

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 17, 2002 at 10:00 a.m.

Members Present

Craig DeNooyer

Sarah Deson-Fried

Nancy Duncan (acting for and on behalf of Duane Berger, authorization attached)

Mark Haas (acting for and on behalf of Doug Roberts, authorization attached)

Doug Rothwell

Jackie Shinn (acting for and on behalf of Gregory Rosine, authorization attached)

Members Absent

Elizabeth Chappell

Tim Ward

Others Present

Al Aceves, Deloitte & Touche

Angela Aloia, Grand Traverse County

Karen Ammarman, MEGA, MEDC

Peter Anastor, MEGA, MEDC

James D. Anulewicz, Charter Twp. of Plymouth

Luke Baer, Robert Bosch

Dawn Baetsen, Deloitte & Touche

Amy Banninga, MEDC

Richard A. Barr, Attorney, Dean & Fulkerson

Honorable R. Drummond Black, Mayor of Midland

Kathy Blake, Sr. Vice President, Business Development, MEDC

Tom Blankenship, Robert Bosch

Jeff Bryant, City of Livonia

John Czarnecki, MEDC

Jean Derenzy, Grand Traverse County BRA

Harold Domke, Robert Bosch Corporation

Jim Donaldson, Michigan Business Dev., MEDC

Ellen Fivenson, Traverse City

Marv Gans, Northville Township

David Grupenhoff, Akebono Corporation

Paul Hoge, Signature Associates

Nick Howard, Faurecia

David Jeup, KPMG

Jeffrey Kaczmarek, MEDC

Dick Klamer, Vice President, Royal Plastics

Carol Knobloch Johns, MEDC

Maureen Krauss, Oakland County

Paul Krepps, MEDC
Kirk Lambers, Royal Plastics
Richard I. Lewis, Traverse City, City Manager
Becky MacDonald, Robert Bosch Corporation
Peggy McNichol, Ernst & Young
Stewart Mandell, Dykema Gossett PLLC
Jim Miedema, Jamestown Twp. Supervisor
Ray Minervini, The Minervini Group
Ron Moffett, MEDC
Mark Morante, Vice President, Bus. Finance & Adv., MEDC
John Morrell, Advanced Technology Services
Nicole Nystrom, Dykema Gossett PLLC
Jim Paquet, Secretary to MEGA Board
Jim Penny, City of Plymouth
Patricia Petito, City of Troy
Mike Pohnl, MEDC
Mark Recker, Property Tax Consultant, The Dow Chemical Company
Madhava Reddy, President and CEO, HTC Global Services
Ed Reed, MEDC
Ken Rizzio, Ottawa County Economic Development Office
Gary Saunders, Exec. V.P. and CFO, Robert Bosch
Tom Schimpf, Attorney General's Office
Peter Strom, Chairman, Grand Traverse County BRA
Alan Swiech, V.P. Administration, Akebono Corporation
Vern Taylor, MEDC
Duane Thelen, MEDC

Call to Order

Doug Rothwell called the meeting to order at 10:08 a.m.

Approval of Minutes from November 19, 2002

A motion was made, supported and carried that the minutes from the November 19, 2002 meeting be adopted.

Public Comment

There was no public comment.

ACTION ITEM

*Robert Bosch Corporation
2800 South 25th Avenue
Broadview, Illinois 60155*

Kathy Blake began the presentation by introducing Gary Saunders, Executive Vice President of the Robert Bosch Corporation. Mr. Bosch discussed the project and the request for tax credit. Robert Bosch Corporation is a manufacturer and distributor of component parts and systems to the automobile industry. The company's major product lines are fuel injection technology and management systems for combustion engines, brakes and systems for active and passive vehicle safety, electrical starters, alternators, and motors and products for mobile communications.

Robert Bosch began operations in Stuttgart, Germany in 1886. The company currently has operations in 50 countries across the world, and employs 220,000. There are nine Bosch operations in Michigan, currently employing 4,322 persons.

Robert Bosch Corporation is considering relocating its U.S. headquarters, research and development, and prototype development operations from the Chicago suburbs to Plymouth Township. As an alternative to the Plymouth Township site, Bosch is also considering an expansion on land owned by Bosch in Anderson, South Carolina, adjacent to an existing Bosch facility.

If Robert Bosch selects Michigan for the project, the company will construct a 240,000 square foot facility consisting of offices, testing labs and research and development facilities.

The project is expected to result in the creation of approximately 700 jobs over the first five years with an average weekly wage of \$1,403.

It is estimated that this facility will generate a total of 1,125 jobs in the state by the year 2022. Total state government revenues through the year 2022, would be increased by \$88 million due to the presence of this facility.

As part of the company's decision-making process, Robert Bosch compared the costs of the project in Plymouth Township and Anderson, South Carolina. In Michigan, the company faces higher land acquisition, construction and labor costs. Additionally, the state of South Carolina has offered a rich incentive package and favorable tax environment that cannot be matched in Michigan. These cost differences add approximately \$60 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 \$1,518,916.

The Plymouth Township Board will be voting on a 50 percent abatement of the company's new real and personal property taxes for twelve years on December 17, 2002. The Plymouth Township tax abatement has an estimated value of \$4.8 million.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent

employment tax credit for 17 years and a 100 percent business activity credit for four years, for up to 700 net new employees.

Board Discussion

Doug Rothwell, in Tim Ward's absence, gave the report of the Executive Committee. Chairman Rothwell indicated unanimous support of the Executive Committee for this project and recommends the support of the MEGA board.

Hearing no further discussion, a motion was made and supported, and Resolution 2002-52 awarding MEGA tax credits to the Robert Bosch Corporation was adopted.

