

## 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 18, 2001 at 11:00 a.m.

### Members Present

Beth Chappell

Craig DeNooyer (by phone)

Sarah Deson-Fried

Leon Hank (acting for and on behalf of Duane Berger, authorization attached)

Phil Kazmierski (acting for and on behalf of Gregory Rosine, authorization attached)

Doug Roberts

Doug Rothwell

Tim Ward

### Others Present

Karen Ammarman, MEGA, MEDC

Peter Anastor, MEGA, MEDC

Kathy Blake, Senior V.P., Business Development, MEDC

Ron Boji, Boji Group

Tino Breithaupt, MEDC

Adrian Casal, MEDC

Michael Curtis, Lombardo Heritage

John Czarnecki, MEDC

Linda Dankoff, MEGA, MEDC

Jim Donaldson, MEDC

Terry Eull, City Admin., City of Niles

Curtis Holt, City Manager, Wyoming

Jeannine Jackson, Speedrack Products

Carol Knobloch Johns, MEDC

Carol Konieczki, City of Jackson

Paul Krepps, MEDC

Amy Lane, Crain's

Penny Launstein, MEDC

Anthony Lombardo, President, Lombardo Heritage

Pauline Millichamp, MEDC

Mark Morante, Vice President, Dev. Finance, MEDC

Susan Novakowski, MEDC

Jim Paquet, Secretary to the MEGA Board

Michael Polsinelli, Vice President, Schostak Bros.

Ed Reed, MEDC

Ben Robertson, MEDC

Rick Robinson, Manager, Bus. Dev., Indeck Energy

Tim Robinson, Washtenaw Development Council

Sam Rye, Mayor, City of Adrian  
Randy Schatz, Project Mgr., General Motors  
Derek Schroeder, Village of Quincy  
Tom Schimpf, Attorney General  
Vern Taylor, Brownfield, MEDC  
Duane Thelen, MEDC  
Bob Trezise, MEDC  
Grant Trigger, Honigman, Miller  
John Truscott, John Truscott Group  
Mark Westra, Rose & Westra, Inc.  
Harry Whalen, Vice President, Business Dev. MEDC  
Iva M. Wilson, Gyricon Media, Inc.  
Sharon Witt, Executive Director, Southwestern Alliance  
Eric Zuzga, Branch County Economic Growth Alliance

### **Call to Order**

Doug Rothwell called the meeting to order at 11:05 a.m.

### **Approval of Minutes from November 13, 2001 and November 20, 2001**

It was moved, supported and carried that the minutes from the November 13, 2001 meeting be adopted. It was moved, supported and carried that the minutes from the November 20, 2001 meeting be adopted.

### **Public Comment**

There was no public comment.

### **2002 Meeting Schedule**

The MEGA Board meeting schedule for 2002 was reviewed. It was moved, supported and carried to adopt the proposed schedule of monthly meetings for 2002.

### **ACTION ITEM**

*Gyricon Media, Incorporated  
3333 Coyote Hill Road  
Palo Alto, California 94304*

Kathy Blake introduced Iva Wilson who presented the electronic paper concept. A sample of the new "paperless paper" medium was passed around for examination. SmartPaper is a display material that can be used in store display signs, is remotely changeable and is relatively inexpensive to produce. The company currently has 40 employees located in its research and development center in Palo Alto and sales office located on the East Coast.

Kathy Blake continued her presentation noting that the company is in the commercialization stage and needs to site a manufacturing facility. Due to the concentration of manufacturing in the Midwest, the company has chosen to look at Michigan and Ohio as possible locations for this facility.

The company anticipates hiring up to 345 employees by the end of 2003 and up to 634 by the end of its third year of operation. The positions would pay an average weekly wage of \$790 and a benefit package worth up to 20 percent of wages. The company would invest \$29 million in leases, building upgrades and machinery and equipment over a three-year period.

It is estimated that this facility will generate a total of 1,031 jobs in the state by the year 2012. Net state revenues through the year 2012 would be increased by \$33,569,000 due to the presence of the Gyricon Media, Inc. manufacturing facility.

In its due diligence process, the company focused on Ohio and Michigan as possible locations for this facility. A review of costs showed a cost advantage in Ohio, primarily due to facility costs and incentives being offered by Ohio to attract the project. The Toledo Port Authority is offering a subsidized lease at \$.50 per square foot. A Michigan facility would be located in Scio Township, a suburb of Ann Arbor, where rent would not be subsidized. The State of Ohio is offering other incentives including its Jobs Creation Tax credit, a Machinery & Equipment credit, a \$5 million low interest loan, property tax abatements and job training grants.

The company prefers the Michigan location but cannot justify it to investors without matching fairly closely the incentive package offered by Ohio. A MEGA tax credit is needed to address the cost differences.

The State of Michigan will provide a 100 percent abatement of the six mill State Education Tax for a period of time to match the local property tax abatement. This tax abatement is estimated to be worth \$340,473. In addition, an Economic Development Job Training (EDJT) grant of \$331,000 will be provided. This includes \$1,500 for each of 20 technical employees and \$500 for each of up to 614 other employees of the company.

Scio Township will provide 50 percent property tax abatement on personal property for a period of 12 years. The estimated value of this abatement is \$1,018,795.

