344 East Jefferson, LLC include:

Demolition	\$ 125,000
Site Improvements	1,780,000
New Construction	24,500,000
Addition of Machinery, Equipment And Fixtures	+ 480,000
Project Total	\$ 26,885,000

The property is functionally obsolete. The project is the subject of a brownfield Plan approved by the Detroit City Council on September 15, 2004.

Recommendation

The MEDC recommends approval of a MEGA SBT Brownfield Redevelopment Credit of 10 percent of the eligible investment, not to exceed a \$2,688,500 credit.

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 2004-86, authorizing a Brownfield Single Business Tax Credit for the 8344 East Jefferson, LLC development project, was adopted.

ACTION ITEM

*Ramp 3, LLC
700 Mall Drive
Portage, Michigan 49024*

Mr. Joshua Weiner with the Meyer C. Weiner Company was introduced, along with Steve Deisler from Downtown Kalamazoo Inc. Mr. Weiner introduced assistant City Manager, Jerome Kisscorni. After an expression of the City’s support for the project, Mr. Weiner presented the project to the board. This project involves the purchase of a City owned parking ramp on approximately 2.5 acres in downtown Kalamazoo. The parking ramp will be demolished and redeveloped into a multi-use complex including a Cineplex, retail, residential and parking. The complex will total 120,000 square feet including a 70,000 square foot cinema, 25,000 square feet of street level retail, and 25,000 square feet of residential space (housing for 25-30 residents). The complex expects to attract 800,000 to 1.2 million patrons to downtown Kalamazoo annually.

The application requests a Brownfield Single Business Tax Credit in the amount of \$1,475,000.

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

According to the Department of Labor and Economic Growth, the City of Kalamazoo's unemployment rate was 7.1 percent in October, 2004. This compares to the statewide average of 6.0 percent, and national average of 5.1 percent.

The eligible investment to be undertaken by Ramp 3, LLC:

New Construction	\$ 11,250,000
Addition of Machinery & Equipment	<u>+ 3,500,000</u>
	\$ 14,750,000

The property has been determined to be a “facility” pursuant to Part 201 of Act 451 and is located within the boundaries of the City of Kalamazoo, a qualified local governmental unit. The project is the subject of a brownfield plan approved by the City of Kalamazoo on June 7, 2004.

Recommendation

The Michigan Economic Development Corporation recommends approval in the amount of \$1,475,000 for the eligible investment described above.

Board Discussion

Faye Nelson asked whether this project is expected to be an attraction tool for enticing young professionals to move to and remain in the Kalamazoo area. David Hollister

asked whether the project is related to the governor's Cool Cities initiative. Mr. Deisler answered 'yes' to both questions.

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 2004-87, authorizing a Brownfield SBT credit for Ramp 3, LLC, was adopted.

ACTION ITEM

*Eastowne One, LLC
Eastowne Two, LLC
Eastowne Three, LLC
C/O Main Street Development
35 ½ West Eighth Street
Holland, Michigan 49423*

Jeff Kaczmarek introduced Bob Dykstra from the Main Street Development company. Mr. Dykstra explained the project for the board. This project involves the redevelopment of a former landfill site, which will include the conversion of an abandoned retail building and associated real estate into a mixed use, live-work development. One existing building will be remodeled and expanded, one building will be demolished and additional buildings will be constructed on the property.

The proposed building uses include residential, professional office and mixed use retail. The retail space will be used by various tenants, including a sports medicine center, a home design center and a local restaurant. Approximately 86 residential units will be constructed as part of the redevelopment.

There are three phases of the redevelopment project requesting separate credits totaling \$4,133,000.

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

According to the Department of Labor and Economic Growth, the City of Norton Shores' unemployment rate was 4.4 percent in October, 2004. This compares to the statewide average of 6.0 percent, and national average of 5.1 percent.

The Eastowne LLCs were formed for the sole purpose of developing and managing the Eastowne project. Its principals have been involved in real estate development for over 25 years and have completed over \$250 million dollars of commercial real estate development projects.