ACTION ITEM

*Advanced Technology Services
8201 North University Street
Peoria, Illinois 61615*

Kathy Blake introduced John Morrell with Advanced Technology Services and Jeff Bryant from the City of Livonia. Mr. Morrell presented the project to the board. Advanced Technology Services (ATS) is an industrial and computer technology services company focusing on providing services to manufacturing companies throughout the United States. The company was formed in 1985 as a spin-off operation of Caterpillar, Inc. Today, ATS is a privately owned company employing over 1,000 professionals in over 40 states. ATS is headquartered in Peoria, Illinois and currently employs 18 associates at its sole Michigan office in Livonia.

Advanced Technology Services has an aggressive growth plan and expects sales to triple in the next five to seven years. In order to satisfy that growth, ATS needs to expand its operations in Livonia or consolidate and expand operations in Peoria. Currently, the company has two regional service centers, located in Peoria and Medina, Ohio, and it is expected the regional center in Medina will be ramped down. If the Michigan location is selected, ATS will lease 30,000 to 40,000 square feet of new space and add 132 new positions over a five-year period, including 75 in the first year of operations. The new positions will pay an average weekly wage of \$518.

Total capital investment for the project would be approximately \$4.6 million, including \$3.9 million for building improvements and lease costs, and \$750,000 for new machinery and equipment.

It is estimated that this facility will generate a total of 218 jobs in the state by the year 2009. Total state government revenues through the year 2009, would be increased by \$4.1 million due to the presence of this facility.

As part of the company's decision-making process, ATS compared the costs of the project in Livonia and Peoria, Illinois. The cost gaps being faced by the company

include a small wage differential, lower leasing costs in Peoria and lower property taxes. The company estimates that wages will create an annual gap of \$250,000 due to five percent higher wages in Livonia. Also, ATS is projecting annual lease costs to be around \$100,000 higher in Livonia compared to Peoria. Finally, Illinois has no personal property tax, saving ATS around \$15,000 per year.

The City of Livonia will provide ATS with assistance in locating new workers, including hosting a job fair for the company. The value of this commitment is estimated to be \$20,000. In addition, Schoolcraft College has agreed to provide one-third tuition scholarships for up to three student internship participants employed by ATS. The value of this commitment is estimated to be \$19,200 over the term of the MEGA.

Recommendation

The Michigan Economic Development Corporation recommends an employment tax credit of 100 percent for seven years, for up to 132 net new employees and a business activity credit of 100 percent for two years.

Board Discussion

Doug Rothwell gave the report of the Executive Committee. Doug informed the Board that the company was not eligible for traditional tax abatements and, therefore, the local community was offering other incentives in support of the project. Staff had looked at the value of a personal tax abatement, had the company been eligible, and determined that the monetary value of the incentives being offered was greater than a personal tax abatement would be. The Executive Committee recommends board support of this project.

Hearing no further discussion, a motion was made and supported and Resolution 2002-53, approving MEGA tax credits for Advanced Technology Services, was adopted.

ACTION ITEM

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

Jim Donaldson introduced Nick Howard from Faurecia and Maureen Krauss from Oakland County. Mr. Howard explained the project to the board. Faurecia is a leading Tier 1 automotive supplier of interior vehicle components and exhaust systems. Faurecia was created by the joining of two French automotive suppliers, Bertrand Faure Automobile & Ecia. Faurecia employs approximately 50,000 people worldwide in 150 manufacturing locations in 27 countries. Sales for 2002 are expected to reach \$10 billion.

The company has traditionally concentrated its business in Europe, however during the last three years the business in North America has grown from being a Tier 2 supplier of

frame mechanisms into a Tier 1 supplier of interior vehicle components and exhaust systems. Faurecia currently employs 200 at its North American technical center and manufacturing facility in Troy.

Faurecia Automotive Seating has been awarded a contract to supply assembled seat sets to General Motors Lake Orion facility. Because of this increase in business, Faurecia must establish a facility to assemble components manufactured elsewhere. The company is considering a brownfield site in Auburn Hills, or a site adjacent to their plant in Forest, Ontario.

If Faurecia selects Michigan for the project, a 97,500 square foot facility will be constructed for the company's use on a site in the Auburn Business Park. The project is expected to result in the creation of approximately 205 jobs over the first five years with an average weekly wage of \$772.

It is estimated that this facility will generate a total of 389 jobs in the state by the year 2013. Total state government revenues through the year 2013, would be increased by \$18.9 million due to the presence of this facility.

As part of the company's decision-making process, Faurecia compared the costs of the project in Auburn Hills and Forest, Ontario. In Michigan, the company faces higher labor and facilities costs. This differential is estimated to be approximately \$4.4 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 \$124,638.

The developer of the site has received a Brownfield credit for the site, and has tentatively agreed to transfer \$800,000 of their \$1 million award to Faurecia if they agree to a long-term lease for the property.

The Auburn Hills City Council will be voting on a 50 percent abatement of the company's new real and personal property taxes for eight years at their January 6, 2003 meeting. The Auburn Hills tax abatement has an estimated value of \$867,000.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 10 years and a 100 percent business activity tax credit for eight years, for up to 205 net new employees.

Board Discussion

Doug Rothwell gave the Executive Committee report. During committee review, it was noted that Auburn Hills has agreed to support this project by granting tax abatements for a longer than usual length of time because it is a brownfield site. The Executive Committee recommends board support of the requested tax credits.

Hearing no further discussion, a motion was made and supported and Resolution 2002-54 awarding MEGA tax credits for Faurecia Automotive Seating, Inc. was adopted. Doug Rothwell abstained from this vote, as Faurecia Automotive is a supplier to General Motors Corporation.