### **Recommendation**

The Michigan Economic Development Corporation recommends an employment tax credit of 100 percent for up to 634 new jobs for a period of ten years and a business activity credit of 100 percent for five years.

## **Board Discussion**

Tim Ward gave the report of the Executive Committee, citing the tax advantage offered by Ohio. Mr. Ward conveyed the Executive Committee's recommendation of approval to the MEGA Board, contingent on the company securing financing for the project. He added that the Scio Township was expected to approve the local tax abatement that night.

Hearing no other discussion, a motion was made and supported, and Resolution 2001-054 awarding MEGA Tax Credits to Gyricon Media, Incorporated was adopted.

## **ACTION ITEM**

*Speedrack Products Group, Ltd.  
7903 Venture Avenue  
Sparta, Michiga 49345*

Jim Donaldson began the presentation by introducing Jeanine Jackson. Ms. Jackson described Speedrack as a manufacturer of metal warehouse storage/pallet racks. The company is headquartered in Sparta, Michigan, where it operates Centerline Sales, Inc., the sales arm of the company. Together, the companies currently have 51 employees in Michigan. Speedrack is considering the consolidation of its current production facilities (located in Alabama and West Virginia) to the former Acorn Window plant in Quincy, Michigan.

Jim Donaldson continued the presentation. The company will spend \$4.3 million to purchase and renovate the 330,000 square foot facility. Speedrack will spend another \$4.3 million on new machinery and equipment and transfer existing equipment to the state. The project will create a total of 300 new jobs, including 100 new jobs in the first year. The average weekly wage will be \$540 plus a full benefit package. Renovation and environmental response activities would begin in January, 2002 with initial occupancy of the facility in July, 2002. The facility is expected to be fully operational by December, 2002. The company is also considering a location in LaPorte, Indiana for the project.

It is estimated that this facility will generate a total of 581 jobs in the state by the year 2006. Net state government revenues through the year 2006 would be increased by \$5.9 million due to the presence of this facility.

As part of the company's decision-making process, it conducted a comprehensive analysis between Quincy and LaPorte. Speedrack has estimated that operating costs in Indiana will be approximately \$500,000 less per year due to lower wages, workers compensation, electric rates, corporate income and property taxes in Indiana. In addition, some environmental contamination has been found at the site in Quincy and

approximately \$800,000-\$1,000,000 worth of clean-up costs will be incurred before the company can occupy the site.

The State of Michigan will provide the company with a 100% abatement of the 6-mill State Education Tax for a length of time to match the local property tax abatement. The estimated value of this state tax abatement is \$91,300. In addition, the state of Michigan will provide the local community a Community Development Block Grant worth up to \$805,000 to provide sewer system and road improvements. Finally, the company will apply for a Reclamation Grant for up to \$1,000,000 worth of environmental response activities at the site, through the Michigan Department of Environmental Quality.

The Village of Quincy has proposed a 50 percent abatement of the company's real property improvements and new personal property taxes for twelve years. The estimated value of this local abatement is \$441,400.

### **Recommendation**

The Michigan Economic Development Corporation recommends an employment tax credit of 100 percent for up to 300 net new employees for a period of five years and a business activity credit of 100 percent for five years.

### **Board Discussion**

Tim Ward gave the Executive Committee report. The Committee recommends approval of the MEGA tax credits to improve the economics of the project and encourage the company to consolidate here.

Doug Rothwell acknowledged the site contamination and indicated that staff would not be recommending a Brownfield SBT credit in the future as the proposed incentive package was judged sufficient to offset those costs.

Hearing no further discussion it was moved and supported and Resolution 2001-055 approving MEGA Tax Credits for Speedrack Products Group, Ltd. was adopted.

### **ACTION ITEM**

*Boji Group of Lansing, LLC  
124 West Allegan Street  
Lansing, Michigan 48933*

John Czarnecki provided the Board with an explanation of the project. The Boji Group, in partnership with the City of Lansing, will construct a 1400 space parking facility to support an eight-story commercial office building which the Boji Group is developing in the City's central business district. The new office building will be 165,000 square feet. The project is related to and dependent on a second Boji project, the expansion of the Michigan National Tower building.

The SBT credit only involves costs associated with construction of the ramp and the new commercial building. It is estimated that over \$55 million in private investment will be made by the Boji Group to complete the project as proposed, including \$20 million for the parking ramp and \$27 million for the proposed new office/commercial building. The Boji Group will also be investing \$3.5 million for site improvements and an additional \$500,000 for improvements to an existing parking ramp.

The developer/owner is constructing the parking structure and new office building in a manner that each can support future additional floors.

The proposed parking facility will provide convenient parking to serve office workers and visitors near the State Capitol. The first floor of the new office building will be devoted to retail development. The new office development will accommodate over 500 workers. It is hoped that residential development will result from the increase in downtown jobs.

The completed project will increase city income tax revenues and property taxes captured by the Tax Increment Financing Authority will pay for public improvements in the area. Finally, the project will facilitate the renovation and expansion of the Michigan National Tower, which is dependent on the development of additional parking downtown.

