

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 16, 2003, at 10:00 a.m.

Members Present

Bo Garcia
David Hollister (acting for and on behalf of Mitch Irwin, authorization attached)
Donald Jakeway
Jay Rising
Jackie Shinn (acting for and on behalf of Gloria Jeff, authorization attached)

Others Present

Bill Adamson, Delphi Automotive
Peter Anastor, MEDC
Amy Banninga, MEDC
Kathy Blake, Sr. V.P., MEDC
Jim Cornillie, Barton Malow Co.
John Czamecki, MEDC
Greg Dobson, H & G, LLC
Jim Donaldson, MEDC
Ron Edwards, Plymouth Township
Peter Elkowitz, Karmann USA, Inc.
Jeff Erickson, City of Portage
Joe Gesmundo, H & G., LLC
Andy Henkel, ZF Lemforder
Roger Hinman, H & G, LLC
Steve Jonas, Saginaw Future Inc.
Jeff Kaczmarek, MEDC
Carol Knobloch Johns, MEDC
Karen Lee, MEDC
Patricia Lucas, Lapeer Development Corporation
Jim McBryde, MEDC
Susan McCormick, MEDC
Mark Morante, MEDC
Tim Olind, Sr. V.P. & COO, Karmann USA, Inc.
Jim Paquet, Secretary to the Board
Gary Phillips, ZF Lemforder
Mike Pohnl, MEDC
Ed Reed, MEDC
Matthew Rick, Assistant Attorney General
Tom Schimpf, Assistant Attorney General
Victor Semelsberger, President, Residential Detroit Inc.
Vern Taylor, MEDC
Rick Zablocki, Delphi Automotive

Call to Order

David Hollister called the meeting to order at 10:30 a.m.

Approval of Minutes from November 18, 2003

A motion was made, supported and carried that the minutes from the November 18, 2003 meeting be adopted.

Public Comment

There was no public comment.

ACTION ITEM

*Karmann Manufacturing, LLC
14967 Pilot Drive
Plymouth, Michigan 48170*

Kathy Blake began the presentation by introducing Tim Olind from Karmann Manufacturing, and Ron Edwards with Plymouth Township. Mr. Olind explained the project to the board.

Karmann has recently been awarded contracts with two automotive OEMs to build convertible roof systems. To meet these production requirements, Karmann has proposed the construction of its first U.S. manufacturing facility in Plymouth Township, adjacent to its existing technical center which now employs 66 engineering and support personnel. The company is also considering a site in Pulaski, Tennessee.

If Karmann selects Michigan, the project is expected to result in the creation of 251 jobs over the first five years with an average weekly wage of \$743. Total capital investment will be \$13 million, including a 108,000 square foot built-to-suit leased facility and the manufacturing equipment required to produce the roof systems. Construction on the facility would begin in March 2004, with operations beginning in September 2005.

It is estimated that this facility will generate a total of 608 jobs in the state by the year 2016. Total state government revenues through the year 2016, would be increased by \$25.1 million due to the presence of this facility.

Karmann compared the costs of operation at sites in Tennessee to sites in Michigan. The company faces higher labor costs, utilities and taxes in Michigan, which are partially offset with higher transportation costs in Tennessee. This differential is estimated to be approximately \$1.2 million per year once the project is fully staffed.

The State of Michigan will offer an abatement of 50 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 \$168,000.

Ron Edwards from Plymouth Township expressed the community's support. Plymouth Township has proposed a 50 percent abatement of the company's new real and personal property taxes for 12 years. The value of the abatement is estimated at \$1,080,000. The abatement is expected to be finalized on January 13, 2004.

Recommendation

The Michigan Economic Development Corporation recommends an 85 percent employment tax credit for twelve years for up to 251 net new employees.

Board Discussion

Baldomero Garcia gave the report of the Executive Committee. The Executive Committee recommends approval of the requested tax credit.

Hearing no further discussion, a motion was made and supported, and Resolution 2003-49, approving a MEGA tax credit for Karmann Manufacturing LLC, was adopted.