ACTION ITEM

*HTC Global Services, Incorporated
28588 Northwestern Highway, Suite 450
Southfield, Michigan 48034*

Jim Donaldson introduced Madhava Reddy, President and CEO of HTC Global Services, and Pat Petito from the City of Troy. After a brief presentation by Mr. Reddy, Jim Donaldson continued to outline the project for the board. HTC Global Services (HTC) was formed in 1990 and is an information technology solutions company focusing on core solutions for computer system architecture, application integration, support services and software quality management. HTC provides services to customers globally in the automotive manufacturing, financial services, healthcare, retail and government sectors. The company, headquartered in Southfield, is a privately held Michigan S-corporation employing 134 associates in Michigan.

HTC Global Services needs to consolidate their project development laboratory and expand their operations. The growth opportunities require the company to consider a new location, as their current facility is unable to accommodate additional growth. HTC is considering Troy, Michigan and Bloomington, Illinois, where HTC has a major client and 300 employees. If the Michigan location is selected, HTC will transfer the 300 employees from Illinois and add an additional 550 new positions over a five-year period. The new positions will pay an average weekly wage of \$907.

Total capital investment for the project would be approximately \$20 million, including \$17.8 million for building improvements and lease costs, and \$2.2 million for new machinery and equipment.

It is estimated that this facility will generate a total of 790 jobs in the state by the year 2012. Total state government revenues through the year 2012, would be increased by \$23.0 million due to the presence of this facility.

As part of the company's decision-making process, HTC compared the costs of the project in Troy and Bloomington, Illinois. The major cost gaps being faced by the company include leasing costs, relocation costs and tax incentives in Illinois. The company estimates that lease space in Illinois is available at \$8 a square foot, nearly half the cost of lease space in Michigan. HTC will also incur significant relocation costs for the employees moving from Illinois, estimated to be around \$3 million. In addition, Illinois has offered the company tax incentives including an EDGE credit, valued at nearly \$10 million, and job training assistance. Finally, it should be noted that Illinois has no personal property tax.

The City of Troy Downtown Development Authority will provide \$50,000 for public improvements to the facility HTC will occupy in Troy. This funding was approved by the DDA on December 11, 2002 and by the Troy City Council on December 16, 2002.

Oakland County and Automation Alley have also extended a three-year Tier 1 membership in Automation Alley to HTC in order to encourage further growth in Oakland County. The value of this membership is \$15,000.

Recommendation

The Michigan Economic Development Corporation recommends an employment tax credit of 100 percent for 10 years, for up to 500 net new employees.

Board Discussion

The Executive Committee report was given by Doug Rothwell. The Executive Committee was recommending approval of the requested tax credit due to the high number of projected new employees and the company's intent to move its headquarters from Illinois to Michigan. It was noted that the company was ineligible for tax abatements under Public Act 198 and Public Act 328 so the local commitment being offered was acceptable to the Executive Committee.

Craig DeNooyer asked the City of Troy whether there was any other local support available for this project. Ms. Petito responded, saying "no".

Sarah Deson-Fried asked about the nature of the "public improvements" being offered by the local community. Ms. Petito responded by saying that the City of Troy would provide resurfacing of the parking lot and improved access to the building. Jim Donaldson added that state law does not allow tax abatements in this case.

Peter Anastor clarified by explaining that the company was ineligible for traditional tax abatements because it was moving into a leased building. He also said that, if a personal property tax abatement had been available, its value would be approximately the same as the \$50,000 that the City of Troy Downtown Development Authority had committed to public improvements in support of the project.

There was no further discussion. A motion was made and supported and Resolution 2002-55, awarding a MEGA tax credit to HTC Global Services, Incorporated was adopted.

ACTION ITEM

*Royal Plastics, Inc.
3765 Quincy Street
Hudsonville, Michigan 49426*

Jim Donaldson briefly explained the project and introduced Dick Klamer, Vice President of Royal Plastics, and Ken Rizzio from Ottawa County Economic Development Corporation. Mr. Klamer discussed the project and the company's growth projections. Royal Plastics manufactures plastic injection molded products for a variety of industries including automotive and furniture. The company serves customers throughout the United States and Europe from three manufacturing facilities located in Jamestown Township and Hudsonville. The company, headquartered in Jamestown Township, currently has 635 employees in Michigan.

Royal Plastics has significant growth opportunities and new customers requiring an expansion of their current operations. The expansion is being considered at the current facility in Jamestown Township or in Tennessee. Locating the project in Jamestown Township would allow the company to fill existing building capacity, followed by the addition of two new 200,000 square foot facilities built in two phases. The expansion is expected to generate 828 new jobs over five years, including 189 in the first year. The new positions will pay an average weekly wage of \$454.

Total capital investment for the project would be approximately \$35 million, including \$10 million for the building construction costs, and \$25 million for new machinery and equipment.

It is estimated that this facility will generate a total of 1,256 jobs in the state by the year 2022. Total state government revenues through the year 2022, would be increased by \$57.2 million due to the presence of this facility.

As part of the company's decision-making process, Royal Plastics compared the costs of the project in Jamestown Township and Tennessee, a central location to the company's many customers in the South. The major cost gaps being faced by the company include labor, utilities and tax incentives offered by the State of Tennessee. The company estimates that labor costs will be over \$2 million per year higher once the facilities are fully operational. Royal Plastics is also anticipating a difference in the cost for electrical service, estimated to be about \$150,000 per year higher in Michigan. Finally, Tennessee has offered the company job creation tax credits and property tax abatement for 10 years. In total, Tennessee has offered an incentive package nearing \$4.3 million.

The State of Michigan will provide the company with 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 \$835,400. In addition, the company will be eligible, based on the private investment numbers it provided, for an Investment Tax Credit worth up to \$158,000.

Jamestown Township has approved a 50 percent abatement of the company's new real and personal property taxes for twelve years. The estimated value of the local abatement is \$2,761,200. The abatement was approved on December 12, 2002.