Phase One:

The eligible investment to be undertaken by Eastowne One, LLC:

Demolition	\$ 275,000
Site Improvements	850,000
New Construction	6,045,000
Rehabilitation of Buildings	4,145,000
Addition of Machinery & Equipment	<u>+1,125,000</u>
	\$12,440,000

Phase Two:

The eligible investment to be undertaken by Eastowne Two, LLC:

Demolition	\$ 20,000
Site Improvements	800,000
New Construction	6,180,000
Rehabilitation of Buildings	2,765,000
Addition of Machinery & Equipment	<u>+ 1,525,000</u>
	\$11,290,000

Phase Three:

The eligible investment to be undertaken by Eastowne Three, LLC:

Site Improvements	\$ 850,000
New Construction	9,400,000
Rehabilitation of Buildings	5,750,000
Addition of Machinery & Equipment	<u>+ 1,600,000</u>
	\$17,600,000

The property has been determined to be a "facility" pursuant to Part 201 of Act 451 and is located within the boundaries of the City of Norton Shores. The project is the subject of a brownfield plan approved by the City of Norton Shores on December 7, 2004.

Recommendation

The Michigan Economic Development Corporation recommends approval of three Brownfield Single Business Tax Credits as outlined in the eligible investments described above.

Board Discussion

Faye Nelson gave the report from the Executive Committee meeting. The Executive Committee has recommended approval of the requested Brownfield SBT credit for Eastowne One, LLC.

Hearing no further discussion, a motion was made and supported, and Resolution 2004-88, authorizing a Brownfield SBT credit for Eastowne One, LLC, was adopted.

Faye Nelson gave the report from the Executive Committee meeting. The Executive Committee has recommended approval of the requested Brownfield SBT credit for Eastowne Two, LLC.

Hearing no further discussion, a motion was made and supported, and Resolution 2004-89, authorizing a Brownfield SBT credit for Eastowne Two, LLC, was adopted.

Faye Nelson gave the report from the Executive Committee meeting. The Executive Committee has recommended approval of the requested Brownfield SBT credit for Eastowne Three, LLC.

Hearing no further discussion, a motion was made and supported, and Resolution 2004-90, authorizing a Brownfield SBT credit for Eastowne Three, LLC, was adopted.

ACTION ITEM

*City of Taylor Brownfield Redevelopment Authority
MJC Carrington Village, LLC
23555 Goddard Road
Taylor, Michigan 48180*

Jeff Kaczmarek began the presentation by introducing Mark Kassab from MJC Carrington Village, LLC. Mr. Kassab described the redevelopment effort being proposed in the City of Taylor. The developer proposes a 123 acre residential development consisting of 142 residential lots, 198 unit, 12-plex buildings, and a 140-unit duplex. On-site public utilities need to be installed to support the proposed development. The City of Taylor will also complete public infrastructure improvements such as road widening, repair, and traffic control devices in an area immediately adjacent to the property.

The Work Plan request is for site preparation and infrastructure costs associated with the development of the site.

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

The City of Taylor is 24 square miles and has a population of approximately 65,868 people. The average unemployment status reported in 2003 was 6.5 percent.

The tax capture breakdown is as follows:

School tax capture	\$ 598,000 (13%)
Local tax capture	+ 4,002,000 (87%)
Total	<u>\$4,600,000</u>

PROJECT COST:

Site Preparation	\$ 500,000
Infrastructure	+ 4,100,000
Total	\$ 4,600,000

The site is a "facility" and is located within the boundaries of the City of Taylor, a qualified local governmental unit. The project is the subject of a Brownfield plan duly approved by the Taylor City Council on October 5, 2004.

Recommendation

The Michigan Economic Development Corporation recommends approval of school tax capture up to a maximum of \$598,000 for the eligible activities totaling \$4,600,000 as described above.

Board Discussion

Faye Nelson gave the Executive Committee report which recommended approval of the Work Plan and school tax capture, as discussed.

Hearing no further discussion, a motion was made and supported, and Resolution 2004-91, authorizing the capture of school operating taxes for the City of Taylor Brownfield Redevelopment Authority for the MJC Carrington Village redevelopment project, was adopted.