ACTION ITEM

*ZF Lemforder Corporation
3300 John Conley
Lapeer, Michigan 48446*

Jim Donaldson introduced Andy Henkel and Gary Phillips from ZF Lemforder, along with Patricia Lucas with the Lapeer Development Corporation. Mr. Henkel explained the project. ZF Lemforder is an automotive supplier which manufactures and assembles chassis components for the OEM's. The company is a subsidiary of German-based ZF Friedrichshafen AG and has nearly 400 employees in Michigan.

ZF Lemforder needs to expand its operations. Expansion in Lapeer would lead to the addition of 150,000 square feet of manufacturing space at their current site. The project would require the addition of 90 new employees, including 75 in the first year of the project. The new positions would pay an average weekly wage of \$709.

Total capital investment for the project would be approximately \$34.7 million, including \$6.1 million for site preparation and building costs and \$28.6 million for new machinery and equipment, furniture and fixtures and computers. Construction on the facility would begin in January 2004, with operations beginning in January 2005. It is estimated that this facility will generate a total of 219 jobs in the state by the year 2014. Total state government revenues through the year 2014, would be increased by \$8.3 million due to the presence of this facility.

ZF Lemforder compared the cost of expansion in North Carolina to Lapeer. The cost gaps identified by the company were mainly due to wages, infrastructure costs and incentives. Wages in North Carolina are significantly lower, saving the company an estimated \$650,000 per year once the facility is fully operational. Additionally, site preparation costs in Michigan will be approximately \$750,000 compared to nothing in

North Carolina, since the state will provide a site at no cost. North Carolina is also offering job creation tax credits, investment tax credits, property tax rebates and back-up electrical services.

The State of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$500 for each of the 90 new employees, or up to \$45,000.

The city of Lapeer has proposed a 50 percent abatement of the company's new real and personal property taxes for 12 years. The value of the abatement is estimated at \$1,843,200. The abatement is expected to be finalized on January 19, 2004.

Recommendation

The Michigan Economic Development Corporation recommends a 10-year employment tax credit of 100 percent for the initial eight years and 50 percent for the final two years, for up to 90 net new employees.

Board Discussion

Baldomero Garcia gave the Executive Committee report and recommended support of the requested tax credit.

Hearing no further discussion, a motion was made and supported, and Resolution 2003-50, approving a MEGA tax credit for ZF Lemforder Corporation, was adopted.

ACTION ITEM

*H&G, LLC
4200 West Centre Avenue
Portage, Michigan 49024*

John Czarniecki introduced Jeffrey Erickson from the City of Portage. Mr. Erickson introduced representatives from H&G, LLC, Roger Hinman, Greg Dobson, and Joe Gesmundo. Mr. Erickson explained the development plans.

The project is a public/private partnership effort to redevelop vacant and contaminated property with new construction of an 83,369 square foot office building. The property is approximately 6.4 acres and is located at the northwest corner of I-94 and South Westnedge Avenue in the City of Portage. The City of Portage Downtown Development Authority intends to finance the construction of a road, public water supply and storm sewer with tax increment financing. The estimated cost of the infrastructure improvements is approximately \$2 million.

The developer plans to deliver approximately 28,000 square feet to Plante Moran, the anchor tenant. The project will involve approximately \$10.7 million of capital spending and is estimated to create/retain approximately 195 jobs, 70 of which are transfer jobs from surrounding communities.

Cost Breakdown:

The eligible investment to be undertaken in Portage by H&G, LLC includes:

Demolition of Buildings	\$	34,500
Site Improvements	\$	601,128
New Construction	\$	9,585,958
Machinery & Equipment	\$	<u>550,000</u>
Project Total	\$	10,771,586

Recommendation

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

Board Discussion

Baldomero Garcia gave the Executive Committee report. Mr. Garcia reported that the Executive Committee recommends approval of the requested Brownfield tax credit.

Hearing no further discussion, a motion was made and supported, and Resolution 2003-51, approving a Brownfield tax credit for H&G, LLC, was adopted.