The eligible investments to be undertaken by Boji Group include:

Parking Ramp	\$27,000,000
New Office Building	20,000,000
Site Improvements	3,500,000
Renovation	500,000

Lessee Improvements include:

Equipment Fixtures	<u>\$ 4,000,000</u>
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<u>Project Total:</u>	\$55,000,000
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The City of Lansing has been awarded a \$5 million loan/grant from the Core Communities Fund. Of this amount \$820,000 was awarded as a grant to the city for purchase of the project property which the city will lease to the developers. The remaining \$4.18 million is a loan to the city, the proceeds of which will be contributed to construct the parking ramp. The city will have a one-quarter ownership interest in the ramp.

The property is a "facility" in accordance with Part 201 of the Michigan Natural Resources and Environmental Protection Act (NREPA) and is included in the City of Lansing's Brownfield Redevelopment Plan. There are three applicants for the credit,

which will own and/or lease portions of the project: Boji Group of Lansing, L.L.C., Boji Complex, L.L.C., and Boji Parking L.L.C.

### **Recommendation**

The Michigan Economic Development Corporation recommends approval of a MEGA Brownfield Redevelopment Credit of 10 percent of the eligible investment in the Boji Group project located in the City of Lansing, but no more than \$5.5 million. The credit may not be assigned or transferred to any business which relocates operations or employees currently in Lansing's downtown TIF district to the project.

### **Board Discussion**

Tim Ward gave the Executive Committee report. The Executive Committee recommends approval of the application by the MEGA Board.

Tom Schimpf asked about the exact location of the parking area. The location of the parking and office structures were pointed out on an artist's rendering of the project plan. Hearing no further discussion from the Board, it was moved and supported and Resolution 2001-056 approving a Brownfield Redevelopment Credit for the Boji Group of Lansing, L.L.C. was adopted.

### **ACTION ITEM**

*Indeck-Niles Energy Center, L.L.C.  
600 North Buffalo Grove Road, Suite 300  
Buffalo Grove, Illinois 60089*

Tino Breithaupt introduced the representatives of the company and gave a presentation of the project to the Board. Indeck-Niles Energy Center is proposing to build a 1,100 MW gas-fired, combined-cycle electrical generation plant in Niles, Michigan. The facility will utilize gas turbine technology, the most efficient and cleanest technology currently available to generate electricity. The configuration will include four 180 MW gas turbines and two 180 MW steam turbines. The five-year project cost is \$570,200,000.

The property under consideration for the project has been unused since the early 1950s. Existing environmental contamination has precluded any residential or recreational use. As part of the development of the property, Indeck will spend \$1,368,000 to contain the contaminated soils. This cost will essentially "green the site" and allow Indeck to proceed with development of this site as if it were an uncontaminated greenfield.

The site is controlled by the City of Niles, and has been off the tax rolls for a significant amount of time. The project will involve an investment of \$570 million for construction and will have an annual operating budget of \$12 million. When fully operational, the plant will employ 35-40 full-time employees at an average annual wage of \$50,000.

Indeck has also committed to provide the City of Niles with a fire truck, valued at \$650,000; an annual payment of \$100,000 to the City of Niles Schools; and \$500,000 worth of infrastructure improvements including well upgrades and water and sewer extension from the existing industrial park to a potential new industrial park. Indeck has committed to provide Howard Township with a one-time payment of \$500,000 and an annual right of way payment of \$500,000.

It is estimated that this facility will generate a total of 209 jobs in the state by the year 2004. Net state government revenues through the year 2004 would be increased by \$9.8 million due to the presence of this facility.

The eligible investment to be undertaken in Niles by Indeck-Niles Energy includes:

Site Improvements	\$ 5,200,000
New Construction	105,000,000
Addition of Machinery, Equipment and Fixtures	<u>460,000,000</u>
Project Total	\$ 570,200,000

The State of Michigan will provide the company with a 3-mill State Education Tax abatement. The estimated value of the state tax abatement is \$9.1 million. As part of its redevelopment plan, the Niles Brownfield Redevelopment Authority has authorized \$300,000 in tax increment financing (TIF) for the local portion of the millage only. No state funding will be foregone due to the action of the Brownfield Authority. Additionally, the City of Niles will offer a twelve-year, 50 percent abatement of all planned investment by Indeck-Niles Energy. The estimated value of this incentive is \$72,000,000.

The property is a facility according to the Michigan Natural Resources and Environmental Protection Act. The City of Niles is not a qualified local governmental unit, however, the MEGA Board has the ability to approve three projects a year in non-qualified governmental units, providing the site is a facility. The MEGA Board has not approved any projects in a non-qualified governmental unit in 2001. The project is the subject of a brownfield plan approved March 26, 2001, and Indeck-Niles Energy Center, L.L.C. is a qualified taxpayer.

**Recommendation**

Awarding a SBT Brownfield Redevelopment credit will provide the incentive needed by Indeck-Niles Energy to "green" and develop a contaminated, underutilized site. The Michigan Economic Development Corporation recommends approval of a MEGA Brownfield Redevelopment Credit of 1/3 of 1 percent of the eligible investment in the Indeck-Niles Energy project, but no more than a \$1,368,000 credit.