ACTION ITEM

*City of Benton Harbor Brownfield Redevelopment Authority
Former Performance Auto Site
Post Office Box 648
Benton Harbor, Michigan 49022*

Whirlpool Corporation, in partnership with the City of Benton Harbor and Cornerstone Alliance, is working with developers to develop strategies to drive tangible tax base increases along the river arteries of Benton Harbor. Included among these is the creation of development "pads" for residential and light commercial opportunities in conjunction with the development of a golf course to attract tourism and investment to the area. By opening the Paw Paw River to motorized boat traffic, the development opportunities driving tourism and investment to these parcels can be exponentially raised.

Jeff Kaczmarek introduced Tony McGhee with Cornerstone Alliance, who presented the development project. The Work Plan requests public infrastructure improvements associated with the development of the site.

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

The development opportunities in the City of Benton Harbor are promising but limited. The redevelopment of this property will contribute another important piece to the long term success for Benton Harbor, and will never be realized without the infrastructure improvements made possible by the brownfield incentives.

According to the Department of Labor and Economic Growth, the City of Benton Harbor's unemployment rate was 27.2 percent in June, 2004. This compares to the statewide average of 6.1 percent, and national average of 5.8 percent.

There are 57.8963 mills available for capture, with school millage equaling 24 mills (41%) and local millage equaling 33.9 mills (59%). The tax capture breaks down as follows:

School tax capture	\$ 765,675 (41%)
Local tax capture	+ 1,101,825 (59%)
	<u>\$ 1,867,500</u>

PROJECT COSTS

Public Infrastructure	\$1,620,000
Work Plan Preparation	3,500
MEGA Review Cost	1,000
Contingency (15%)	+ 243,000
Total	<u>\$1,867,500</u>

The property has been determined to be a "facility" pursuant to Part 201 of Act 451 and is located within the boundaries of the City of Benton Harbor, a qualified local governmental unit. The project is the subject of a brownfield plan approved by the City of Benton Harbor on August 2, 2004.

Recommendation

The Michigan Economic Development Corporation recommends approval in the amount of \$1,867,500 for the eligible activities described above.

Board Discussion

Faye Nelson gave the Executive Committee report and recommended approval of the capture of school operating taxes for this project.

Hearing no further discussion, a motion was made and supported, and Resolution 2004-92, authorizing the capture of school operating taxes for the City of Benton Harbor Brownfield Redevelopment Authority for the Former Performance Auto Project site, was adopted.

ACTION ITEM

*City of Detroit Brownfield Redevelopment Authority
1001 Woodward Redevelopment Project
660 Woodward, Suite 1590
Detroit, Michigan 48226*

The Detroit Brownfield Redevelopment Authority has submitted an amended work plan for the approval of tax increment financing for the 1001 Woodward Redevelopment Project. Vern Taylor explained the need for the amendment. Board action of November 16, 2004, approved school tax capture for \$1 million, which would allow the project to begin while awaiting finalization of project cost figures and a true calculation of the requested tax capture.

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 rehabilitation of 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 obsolete and vacant buildings of the 1001 Woodward block with sustainable commercial businesses and a downtown housing component.

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

It is estimated that the project will create space for 325 jobs with 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 local government has designated the site as a Neighborhood Enterprise Zone, an Obsolete Property Rehabilitation district, and the area DDA has granted the developer a loan.

PROJECT COSTS

Demolition	\$ 1,300,000
Site Preparation	1,025,000
Lead/Asbestos Abatement	2,575,000
Contingency @ 15%	736,650
Preparation and Review	+ 11,000
Total	\$ 5,647,650

The City's total non-debt millage is 64.578. Due to the project being located in a Downtown Development District (DDA), Neighborhood Enterprise Zone (NEZ) and an Obsolete Properties Rehabilitation Act District (OPRA), only 27.4643 mills are expected to be available during the project reimbursement period. The tax increment revenues available to be captured for the project are 24 school mills (87 percent) and 3.4643 local mills (13 percent) for the non-residential portion of the project, and 6 mills school taxes (63 percent) and 3.4643 mills local taxes (37 percent) for the residential portion. The recommended final tax capture break down is as follows:

\$ 4,174,458	State School Property Tax (74%)	Blended Ratio
+ 1,473,192	Local Property Taxes (26%)	Blended Ratio
\$ 5,647,650		

Recommendation

The Michigan Economic Development Corporation recommends approval of school tax capture not to exceed \$4,174,458 based on eligible activities totaling \$5,647,650 described above.