Recommendation

The Michigan Economic Development Corporation recommends an employment tax credit of 100 percent for 20 years, for up to 828 net new employees, and a business activity credit of 100 percent for four years

Board Discussion

Doug Rothwell gave the report of the Executive Committee. The Executive Committee had determined that this was a pretty straight-forward manufacturing project. The committee had discussed the aggressive growth plans of the company, but decided there was no downside for the State to support this project. The committee was also pleased with the level of local support of the project. The Executive Committee recommends approval of the requested tax credits.

Hearing no further discussion, a motion was made and supported and Resolution 2002-56 approving MEGA tax credits for Royal Plastics Incorporated was adopted.

ACTION ITEM

*Akebono Corporation
34385 West Twelve Mile Road
Farmington Hills, Michigan 48331*

Jim Donaldson introduced Alan Swiech, Vice President of Administration with Akebono Corporation. Also introduced were David Grupenhoff of Akebono Corporation and Marv Ganz with Northville Township. Mr. Grupenhoff circulated a brake while Mr. Swiech discussed the new brake and their expansion project. Akebono has a comprehensive involvement in all aspects of brake manufacturing and has the largest share of this market in Japan. Akebono entered the U.S. market in 1960, partnering with the Bendix Corporation. Since then Akebono has expanded in the U.S., first with a sales company, then with research and technical facilities and finally with manufacturing facilities. Akebono currently has 162 employees in Michigan.

Akebono needs room to expand their engineering and testing facilities to accommodate growth in their U.S. markets. If Akebono decides to expand in Michigan, the company would relocate their current Farmington Hills staff and add up to 190 new employees to a facility in Northville Township. A site adjacent to one of Akebono's four production plants in Kentucky is also under consideration.

If Akebono selects Michigan for the project, the company plans to invest \$54 million, including \$21 million for building acquisition and improvements and \$33 million for new machinery and equipment

The project is expected to result in the creation of 190 jobs over the first five years, paying an average weekly wage of \$1,139.

It is estimated that this facility will generate a total of 293 jobs in the state by the year 2013. Total state government revenues through the year 2013, would be increased by \$12.5 million due to the presence of this facility.

Akebono has the option of locating this expansion in Northville Township or on property already owned in Springfield, Kentucky. The Kentucky location is attractive to the company due to lower property acquisition, labor and tax costs. This differential is estimated to be approximately \$1.5 million per year once the project is fully staffed.

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 \$996,432.

Northville Township has approved a 50 percent abatement of the company's new real and personal property taxes for eight years. Marv Ganz from Northville Township was in attendance and was able to personally express the community's support. The Northville Township tax abatement has an estimated value of \$3.5 million.

Recommendation

The Michigan Economic Development Corporation recommends a high-technology employment credit of 100 percent for ten years for up to 190 net new employees.

Board Discussion

Doug Rothwell gave the Executive Committee report and discussed the company's proposed move from Farmington Hills to Northville Township. The company's decision to look at Northville Township is due in part to Farmington Hills' reluctance to support the company with tax abatements. The Executive Committee discussed the possibility that, since the company was moving out of Farmington Hills, it could just as easily move out of state as to another location in Michigan. The Executive Committee recommends board support of this project.

Tom Schimpf asked whether staff had seen a letter from the company's CPA stating that the company anticipated meeting the statutory requirement of maintaining at least 25% of the company's operating expenses in research and development for the first three years of the Agreement. Amy Banninga responded, saying yes, and that the operating expenses have been projected for three years. Mr. Schimpf then asked whether the company would meet the 25% requirement for 2002, the year of its application to MEGA, as required by the statute? The company responded saying that it would meet the requirement in 2002 and in the next three years.

Hearing no further discussion, a motion was made and supported and Resolution 2002-57, authorizing a MEGA tax credit for Akebono Corporation, was adopted.

ACTION ITEM

The Dow Chemical Company

2030 Dow Center
Midland, Michigan 48674

The Dow Chemical Company (Dow) is a leading science and technology company that provides innovative chemical, plastic and agricultural products and services to customers in more than 170 countries.

Jim Donaldson introduced Mark Recker, Property Tax Consultant for Dow, and Mayor Black from the City of Midland. Dow has had a presence in Midland for over 100 years and currently has manufacturing, research and development facilities, and a world headquarters complex in Midland.

Jim Donaldson discussed the projects and outlined the reason for Dow's request for Brownfield Redevelopment SBT credit. Dow will invest in projects related to its Custom and Fine Chemical and its Performance Chemical businesses. The Custom and Fine Chemical project will lead to a new pharmaceutical development facility. The project will rehabilitate approximately 3,500 square feet of current space and will add approximately 5,100 square feet of space. The project will involve approximately \$17.8 million of capital spending, create 11 new jobs and retain eight existing research and manufacturing jobs. The project has an anticipated completion date of September 2003.

The Performance Chemical project will redevelop 141 acres of the Midland site in an area that was designated as a Renaissance Zone in November 2002. The project will redevelop functionally obsolete buildings that have been unutilized by Dow for several years and invest \$227.5 million in new construction and personal property over a five-year period. The project will create 300 new jobs. Michigan is competing with a handful of states for this project and without the Brownfield single business tax credit, economic conditions would not allow Dow to locate this project in Michigan.

The two projects will result \$245.3 million in private investment and create 311 new jobs in the City of Midland while retaining numerous other jobs. Redevelopment and reuse of the Michigan Operations manufacturing site, rather than a site outside the State of Michigan or a greenfield site, may encourage future Dow investment at this site.

It is estimated that the projects will generate a total of 614 jobs in the state by the year 2016. Total state government revenues through the year 2016, would be increased by \$29.2 million due to the presence of these facilities.