## **Board Discussion**

Tim Ward gave the report of the Executive Committee and recommended approval of the SBT Brownfield Redevelopment Credit. He indicated that the credit being recommended approximated the cost of cleaning-up the site.

Due to a change made to Public Act 198, local units of government are prevented from granting a tax abatement, which effects both state and local revenues, and then receiving payments in lieu of taxes, or "pilot". Doug Roberts requested an amendment to the resolution to make clear that his affirmative vote, as a representative of the Michigan Department of Treasury, was not tacit approval of the company's payments to the local community and would not prejudice any future review by the Department of Treasury of whether the payments constituted a "pilot".

Language addressing Mr. Roberts' concern was provided to the Secretary to the Board

Jim Paquet pointed out a typographical error in the briefing memo. He noted that on the last page under Recommendation, that "1/3 of 1 percent of the eligible investment..." should read "...1/4 of one percent ...".

Hearing no further discussion from the Board, the amended Resolution was moved and supported, and Resolution 2001-057 awarding a Brownfield Redevelopment Credit to Indeck-Niles Energy Center, L.L.C. was adopted.

## **ACTION ITEM**

*Delphi Automotive Systems, LLC  
Delphi Energy & Chassis Systems  
2100 Burlingame Avenue South West  
Grand Rapids, Michigan 49509*

Jim Donaldson provided the Board with a description of the project, which would retain \$46,500,000 in state revenue and 1500 jobs if the planned rehabilitation of the plant is allowed to proceed.

Delphi Automotive has been operating at its Wyoming facility since the company was spun-off from General Motors in 1999. Previous to the spin-off, General Motors operated the facility dating back to 1946.

In order for Delphi to supply high-quality, innovative components at a competitive price, the company needs to renovate and upgrade its operations at the facility. The project has two phases. The first is to upgrade the production technology of the facility. This will require a \$67 million investment in state-of-the-art machinery and equipment for current products.

The second phase would involve renovation of an unused portion of the facility. Delphi, in cooperation with a lessee to be identified, could make additional investments to redevelop the south portion of the facility in the amount of \$32,000,000. Delphi will also pay to complete remediation of the contaminated site at an estimated cost of \$300,000. The projected five-year cost for both phases of the project is \$99,000,000.

This investment will allow Delphi to seek new, high technology product and process manufacturing equipment, enhancing the performance and competitiveness of the facility. With these improvements Delphi will be able to preserve employment and continue to support local businesses.

Based on the assumed retention of 880 jobs at an average weekly wage of \$800, the REMI analysis estimates that the combined projects will have a net state revenue impact of \$46.5 million. The analysis projects that in addition to the 880 direct jobs retained by Delphi, there will be an indirect employment impact of 1,503 jobs. The project will result in the retention and creation of \$696.1 million in personal income in the state. The company must retain 650 jobs to collect the credit and is not required to pay the average weekly wage of \$800 in order to collect the credit.

The eligible investment to be undertaken in Wyoming by Delphi Automotive and/or an unknown lessee includes:

Demolition	\$ 4,000,000
Site Improvements	\$ 4,000,000
New Construction	\$ 8,000,000
Building Improvements	\$ 8,000,000
Addition of Machinery, Equipment and Fixtures	<u>75,000,000</u>
Project Total	\$ 99,000,000

As part of the redevelopment plan the Wyoming Brownfield Redevelopment Authority has authorized \$15,000 in tax increment financing (TIF) for the local portion of the millage only. No state funding will be foregone due to the action of the Authority. Additionally, the City of Wyoming has approved a twelve-year, 50 percent abatement on \$16.9 million of the planned investment by Delphi Automotive. The total estimated value of this incentive is \$1,500,000.

The property is a facility pursuant to criteria in Part 201 of the NREPA. The City of Wyoming is not a qualified local governmental unit, however, the MEGA Board has the ability to approve three projects a year in non-qualified governmental units, providing the site is a facility. The MEGA Board has approved only one project in a non-qualified governmental unit in 2001. The project is the subject of a brownfield plan approved November 19, 2001, and Delphi Automotive Systems, L.L.C. is a qualified taxpayer.

### **Recommendation:**

Awarding a SBT Brownfield Redevelopment credit will allow Delphi Automotive to improve and redevelop its Wyoming facility. The Michigan Economic Development Corporation recommends approval of a MEGA Brownfield Redevelopment Credit of 10 percent of the eligible investment in the Delphi Automotive project, but no more than a \$9,900,000 credit. A minimum investment of \$60,000,000 and the retention of 650 jobs will be required in order for the development to qualify as a project.

### **Board Discussion**

Tim Ward gave the report of the Executive Committee and recommended approval of the requested Brownfield Redevelopment Credit. He stated that the facility needed to compete within the company for investment and that the project was viewed as much as a retention credit as a brownfield credit.

Jim Paquet pointed out a correction that will be made to the resolution. In the fourth paragraph, at the third 'Whereas', the third line should read "...been determined to be a facility and is located...".

Hearing neither questions nor further discussion from the Board, motion was made and supported and Resolution 2001-058 approving a Brownfield Redevelopment Credit for Delphi Automotive Systems, L.L.C., Delphi Energy & Chassis Systems, Wyoming, Michigan was adopted.