ACTION ITEM

*Residential Detroit, Inc.
Post Office Box 310608
Detroit, Michigan 48231
English Village Project*

John Czamecki briefly outlined this project for the board, and introduced Victor Semelsberger, the developer for the project, who showed artist's renderings of the project and explained it in more detail.

English Village is a 102-unit townhouse condominium project consisting of 23 buildings, located on the east side of Detroit in the Islandview Village neighborhood near Belle Isle. The development is being primarily built at the corners of Sheridan and St. Paul in Detroit. Residential Detroit, Inc, started construction on the project in February 2001, and to date, 25 units in six buildings have been constructed and completed, with 18 families living in English Village. For purposes of this application, 13 buildings comprising 59 units will be constructed on the eligible property.

The development is located blocks from Belle Isle, and within a 10-minute drive of the Detroit Central Business District and the major employment, civic, cultural, and entertainment resources of the downtown area. Designed with brick and split face block exteriors to resemble classic brownstone structures in New York or Chicago

neighborhoods, the project is reviving an extremely blighted area. What were formerly vacant lots and abandoned burned out houses are now new housing. Crime and foot traffic have dramatically reduced and families are now living in the neighborhood. At an increasing pace, existing homeowners are making improvements to their property, such as new windows, siding, roofing and fencing.

The English Village design plan offers three levels of living space with many options, including floor plans of 2, 3, and 4 bedrooms. Starting at \$195,000, the price and location of English Village is targeted at professionals working in the city, or retired persons who want to make their homes in an urban community. New housing is important to attracting additional retail investment in Detroit, which is crucial to the continued momentum and revitalization of the city.

Sales absorption has been very slow with only 27 units sold in 33 months. Further, significant cost overruns have occurred due to unanticipated underground obstacles being discovered during excavation, such as former basements/foundations. Because of the significant risk of developing in a blighted area, as evidenced by the slow sales and cost overruns, the developer is submitting this application for an SBT credit. The investment required to construct the first six buildings in the development HAS NOT been included in the eligible investments for this application. Eligible investment included in this application is for the construction of 13 buildings, comprising 59 units, on the eligible property.

Cost Breakdown:

The eligible investment to be undertaken in Detroit by Residential Detroit, Inc. includes:

New Construction	\$11,675,123
Project Total	\$11,675,123

The project area is included within a Neighborhood Enterprise Zone district, which reduces the property tax rate to half the statewide average (approx. 18 mills). The City of Detroit also provided \$650,000 in infrastructure improvements, including the repaving of six alleys and relining the sanitary/storm sewer serving the site.

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, and Residential Development, Inc. is a qualified taxpayer.

Recommendaiton

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

Board Discussion

Mr. Garcia gave the Executive Committee report and recommended approval of the requested Brownfield redevelopment credit.

Hearing no further discussion, a motion was made and supported, and Resolution 2003-52, approving a Brownfield redevelopment tax credit for Residential Detroit, Inc., was adopted.

ACTION ITEM

*Delphi Automotive Systems, LLC
Delphi Energy and Chassis Systems
2328 East Genesee
Saginaw, Michigan 48601*

Jim Donaldson introduced Rick Zablocki and Bill Adamson from Delphi Automotive Systems. Steve Jonas from Saginaw Future Inc. was also introduced. Mr. Jonas talked about the high rate of unemployment in the city and expressed the city's commitment to this project.

Delphi will reinvest \$30 million at the facility, including \$6 million for real property improvements and \$24 million for new machinery and equipment. The project will not lead to job creation, however the investment will help stabilize employment at the facility where at least 800 jobs will be maintained over the next four years.

David Hollister asked whether the company hires local residents. Mr. Zablocki explained that, historically, that has happened.

Cost Breakdown:

The eligible investment to be undertaken in Saginaw by Delphi Automotive Systems include:

Interior Demolition:	\$ 600,000
Building Renovations:	\$ 5,400,000
Machinery & Equipment	<u>\$ 24,000,000</u>
Project Total	\$ 30,000,000

The City of Saginaw approved twenty-year PA 328 personal property tax abatement for this project in 1999. The value of the abatement based on the new investment is estimated at \$4,588,000, including \$537,100 in State Education Tax abatement.