The eligible investments to be made by The Dow Chemical Company include:

Demolition of buildings	\$ 500,000
Building Construction and Renovation	\$ 167,170,000
New Machinery, Equipment and Fixtures	\$ <u>77,620,000</u>
Project Total	\$ 245,290,000

The City of Midland has granted a 12-year PA 198 Industrial Facilities Property Tax Abatement on the Custom and Fine Chemical project. The estimated 12-year value of this incentive is \$1.5 million. In addition, due to the Performance Chemical project considering the Michigan Operations site, a Renaissance Zone was approved in November 2002. The estimated SBT and property tax savings due to the Renaissance Zone is \$58.4 million.

The property, an existing industrial site, is functionally obsolete and is located within the boundaries of the City of Midland, a qualified local governmental unit. The project is the subject of a brownfield plan approved December 9, 2002, and The Dow Chemical Company is a qualified taxpayer.

Recommendation

The Michigan Economic Development Corporation recommends approval of a MEGA Brownfield Redevelopment Credit of 10 percent of the eligible investments in The Dow Chemical Company project, but no more than a \$24,529,000 credit. This recommendation is made with the understanding that Dow will not apply for any additional MEGA approved incentives.

Board Discussion

Doug Rothwell gave the Executive Committee report. He said that the project was a complex one and would have been eligible for a traditional MEGA credit, but that the company wanted to move forward with a Brownfield credit in December, rather than wait until a more comprehensive incentive package could be put together. As a result, the Executive Committee is recommending the Brownfield credit with the understanding that the company will not return to this board to request future tax credits. It was also noted that the staff's due diligence was not complete. The usual cross-state comparison has not been completed. There is currently competition with several states to attract the larger Custom and Fine Chemical portion of the project. One of the unresolved issues is the ability to attract employees in Michigan with the proper skill set needed to fill the jobs being created. We have been told by the company that without the Brownfield credit we won't have the ability to compete on people because the economics don't work.

Craig DeNooyer asked whether the offered incentives will be enough to address the economic requirements. Mr. Recker said "yes", and that with the tax credit Michigan is still "in the ball game". Mr. DeNooyer asked whether there is anything that Michigan can do to address the availability of skilled employees.

Doug Rothwell stated that because some of the other states have incentives that are more entitlements, Dow wanted to know what it had in hand from Michigan, now. We don't want to be in the position of having Dow come back after we have negotiated a package in good faith. He indicated that we will do what we can to help attract and train

the people that are needed for the project. In fact the staff and representatives of the states major universities are now presenting our case to Dow across the hall.

Tom Schimpf mentioned that there is no SBT liability for the portion of the project in the Renaissance Zone.

Mark Haas indicated that he didn't want to tie our hands if circumstances changed.

Sarah Deson-Fried asked whether, prior to executing the tax credit, we will have more detailed information about the project.

Jim Paquet assured Ms. Deson-Fried and the board that prior to issuing a pre-approval letter, staff would develop the cost differentials and assure that the project is defined adequately to allow staff to determine when the project is complete.

Tom Schimpf expressed his concern that the current form of the resolution does not incorporate the "but for" language that is required for the larger Brownfield credits.

Doug Rothwell responded that were it not for the Brownfield credit, Michigan would not be considered for the project.

Jim Paquet indicated that he would add the language to the revised resolution.

Tom Schimpf added that Dow must also be the owner of the property and have had no enforcement order issued by the DEQ with respect to the site.

Mark Morante explained that there are two distinct projects being proposed for the site. The two projects are being presented together because they are both part of the same brownfield plan, are on one parcel of property, and rely on the functional obsolescence of buildings throughout the site to qualify for the credit. To treat them separately would require two applications, division of the property into separate parcels, and independent compliance with the statutory qualification criteria for each segment of the project.

Mark Haas asked whether, if one part goes forward and the other does not, does the company need to return to the board to amend or adjust anything.

Jim Paquet stated that the intent was that Dow could collect a total credit of up to \$24.5 million. The smaller project, the Custom and Fine chemical portion, would be granted a credit provided that a minimum \$17 million investment occurred and that that phase of the project was completed. Assuming the Performance Chemical segment of the project went forward, Dow could receive additional credit up to an aggregate credit of ten percent of the total eligible investment in both projects, but no more than \$24.5 million. Any additional credit would be contingent on completion of the second part of the project. We would know the actual scope of the project before a credit was collected.

Doug Rothwell summarized that if the second project doesn't happen, as long as the first project is completed, the company may receive a credit on the investment associated with it.

Mr. Recker asked when the investments in the first project would begin to count?

Jim Paquet responded that only investments made after a pre-approval letter was issued would qualify for a credit. The pre-approval letter will not be issued until the cost differential is documented and analyzed by staff, and until sufficient information is provided to allow the project to be described in the pre-approval letter in a way that will allow us to later determine that the project is indeed completed.

Doug Rothwell asked whether the first project will be impacted if the second project is delayed.

Jim Paquet indicated that as soon as the cost gap could be verified for both projects and the Performance Chemical portion of the project could be adequately described, the pre-approval letter could be issued. We only required additional information from the company. We would not have to wait until the company made a decision to site the second portion of the project in Michigan in order to move forward.

Craig DeNooyer asked whether, once the clock begins running, the second project would be harmed.

Doug Rothwell and the representative from Dow Chemical both agreed that, no, that issuing the pre-approval letter could actually help the process.

Motion was made and supported and Resolution 2002-58, authorizing a Brownfield Redevelopment Credit for The Dow Chemical Company was adopted.