### **ACTION ITEM**

*Delphi Automotive Systems, L.L.C.  
Delphi Safety & Interior  
1450 East Beecher Street  
Adrian, Michigan 49221*

Jim Donaldson described the proposed Delphi Automotive Systems project for its Adrian, Michigan location. The plant is currently used to produce components of interior instrument panels. The plant was originally built in 1941 by the federal government for war production and is functionally obsolete. The building is oversized and expensive to heat.

To be competitive the company needs to renovate and upgrade the facility. The major investment will be to upgrade the production technology, replacing obsolete machinery, with state-of-art injection molding machines. Additionally, Delphi will undertake building renovations as necessary to support the technology upgrades.

Delphi proposes to make eligible investments totaling \$64,000,000 in the project. Failure to improve the facilities will lead Delphi to favor non-Michigan facilities when production-sourcing decisions are made, severely impacting the 400 Delphi employees

working at the site. The lost salary and wages of these employees would have a significant financial impact to the surrounding area. The project will also lead to a reinvestment in an aging facility in the City of Adrian, which will help to redevelop one of our distressed core communities.

Based on the assumed retention of 450 jobs at an average weekly wage of \$800, the REMI analysis estimates that the project will have a net state revenue impact of \$24.4 million. The analysis projects that in addition to the direct jobs retained by Delphi, there will be an indirect employment impact of 731 jobs. The project will result in the retention and creation of \$378.9 million in personal income in the state. The company must retain 400 jobs to qualify for the credit and is not required to pay the average weekly wage of \$800 in order to collect the credit.

The eligible investments to be undertaken in Adrian by Delphi Automotive include:

Building Improvements	\$ 4,000,000
Addition of Machinery, Equipment and Fixtures	<u>60,000,000</u>
Project Total	\$ 64,000,000

As part of the redevelopment plan, the City of Adrian will offer a twelve-year, 50 percent abatement of all planned investment by Delphi Automotive. The annual estimated value of this incentive is \$800,000.

The property is functionally obsolete and is located within the boundaries of a qualified local governmental unit. The project is the subject of a brownfield plan approved December 3, 2001, and Delphi Automotive Systems, L.L.C. is a qualified taxpayer.

### **Recommendation:**

Awarding a SBT Brownfield Redevelopment credit will allow Delphi Automotive to improve and redevelop the aging Adrian facility. The Michigan Economic Development Corporation recommends approval of a MEGA Brownfield Redevelopment Credit of 10 percent of the eligible investment in the Delphi Automotive project, but no more than a \$6,400,000 credit. A minimum investment of \$55,000,000 and the retention of 400 jobs will be required in order for the development to qualify as a project.

### **Board Discussion**

Tim Ward gave the report of the Executive Committee and recommended approval of the requested Brownfield Redevelopment Credit. Beth Chappell congratulated the company and the MEDC staff on the work that was put into bringing this project to the Board.

Hearing no questions from the Board, it was moved and supported and Resolution 2001-059 approving a Brownfield Redevelopment Credit for Delphi Automotive Systems, L.L.C., Delphi Safety & Interior, Adrian Michigan was adopted.

**ACTION ITEM**

*General Motors Corporation  
Riverfront Holdings, Inc.  
200 Renaissance Center, Suite 1300  
Detroit, Michigan 48243*

The project involves the design and construction of a riverfront promenade to increase public access to the riverfront from the Renaissance Center and to enhance the appearance of the Detroit riverfront. The walkway will connect Civic Center Promenade to the west with the proposed State Park and the existing Chene Park to the east. The walkway will provide access to the Renaissance Center through the new Wintergarden atrium, and to a multi-use parking structure. The estimated cost of this predominately public amenity, which will be funded by General Motors, is \$20 million.

The project represents a major commitment to the City of Detroit by General Motors Corporation. GM will significantly develop and beautify the City's riverfront. The project will integrate the physical features and public facilities along the riverfront and will connect with the \$60 million multi-use parking structure, which will also be funded by General Motors. The projects are intended to be the initial phase of what is hoped to be additional development along the riverfront east of the Renaissance Center, including retail space. The creation of 30 to 35 construction jobs is projected through project completion in 2005.

*Cost Breakdown*

Demolition	\$ 500,000
New Construction	<u>\$19,500,000</u>
Total Project	\$20,000,000

The property is a facility and is located within the boundaries of a qualified local governmental unit. The project is the subject of a duly approved brownfield plan and General Motors/Riverfront Holdings Inc. is a qualified taxpayer.

**Recommendation:**

The Michigan Economic Development Corporation recommends approval of a Brownfield Redevelopment SBT Credit of 10 percent of the eligible investment in the General Motors project, but not more than \$2,000,000.

### **Board Discussion:**

Tim Ward gave the report of the Executive Committee and recommended approval of the Brownfield Redevelopment Credit for General Motors Corporation's Riverfront Promenade Project.

Doug Rothwell indicated that, unlike many of the brownfield credits the Board has approved in the past, almost all this project involves areas that are for the enjoyment of the public.

Jim Paquet pointed out that in the ninth paragraph of the resolution, the 'Be It Resolved' paragraph does not contain the application signature date. The correct date of December 6, 2001 will be inserted in the resolution. Hearing no questions from the Board, it was moved and supported and Resolution 2001-060 approving a Brownfield Redevelopment Credit for General Motors Corporation's Riverfront Promenade Project was adopted.