The property, used for industrial purposes, is functionally obsolete as certified by a level 3 assessor and is located within the boundaries of the City of Saginaw, a qualified local governmental unit. The project is the subject of a brownfield plan duly approved on November 24, 2003, by the Saginaw City Council, and Delphi Automotive Systems, LLC is a qualified taxpayer.

Recommendation

The MEDC recommends approval of a MEGA Brownfield Redevelopment Credit of 10% of the eligible investment in the Delphi Automotive Systems, LLC project, not to exceed a \$3,000,000 credit.

Board Discussion

The Executive Committee report was given and, on behalf of the Executive Committee, Baldomero Garcia recommended approval of the tax credit.

Jim Donaldson clarified the resolution by stating that the resolution is contingent upon the retention of jobs. Jim Paquet stated that the credit will not be taken for four years.

Hearing no further discussion, a motion was made and supported, and Resolution 2003-53, approving a Brownfield redevelopment tax credit for Delphi Automotive Systems, LLC, was adopted.

ACTION ITEM

*City of Holland Brownfield Redevelopment Authority
270 South River Avenue
Holland, Michigan*

On March 18, 2003, the Michigan Economic Growth Authority approved a \$600,300 Work Plan request to address demolition, site preparation, asbestos removal and infrastructure improvements. These activities were in support of a new \$5 million downtown housing project. The development is now nearing completion.

John Czarniecki discussed the reason for the requested amendment. Prior to the new development, the site had a long list of historical uses, including portions of the site that were used as a junkyard and landfill. The presence of the junkyard/landfill conditions led to the Work Plan Amendment seeking an increase. The site preparation activities, which involve the installation of pilings necessary for landfill material stabilization, exceeded original estimates by \$227,732. After accounting for contingencies and small cost savings on the other line items, the total increase requested is \$141,700.

The tax capture breakdown for this increase is as follows:

Assuming all non-Homestead:

School tax capture:	\$74,336
Local tax capture:	\$67,364

Assuming all Homestead:

School tax capture:	\$ 30,636
Local tax capture:	\$111,064

Recommendation

The Michigan Economic Development Corporation recommends approval in the amount of \$141,700 for the additional site preparation costs not originally included in the March 18, 2003 approval.

Board Discussion

Baldomero Garcia gave the Executive Committee report and recommended approval of the amendment.

Hearing no further discussion, a motion was made and supported, and Resolution 2003-54, approving the additional capture of school operating taxes for the City of Holland's Work Plan amendment for the 29 East Sixth Street project, was adopted.

ACTION ITEM

*Brose North America
1107 Centre Road
Auburn Hills, Michigan 48326*

Jim Paquet discussed the company's request for the amendment. On October 10, 2002, the MEGA Board approved a tax credit for Brose North America, Inc. for construction of a technical center in Auburn Hills, Oakland County. The company executed a MEGA Tax Credit Agreement on October 10, 2002.

Since the credit was authorized, the company has decided to purchase a "spec" building on a site adjacent to the one on which it had planned to build. Purchasing the building will accelerate the project timetable and provide more space for future expansion. The capital investment will be comparable to the \$26.2 million that was projected under the new construction scenario.

The City of Auburn Hills has committed to adopting a property tax abatement on the new building and the personal property that will go into it.

Brose is requesting an amendment to its credit award that would accommodate the relocation of the project within Auburn Hills.

Recommendation

Staff is recommending approval of the request to amend the project location contingent on the adoption of the new tax abatement.

Board Discussion

Tom Schimpf asked whether the resolution should state the requirement of the company to secure local support and execute a written agreement within 60 days. Jim Paquet said that this would be added to the resolution.

Baldomero Garcia gave the Executive Committee report. Mr. Garcia recommended support of the resolution with the addition of the 60-day deadline.

Hearing no further discussion, motion was made and supported, and Resolution 2003-55, approving amendment to Resolution 2002-036 for Brose North America, Inc., was adopted.