ACTION ITEM

*LDM Technologies, Inc.
2500 Executive Hills Drive
Auburn Hills, Michigan 48326*

In June of 2000, the MEGA approved tax credits for LDM Technologies, Inc.'s expansion project in Romulus. In the Agreement, LDM Technologies, Inc. committed to creating at least 75 new jobs by June 30, 2002. Jim Paquet explained the request made by the company to extend their anniversary date.

LDM has had to implement limited employment reductions at some of its Michigan facilities during the last year because of industry-wide conditions in the automotive supplier sector. These company-wide reductions caused LDM to miss qualifying for the credit by its Anniversary Date even though the minimum number of 75 new jobs had been created at the Project.

In a letter dated November 15, 2002, the company explained that it had created 81 new jobs at the project, paying the average weekly wage required, while recovering its base employment level of 1,371. It had also invested \$40.7 million in the facility and equipment.

The company has requested a two-month extension of its anniversary date to August 31, 2002, to allow it to qualify for the credit.

Recommendation

Staff recommends that the MEGA agree to amend the LDM Technologies, Inc. credit to extend the anniversary date to August 31, 2002, but that the original schedule of the tax years in which the company is eligible for the credit remain unchanged.

Board Discussion

The report of the Executive Committee was given by Doug Rothwell. Chairman Rothwell conveyed the support of the Executive Committee for the requested anniversary date extension.

Hearing no further discussion, a motion was made and supported and Resolution 2002-59, to extend LDM Technologies, Inc.'s anniversary date by two months, was adopted.

ACTION ITEM

*Integrity Design, Inc.
200 Paw Paw Avenue
Benton Harbor, Michigan 49022*

In April 2001, the MEGA Board approved a high-tech tax credit for Integrity Design, Inc., for location of its mechanical engineering and design business in a leased building in St. Joseph, Berrien County. The company executed a MEGA Tax Credit Agreement on May 2, 2001.

In May of 2001 the company moved its business location to Benton Harbor, in part to accommodate the needs of Whirlpool Corporation's expansion into the St. Joseph building. The MEDC supported the company's move to assist Whirlpool.

The City of Benton Harbor provided local assistance in the form of interim space in the Benton Harbor Growth Center that was leased at a discount. Cornerstone Alliance also provided the company with assistance in the form of \$24,600 subsidy of the project costs in lieu of its commitment of \$20,000 at the St. Joseph site.

The company occupied the renovated building in Benton Harbor and created seven qualified new jobs by its May 31, 2002 Anniversary Date.

Integrity Design is requesting an amendment to its credit award to accommodate the relocation of the project from St. Joseph to Benton Harbor.

Recommendation

The Michigan Economic Development Corporation staff is recommending approval of the request to amend the Integrity Design tax credit.

Board Discussion

Tom Schimpf pointed out to the board that it was being asked to set a precedent with this location change approval. Never before had this board been asked to approve a change of location for a project after the company abrogated its agreement by moving. Concerns about setting this type of precedent were briefly discussed. Would the Board be concerned if a project approved for Saginaw moved to Auburn Hills? Should Integrity Design forfeit some of its tax credit?

During his report of the Executive Committee, Doug Rothwell stated that these concerns were discussed in Executive Committee. It was noted that the staff of the MEDC was involved with assisting Whirlpool in choosing the site that necessitated the move by Integrity Design. He expressed the committee's desire to hold the company harmless. It was also noted that the communities of Benton Harbor and St. Joseph are adjacent to each other.

Craig DeNooyer asked whether Integrity Design benefited by Whirlpool moving to their site.

Mike Pohnl and Jim Donaldson said that Integrity Design, Inc. wanted to help the community and received comparable local assistance for the Benton Harbor site.

Sarah Deson-Fried stated the need to place very specific language in the resolution in order to address this precedent. The potential impact of this type of amendment resolution on future requests by other companies was discussed.

Jim Paquet discussed possible language that could be inserted, addressing the MEDC staff's encouragement of the move by Integrity Design to accommodate Whirlpool; that the communities are geographically adjacent; that the move allowed two economically beneficial projects to move forward; and that the more socio-economically depressed community of Benton Harbor benefited from a project that would not otherwise have occurred.

Hearing no further discussion, a motion was made and supported and Resolution 2002-60, permitting the relocation of the Integrity Design, Inc. project in an existing facility in Benton Harbor instead of an existing building in St. Joseph, was adopted.

ACTION ITEM

*Intuit, Inc.
2700 Coast Avenue
Mountain View, California 94043*

In December of 2000, the MEGA authorized a Business Activity Credit of 75 percent for seven years and an Employment Credit of 75 percent for seven years to Quicken Loans, Inc. for establishing a call center in Livonia to sell and service mortgages. The company projected adding 515 jobs over a three-year period.

In September, 2001, the company's credit was transferred to Intuit, Inc., the parent company of Quicken Loans, Inc. as all of the Quicken Loans employees were transferred to the Intuit, Inc. payroll. Subsequently, Quicken Loans was sold and the employees at the Livonia call center returned to the Quicken Loans, Inc. payroll.

Intuit, Inc. has requested the transfer of the MEGA Tax Credit back to Quicken Loans. Because the jobs of Intuit were included in the original jobs base established for the Quicken Loans, Inc. credit, no change in the Base Employment Level is needed in connection with the transfer.

Recommendation

Staff recommends that the MEGA agree to the transfer of the Intuit, Inc. credit to Quicken Loans, Inc. Staff recommends that the transfer be effective as of July 31, 2002, to allow the tax credit to be properly allocated between Intuit and Quicken Loans.

Board Discussion

Doug Rothwell gave the Executive Committee report. The Executive Committee reviewed the request and recommends board support of the transfer.

No further discussion was heard and Resolution 2002-61, amending the agreement as needed to implement the transfer of tax credit from Intuit, Inc. to Quicken Loans, Inc. was adopted.