### **ACTION ITEM**

*General Motors Corporation  
Riverfront Holdings, Inc.  
200 Renaissance Center, Suite 1300  
Detroit, Michigan 48243*

The project is one of a series of projects in the General Motors, River East Redevelopment Master Plan. The project will consist of an eight-story mixed-use parking structure with approximately 1100 parking spaces. Parking will be dedicated to Renaissance Center tenants and customers during working hours but will be available to the public for special events and after business hours. The structure will contain approximately 18,000 square feet of retail space, an 80,000 square foot fitness center. A medical wellness center is also planned for the structure. The estimated construction cost of the mixed-use structure is \$63 million.

Historically, the area east of the Renaissance Center has been underutilized and has contributed to declining property values. The decision by General Motors to consolidate its headquarters in the Renaissance Center has created an extraordinary opportunity for GM and the City of Detroit to redevelop the riverfront. In addition to the mixed-use structure that is the subject of this request for a Brownfield Redevelopment SBT Credit, a Riverfront Promenade adjoining the Hart Plaza, is the subject of a second SBT Credit request. These two projects, along with other separate but related projects, will greatly enhance the area visually. The development will generate pedestrian traffic and commercial activity along the riverfront in addition to the temporary construction jobs and economic activity resulting from the investment of over \$80 million in the two projects.

*COST BREAKDOWN*

Demolition of subsurface structures	\$ 800,000
Construction of mixed use parking structure	\$57,200,000
Machinery, Equipment and Fixtures	<u>\$ 5,000,000</u>
Total Project	\$63,000,000

General Motors is not seeking any other incentives or public assistance in connection with this project.

The project site is contaminated and located within the boundaries of a qualified local governmental unit. The project is the subject of a duly approved brownfield plan and General Motors/Riverfront Holdings Inc. is a qualified taxpayer.

**Recommendation:**

The Michigan Economic Development Corporation recommends approval of the Brownfield Redevelopment SBT Credit of 10 percent of the eligible investment in the Parcel B Project-Parking Deck, but no more than a \$6,300,000 credit.

**Board Discussion:**

Tim Ward gave the Executive Committee report and relayed its recommendation of approval of the requested Brownfield Redevelopment Credit for this project.

Hearing no questions from the Board, motion was made and supported and Resolution 2001-061 approving a Brownfield Redevelopment Credit for General Motors Corporation's Parcel B Mixed-use Parking Deck was adopted.

Doug Rothwell congratulated General Motors Corporation for investing in Detroit and undertaking these significant projects.

**ACTION ITEM**

*Lombardo Heritage, L.L.C.  
6303 Twenty-Six Mile Road, Suite 200  
Washington, Michigan 48094*

The Lombardo Heritage project was presented by John Czarnecki. The project will redevelop a long abandoned and blighted 10.6-acre parcel into 126 new condominium townhouses in four phases over the next four and one-half years. The site is located on Detroit's far east side in a blighted area that has been underutilized for more than two decades. The total cost of the project, including costs not eligible for a tax credit, is expected to be \$19.7 million.

The condos, to be priced at approximately \$175,000 each, will be targeting families, a new market for this type of development. A unique feature of the condos is that they will have basements. Although the city is encouraging this type of development, the risk associated with reaching the target market is high. Based upon information provided by the developer, the value of the SBT credit would be passed on to the individual condo purchasers through a lower sales price. The tax credit equates to an approximate savings of \$14,000 per unit. The developer also expects to use the Neighborhood Enterprise Zone program, which will significantly reduce the property taxes paid by the owners of the condominiums.

The city has aggressively assembled property in the area to eliminate the blight. The site consists of overgrown vacant lots and blighted houses and generates very little tax revenue. The area has among the lowest household incomes and highest unemployment rates in the city. The project is the third of four phases designed to completely rehabilitate this section of the city. Completing the project will create construction jobs and new family oriented housing and is a high priority for the city. Upon completion the project will result in more than \$300,000 in new revenue to the city via local income, property, and utility taxes. The city currently owns the property and anticipates selling the property to the developer by year-end. There is a development agreement in place between the city and the developer

**COST BREAKDOWN:**

Eligible Costs	
Site Improvements	\$ 2,308,698
New Construction	<u>\$15,372,000</u>
Total Eligible	\$17,680,698
Land Acquisition and other non-eligible costs	<u>\$ 2,052,148</u>
Total Project	\$19,732,846

The property is blighted and is located within the boundaries of a qualified local governmental unit. The project is the subject of a duly approved brownfield plan and the City of Detroit. The developer is not a qualified taxpayer and no pre-approval letter will be issued until the developer becomes a qualified taxpayer. Investments made before the pre-approval letter is issued will not qualify for a credit.

**Recommendation:**

Board approval of the project for a Brownfield Redevelopment SBT credit will enable this project to move forward. The MEDC recommends approval of a MEGA Brownfield



Redevelopment Credit of 10 percent of the eligible investment in the Lombardo Heritage project, not to exceed a \$1,768,070 credit. In order to qualify for the credit, the developer must become a qualified taxpayer and make eligible investments of at least \$10 million.