Board Discussion

Faye Nelson gave the Executive Committee report and recommended approval of the amendment to capture school operating taxes for this project.

Hearing no further discussion, a motion was made and supported, and Resolution 2004-93, authorizing the capture of school operating taxes for the City of Detroit Brownfield Redevelopment Authority for the 1001 Woodward Redevelopment Project, was adopted.

ACTION ITEM

*The Dow Chemical Company
2030 Dow Center
Midland, Michigan 48674*

On December 17, 2002, the MEGA Board approved a 10 percent Brownfield SBT tax credit for projects at Dow's Michigan Operations site in Midland. The credit was

awarded for projects related to the Custom and Fine Chemical businesses and the Performance Chemicals businesses. Total investment was expected to be \$245.3 million and to lead to the creation of 311 new jobs.

Jim Donaldson introduced Mark Recker and Tom Knoll with The Dow Chemical Company, and R. Drummond Black, Mayor of the City of Midland. Mr. Recker discussed the changing climate for capital outlay, and how this is causing a shift in priorities and product development for the company. The original brownfield application was for two investments; a \$17.8 million investment in the Custom and Fine Chemical businesses, and a \$227.5 million investment in the Performance Chemical business. The Performance Chemical investment, however, has been put on hold indefinitely. The company has indicated that this product would have been a new product for Dow and that recent technology changes in this industry make capital investment for entry into this market more difficult. In addition, Dow has struggled significantly with its core chemical business and is taking a much more focused look at any capital investment.

With the Performance Chemical investment unlikely, Dow has looked at other opportunities for investment at Michigan Operations. They have identified a Dow Automotive consolidation project that may lead to an investment of \$70.1 million in phase I and a potential \$61.3 million investment in phase II, if phase I is successful. In addition, the project would bring 109 new jobs to Midland. The project would consolidate operations in Midland from Hillsdale, London, Ontario and Kankakee, Illinois. Sarnia, Ontario, and Freeport, Texas are also being considered for this project.

Dow has indicated that without the incentives offered on the Performance Chemical project, which includes a Renaissance Zone, the Dow Automotive project would not be competitive in Midland.

Recommendation

Faye Nelson gave the Executive Committee report and recommended approval of the amendment to the Brownfield SBT request for The Dow Chemical Company.

Hearing no further discussion, a motion was made and supported, and Resolution 2004-94, authorizing an amendment to Resolution 2002-58 for The Dow Chemical Company's Brownfield SBT tax credit, was adopted.

ACTION ITEM

*Administrative Business
Brownfield Fee Policy
Board Meeting Schedule for 2005*

Mark Morante discussed the current Brownfield MEGA fees and proposed a new fee structure as follows:

- (1) An application fee of \$2,500 shall be charged for SBT Brownfield Redevelopment Pre-Approval Applications for Credits of \$1 million or less approved by the Chair of the MEGA effective January 1, 2005.
- (2) The application fee shall count as a down payment against the current one percent administrative fee, for which payment is required prior to the issuance of the Certificate of Completion, as well as a Component Completion Certificate.
- (3) Projects approved by the Chair of the MEGA after January 1, 2005, shall have an administrative fee of no less than \$2,500.
- (4) At the Board's option the application and/or administrative fee may be waived.

Board Discussion

Jackie Shinn asked who pays the fees, the developer or the local governmental unit? Mr. Morante responded, explaining that the developer pays the fees.

Hearing no further discussion, a motion was made and supported and Resolution 2004-95, establishing a required application fee, payable toward the required one percent administrative fee, for Brownfield SBT credits of \$1 million or less, was adopted effective January 1, 2005.

Jim Paquet outlined a tentative meeting schedule for the MEGA board for 2005 meetings. Mr. Paquet proposed a third-Tuesday of the month schedule with one exception, that being December, 2005, when the meeting would be scheduled on Tuesday, December 13th. Discussion was also heard with regard to holding a Board meeting in Detroit in February or March.

Hearing no further discussion, a motion was made and supported and the new board meeting schedule, as outlined, was adopted.

The meeting was adjourned at 11:35 a.m.

The next regularly scheduled meeting of the MEGA board is scheduled for Tuesday, January 18, 2005.