ACTION ITEM

*Altair Engineering, Inc.
1820 East Big Beaver Road
Troy, Michigan 48083-2031*

In June of 2000, the MEGA approved tax credits for Altair Engineering's construction of an office facility to house its software development, product engineering, and customer service operations in Troy, Oakland County. In the Agreement, Altair committed to creating at least 75 new jobs by December 31, 2002.

To date, the company has completed construction of the facility, investing \$16.7 million in the building and an additional \$3.1 million in equipment. The company has added 55 new jobs at the Troy facility, but because of a softening in the company's business in other areas of the state it has had to allocate all but 25 of the new jobs to maintaining its Base Employment Level. The company believes that it will be able to achieve its employment goal of creating more than 75 new jobs by December 31, 2003 and is requesting a 12-month extension of its anniversary date to allow it to qualify for the credit.

Recommendation

Staff recommends that the MEGA amend Altair Engineering, Inc.'s tax credit to extend the anniversary date to December 31, 2003, but that the original schedule of the tax years in which the company is eligible for the credit remain unchanged.

Board Discussion

Doug Rothwell gave the report of the Executive Committee and on behalf of the committee, recommends board support of the requested anniversary date extension.

No further discussion was heard. A motion was made and supported and Resolution 2002-62 amending Altair Engineering's tax credit to extend the anniversary date to December 31, 2003, was adopted.

ACTION ITEM

*Grand Traverse County Brownfield Redevelopment Authority
Grand Traverse Commons
400 Boardman Avenue
Traverse City, MI 49684-2577*

John Czarnecki discussed the project, which is in the initial phase of an effort to redevelop a 500-acre campus with several buildings consisting of about 750,000 square feet of space. He introduced Jean Derenzy, who showed photos and discussed the project in detail. The development strategy includes the potential to subdivide the remainder of the campus into separate brownfields that can be developed over time in a manner that the local market can absorb. This strategy means that additional requests for "tax increment financing" and brownfield redevelopment credits are a future possibility.

The project area is the site of a former State of Michigan psychiatric hospital. In addition to being functionally obsolete, most, if not all of the buildings have significant levels of lead and asbestos contamination and the site's groundwater is contaminated.

The proposed development will redevelop the existing buildings as a walkable village environment, with mixed-use development, a large portion of which will be market rate residential units.

Project approval by MEGA will allow for necessary investments in interior demolition, infrastructure improvements, and lead and asbestos remediation so that this dilapidated area can be reused and eventually be placed back on the tax rolls. In addition, this development would create 76 new full-time jobs and a potential for up to \$32 million of private investment.

The project is contaminated and has sought the approval of MDEQ for site remediation and due care activities. These activities total \$161,050 in tax capture. The cost of eligible activities totals \$4,476,933. The tax breakdown is as follows:

\$1,143,751	State School Tax Capture (24.13%)
<u>\$3,596,082</u>	Local Tax Capture (75.87%)
\$4,739,833	

Over the life of the bonds (to be paid off in 2031), the capture necessary to pay back the debt, including interest, is estimated at \$10,070,868. The breakdown is as follows:

\$ 2,429,963	State School Tax Capture (24.13%)
<u>\$ 7,640,905</u>	Local Tax Capture (75.87%)
\$10,070,868	

The subject property is a "facility" based on an environmental assessment that identified contamination at levels that exceed Residential Criteria under Part 201 of the Natural Resources and Environmental Protection Act. Brownfield plan is pending DEQ approval.

The project site is the subject of a brownfield plan, duly approved by the Grand Traverse County Brownfield Redevelopment Authority, Grand Traverse County Board of Commissioners and the City Commission for the City of Traverse City.

Traverse City is a qualified local governmental unit and the property was previously used for residential, commercial or industrial purposes.

Approval has been requested for the following eligible activities:

- Demolition \$1,639,578
- Lead Paint Abatement \$1,275,000
- Asbestos Removal \$ 546,514
- Site Preparation \$ 804,600
- Infrastructure Improvements \$ 428,650
- Work Plan Preparation \$ 3,500
- Contingencies @ 15% \$ 583,491

Total

\$4,476,933

Interest expense related to the eligible activities is also an eligible cost.

Recommendation

The MEDC recommends approval of the Grand Traverse Commons work plan, including capture of actual interest expense, as submitted by the Grand Traverse County Brownfield Redevelopment Authority.

Board Discussion

The Executive Committee report was given by Doug Rothwell. The Committee supports this project.

Vern Taylor discussed the fact that staff would like to receive proper financial information from the Brownfield Redevelopment Authorities and that he is beginning to take a more active role in reviewing financial and tax capture information. Staff is requesting that language to be added to the resolutions to require additional financial reporting.

Hearing no further discussion, a motion was made and supported and Resolution 2002-63 authorizing the City of Traverse City to capture school operating taxes for the Grand Traverse County Brownfield Redevelopment Authority for its Grand Traverse Commons project, was adopted.

ACTION ITEM

*Grand Traverse County Brownfield Redevelopment Authority
Front Street and Grandview Parkway
400 Boardman Avenue
Traverse City, MI 49684-2577*

John Czarnecki reintroduced Jean Derenzy, who discussed this project for the board. The project site consists of 16 parcels located on both sides of the Boardman River in downtown Traverse City. Historic uses of this area include former auto dealerships, tool shops, and warehouses.

The proposed developments can accurately be described as two main areas: Traverse City Place (predominately located on the North side of the Boardman River) and the former TC Auto site (South of the Boardman River.) The Traverse City Place development is planned to be a two-phase, \$27-34 million retail/commercial/residential center. The former TC Auto site currently does not have a developer, but the Traverse City DDA proposes that in addition to a parking structure, the site would be an excellent site for an upscale hotel or upper-end condos. They believe that the future private development of the site will be approximately \$36 to \$40 million.