**Board Discussion:**

Tim Ward gave the Executive Committee report. The Executive Committee recommends approval of the project for a Brownfield Redevelopment Credit, provided that the developer makes the minimum investments and becomes an eligible taxpayer.

Doug Roberts expressed his concern about leaving the applicant's status as a qualified taxpayer open-ended. He suggested the Board set a deadline for the developer to become a qualified taxpayer.

Doug Rothwell asked the developer's representative when it would control the property. Michael Curtis from Lombardo Heritage stated that the developer would close on the property by Friday (December 21, 2001).

Sarah Deson-Fried had concerns about whether the credit would count for this year or for next calendar year. Jim Paquet responded that the answer was not clear. The issuance of a pre-approval letter is the event that makes a project eligible for the tax credit. This project is the first case in which the Board's action and the issuance of the letter might occur in different calendar years.

Tom Schimpf stated that if the Board takes action in 2001, and the applicant subsequently becomes a qualified taxpayer, the approval will count against the 2001 cap.

Doug Rothwell asked that language be inserted in the final resolution that would state that the developer must become a qualified taxpayer within 45 days or the Board's approval would be reversed.

Sarah Deson Fried asked whether language should be inserted in the resolution to require the value of the redevelopment credit to be passed through to the consumer, as was described in the Briefing Memo. Doug Rothwell said no, arguing that the Board had no way of enforcing such a requirement. He stated that the incentives would allow the developer to price the housing units at a more attractive price, if the market required it.

Hearing no further discussion from the Board, the Resolution, amended to require that the applicant become a qualified taxpayer no later than February 1, 2002, was moved and supported and Resolution 2001-062 approving a Brownfield Redevelopment Credit for Lombardo Heritage, L.L.C. was adopted.

**ACTION ITEM**

*KWAI, L.L.C.  
220 West Congress, Suite 500  
Detroit, Michigan 48226*

John Czarnecki described the project to the Board. The Merchant's Row development will completely rehabilitate a six-building stretch of Woodward Avenue, near the Campus Martius area, into loft apartments and retail space. The portion of the project under consideration for the credit will result in 101 residential loft apartments, 19,000 sq. ft. of retail space, 13,000 sq. ft. of storage space, and a 264 space parking garage. The eligible investment in the project is \$17,325,000.

The buildings in question have been largely vacant since the mid-1980s. The utilities have been shut off and/or disconnected and the mechanical, plumbing and electrical systems have been allowed to deteriorate to conditions that require substantial renovation to effectively operate the buildings. In their current condition, the buildings are unfit for use. Three of the buildings will be demolished to allow construction of an entryway for the apartments and parking deck. The development of high-end housing and retail opportunities in the Campus Martius area is critical to the overall downtown redevelopment plan.

It is expected that 50 retail jobs will be created, and housing for over 130 individuals will be provided. In addition to new housing and retail opportunities for the downtown, this project is expected to create 100 construction jobs.

***COST BREAKDOWN:***

The eligible investment to be undertaken in Detroit by KWAI, LLC, includes:

Demolition	\$ 500,000
Site Improvements	\$ 325,000
New Construction	\$ 7,120,000
Building Improvements	\$ 9,080,000
Fixtures	<u>\$ 300,000</u>
Project Total	\$17,325,000

The developer is applying for historic tax credits approximating \$4,000,000. The developer also will be seeking an Obsolete Property Rehabilitation Exemption Certificate, which will freeze local property taxes at current levels. The developer has received approval from the Detroit Downtown Development Authority for an interest free loan of \$4,750,000.

The property is blighted and functionally obsolete and is located within the boundaries of a qualified local governmental unit. The property is the subject of a duly approved

brownfield plan. Currently, the developer does not own all the properties included in the proposed project, and is not a qualified taxpayer. A project pre-approval letter will not be issued until the developer becomes a qualified taxpayer. The SBT credit may only be collected on investments made after the pre-approval letter is issued.

### **Recommendation:**

Awarding a Brownfield Redevelopment SBT credit will enable this project to proceed. The MEDC recommends approval of a MEGA Brownfield Redevelopment Credit of 10 percent of the eligible investment in the Merchant's Row project, not to exceed a credit of \$1,732,500.

### **Board Discussion:**

Tim Ward gave the Executive Committee report and briefly discussed the property acquisition issue. There is a question about title to one of the parcels that is required for the project. The project is being recommended to the Board on the assumption that the developer becomes a qualified taxpayer no later than March 31, 2002.

Doug Roberts indicated that there was a history of dispute over one piece of property that involved property tax reversion issues and that the Department of Treasury was committed to working them out.

Doug Rothwell added that it was hoped that by approving the project before the ownership question was resolved, could expedite the project. He asked the developer's representative if the issue could be resolved within 90 days.

The developer's representative responded that it was in contact with the original owner of the property and was working diligently to resolve the issue.

Tom Schimpf expressed concern that the March 31<sup>st</sup> deadline carried beyond the statutory 65 day period after which a project was deemed approved, if it was not approved or denied by the MEGA. He advised the Board that it should not approve the project contingent on the developer becoming a qualified taxpayer by March 31<sup>st</sup>, unless the developer waived in writing, any claim that the MEGA must approve or deny the project within 65 days of MEGA's receipt of its application for a tax credit.