ACTION ITEM

*Faurecia Automotive Seating Inc.
2380 Meijer Drive
Troy, Michigan 48084*

Jim Paquet explained this request for an amendment to Resolution 2002-54. In December of 2002, the MEGA authorized a Business Activity Credit of 100 percent for eight years, and an Employment Credit of 100 percent for ten years to Faurecia Automotive Seating, Inc., for equipping and operating a seat manufacturing facility in Auburn Hills, Oakland County.

At the time the original credit was awarded, Faurecia incorrectly reported its Employer Identification Number in its application. The company is requesting that the credit be amended to correct the error.

Recommendation

Staff recommends that the requested amendment to change the EIN to 36-3372128 be approved.

Board Discussion

On behalf of the Executive Committee, Baldomero Garcia recommended approval of the requested amendment.

Hearing no further discussion, motion was made and supported, and Resolution 2003-56, approving amendment to Resolution 2002-54 for Faurecia Automotive Seating Inc., was adopted.

ACTION ITEM

*Global Engine Alliance, LLC
1000 Chrysler Drive
Auburn Hills, Michigan 48326*

Jim Paquet explained the company's request for a resolution amendment. In January of 2003, the MEGA authorized a Business Activity Credit of 100 percent for twenty years, and an Employment Credit of 100 percent for twenty years to Global Engine Alliance,

L.L.C. for construction and operation of an engine manufacturing facility in Dundee, Monroe County.

Global Engine Alliance is a joint venture formed by Hyundai, Mitsubishi and Daimler Chrysler to design, engineer and develop a new four-cylinder engine for use in all three brands. At the time the original credit was awarded no decision had been made as to who would manufacture the engine. Subsequently it was decided that the engine would be jointly manufactured and Global Engine Manufacturing Alliance, LLC was formed for that purpose.

Global Engine Alliance has asked that the MEGA credit be transferred to the newly formed operating company.

Recommendation

Staff recommends that the transfer be approved.

Board Discussion

Baldomero Garcia gave the Executive Committee report and recommended approval of the requested amendment to transfer MEGA credits.

Hearing no further discussion, a motion was made and supported and Resolution 2003-57, approving an amendment to Resolution 2003-01 for Global Engine Alliance, LLC, was adopted.

ACTION ITEM

Brownfield Completion Fees

Mark Morante explained that, pursuant to Executive Order Number 2003-18 Brownfield SBT credits for projects with \$10 million or less, eligible investment will be transferred from the Department of Treasury. An administrative fee is proposed for projects approved after December 7, 2003, the effective date of the Executive Order.

An administrative fee is being proposed, equal to 1% of the face value of the credit for all projects with eligible investment of \$10 million or less. The fee shall be collected prior to the issuance of Component Certificates, and Certificates of Completion. Due diligence on these projects will require extra MEDC staff time.

Multiphase projects, for which the Component Certificates are issued, may have no more than three phases and the administrative fee may be paid on a pro rata basis. MEGA staff shall issue the Certificates consistent with the requirements of the statute. The fee schedule may be reviewed again at a later date.

Board Discussion

Jackie Shinn asked whether legislation is required to enact this. Mark explained that the act allows the fees. Discussion was heard regarding the possibility of waiving these fees on a case-by-case basis.

Jim Paquet mentioned that the fees will apply to deals that the MEGA board will approve, and not deals that have already been approved.

Don Jakeway talked about the work involved by MEDC staff to administer this program, now that responsibility is being transferred from Treasury to the MEDC.

Hearing no further discussion, a motion was made and supported and Resolution 2003-58, establishing completion fees for the administration of the Brownfield Redevelopment Program, was adopted.

ACTION ITEM

A meeting schedule for 2004 for the Michigan Economic Growth Authority board was proposed and discussed. A motion was made and supported to approve the proposed meeting schedule. The motion passed unanimously.

The meeting was adjourned at 11:05 a.m.

The next meeting of the MEGA board is scheduled for Tuesday, January 20, 2004.