The project will remove vacant and deteriorating structures and provide needed parking and other infrastructure improvements for the redevelopment of the property. In addition, this development would create 182 new jobs and a potential for up to \$70 million of private investment.

The project is contaminated and has sought the approval of MDEQ for site remediation and due care activities. These activities total \$1,958,184.29 in tax capture.

The cost of eligible activities totals \$12,441,095.05. The tax breakdown is as follows:

\$3,732,328.50 State School Tax Capture (30%)
\$8,708,766.55 Local Tax Capture (70%)
 \$12,441,095.05

Over the life of the bonds (to be paid off in 2031), the capture necessary to pay back the debt, including interest, is estimated at \$29,428,070. The breakdown is as follows:

\$ 8,810,470 State School Tax Capture (30%)
\$20,771,674 Local Tax Capture (70%)
 \$29,582,144

The subject property is a "facility" based on an environmental assessment that identified contamination at levels that exceed Residential Criteria under Part 201 of the Natural Resources and Environmental Protection Act. Brownfield plan is pending DEQ approval.

The project site is the subject of a brownfield plan, duly approved by the Grand Traverse County Brownfield Redevelopment Authority, Grand Traverse County Board of Commissioners and the City Commission for the City of Traverse City.

Traverse City is a qualified local governmental unit and the subject property was previously used for residential, commercial or industrial purposes.

Approval has been requested for the following eligible activities:

- Demolition \$ 888,942
- Lead & Asbestos Removal \$ 164,154
- Site Preparation \$ 804,600
- Infrastructure Improvements \$ 8,710,470
 - Parking Deck \$ 5,490,000
 - Pedestrian Underpass \$ 1,500,000
 - Riverwalk (w/ Bridge) \$ 500,000
 - Streetscape \$ 475,250
 - Utilities \$ 100,000
 - Engineering \$ 645,220
- Admin. Cost (work plan/MEGA) \$ 25,000

• Contingencies @ 15%	\$ 1,588,225
<i>Total</i>	<i>\$12,181,391</i>

Recommendation

The MEDC recommends approval of the TC Auto/Traverse City Place work plan, including actual interest expense as submitted by the Grand Traverse County Brownfield Redevelopment Authority. It is further recommended that the school tax capture not exceed 30 percent of the total taxes captured for the project.

Board Discussion

The Executive Committee report was given by Doug Rothwell. This work plan was reviewed by the Executive Committee and the committee recommends board support. Hearing no further discussion, a motion was made and supported and Resolution 2002-64, authorizing capture of school operating taxes for the Grand Traverse County Brownfield Redevelopment Authority's Front Street and Grandview Parkway project was adopted.

ACTION ITEM

*Redford Township Brownfield Redevelopment Authority
Volney Park Place
Redford Community Center
12121 Hemingway
Redford, MI 48239*

John Czarnecki briefly discussed the Volney Park Place project and then introduced Richard Barr, an attorney from Dean & Fulkerson. Mr. Czarnecki continued with the presentation. The project is an approximately 6.4 acre site with 54 platted lots. The subject property was developed as an elementary school in 1925, and was utilized by the local Board of Education until 1982. In the 1980s, the school was used for an Adolescent Day Treatment Program for emotionally impaired children. The school has not been regularly occupied since 1991. The property has been tax-exempt since 1914. The project involves demolishing the school building and making infrastructure improvements and performing site preparation activities to allow for the redevelopment of the site into 56 residential housing units. The project will create affordable housing priced at about \$148,000 per unit.

The project will result in private investment of about \$7.5 million, to construct 56 affordable housing units in the township. It will also increase state and local revenues by putting a property that has been tax-exempt since 1914, back on the tax rolls.

All addition project costs will be paid through private investment.

Tax capture for the reimbursement of costs associated with the project is projected to run for ten years, from 2004 to 2014. School tax capture is projected to be approximately 20 percent of the total tax capture for the development because it will construct single family "owner" occupied housing that may qualify for a homestead property tax exemption.

The subject property is located in a qualified local governmental unit, was previously used for residential, commercial or industrial purposes and is functionally obsolete.

The property is the subject of a brownfield plan, duly approved by the Redford Township Brownfield Redevelopment Authority and Redford Township Board of Trustees.

The activities to be undertaken with tax increment revenues; a) demolition, b) infrastructure improvements, and c) site preparation, are MEGA eligible activities under P.A. 381 as amended.

The work plan requests approval for the following eligible activities:

Infrastructure Improvements	\$ 584,324
Demolition and backfill	\$ 122,000
Site Preparation	\$ 100,340
Subtotal	\$ 806,664
Contingency	\$ 121,000
Subtotal	\$ 927,664
Estimated interest	\$ 447,515
Estimated Work Plan Costs	\$1,375,179

Recommendation

The MEDC recommends approval of the requested eligible activities totaling \$927,664 plus actual interest expense for the Volney Park Place project as presented in the Work Plan dated October 30, 2002.

Board Discussion

Doug Rothwell gave the report of the Executive Committee. The Executive Committee reviewed the plan and recommends the support of the MEGA Board.

Jim Paquet said that he is in possession of a letter from Redford Township in support of this project.

Hearing no further discussion, a motion was made and supported and Resolution

2002-65, authorizing Redford Township to capture school operating taxes in support of the Volney Park Place project, was adopted.

ACTION ITEM

2003 Meeting Schedule

After review of the proposed meeting schedule for 2003, a motion was made and supported to adopt the proposed meeting schedule of the Michigan Economic Growth Authority Board for 2003. The motion carried and the meeting schedule was adopted.

The meeting was adjourned at 12:05 p.m.