Phill Kazmierski asked how the applicant's status as a qualified taxpayer affected the approval clock.

Tom Schimpf responded that the statute does not require the applicant to be a qualified taxpayer, but it does require that in order to receive a pre-approval letter the applicant must be a qualified taxpayer. This is significant because only those investments made after a pre-approval letter is issued are eligible for a credit. The applicant would therefore have to become a qualified taxpayer at some date in order to receive a benefit from the credit.

Doug Roberts, while applauding the project's benefit, voiced concerns about open-endedness and whether the project counts for this year or next year. He preferred setting a time limit within which the applicant could become qualified, even if that meant that a new application had to be considered next year if the applicant failed to meet the deadline.

Doug Rothwell asked that language also be incorporated in the resolution to insure that the credit would not be deemed to be approved because the 65 day clock had run out. He added that his desire was that the project be approved today so that it would count against the 2001 deal cap and so that the developer could move forward with marketing the project to prospective tenants.

Hearing no further questions, motion was made and supported, and Resolution 2001-063 approving a Brownfield Redevelopment Credit for KWAI, L.L.C. for the Merchant's Row Redevelopment Project contingent on the applicant waiving the 65 day statutory "deemed approved" period and becoming a qualified taxpayer by March 31, 2002 was adopted.

### **ACTION ITEM**

*City of Detroit Brownfield Redevelopment Authority  
Detroit Economic Growth Corporation  
211 West Fort Street, Suite 900  
Detroit, Michigan 48226*

John Czarnecki presented this project to the Board. The Woodward Millenium site is a 4.5 acre parcel located at the northeast corner of Woodward Avenue and Mack Avenue. The \$37 million private investment will result in a commercial/residential building along Woodward which will include 20,145 sq. ft. of retail space and 45 loft condominiums, a 135-unit garden-style apartment complex along Mack Avenue, and a privately owned and operated parking garage at the rear of the site.

The site was first declared to be a blighted by the Detroit Housing Commission and City Council in 1960. According to a historical survey, more than 52 individual structures once blanketed the property, with only two standing today. To complete the project, it is necessary to not only demolish the remaining structures, but also to remove the substructures of the earlier buildings. The site is also bisected by multiple utility lines, both active and abandoned, which must either be removed or relocated. As a result of the demolition activities and reconfiguration of the property, infrastructure improvements, including sidewalks, a traffic signal and street repair, are necessary. The cost breakdown for these activities are as follows: Infrastructure improvements, \$301,000; demolition, \$300,000; and lead and asbestos abatement, \$24,000.

The Woodward Corridor has long been targeted for redevelopment. This project will result in the removal of a blighted, contaminated property from the main corridor of the

city. This project will continue the City's efforts to connect the University/Museum district to the downtown. The 180 units of new housing will help to slow the city's population decline. The retail component, expected to create 30 jobs, is also addressing the needs of the community.

The project has received significant local support, including the designation of a Neighborhood Enterprise Zone, which significantly reduces the property taxes for the residential component of the project.

Because the site is contaminated, the developer and city will be seeking MDEQ approval of \$1,175,000 in cleanup costs. In addition, the developer has the opportunity to apply to the Department of Treasury for a Brownfield Redevelopment Credit.

Finally, the developer is negotiating with the Michigan State Housing Development Authority for financing of the 135-unit apartment complex.

The project is expected to generate \$175,394 in new property taxes in the first year on the tax rolls. The total property tax revenue includes \$95,340 in local taxes and \$80,054 in state school taxes. The property taxes will be captured to fund both environmental cleanup (MDEQ approval) and infrastructure/demolition (MEGA approval).

Estimated Property Taxes in Year One:

\$ 95,340 Local	(\$33,083 for MEGA activities; \$62,257 for MDEQ activities)
<u>\$ 80,054 School</u>	<u>(\$27,779 for MEGA activities; \$52,275 for MDEQ activities)</u>
\$175,394 Total	

The property is a facility and is located within the boundaries of a qualified local governmental unit. The project is the subject of a duly approved brownfield plan and the City of Detroit has a development agreement with Woodward Millennium Limited Partnership and H.F. Campbell Company, as required by P.A.145 of 2000.

Approval has been requested for the following costs:

1. Infrastructure	
a. Sidewalks	\$ 45,000
b. Utility Taps	\$ 76,000
c. Curb Cuts	\$ 55,000
d. Traffic Signal	\$ 55,000
e. Utility Abandonment/Relocation	\$ 70,000
Subtotal	\$301,000
2. Demolition	\$300,000
3. Lead and Asbestos	\$ 24,000

Subtotal	\$625,000
Contingency @ 15%	\$ 93,750
<b>Total</b>	<b>\$718,750</b>

**Recommendation:**

The MEDC recommends approval of the work plan. The project will result in the reuse of a blighted and contaminated site, which is important to the redevelopment of the Woodward Corridor. In addition to the construction jobs, the project, when completed, is expected to result in 30 new retail jobs. The 180 new housing units also meet the city's objective to expand housing opportunities in the midtown area.

**Board Discussion:**

Tim Ward gave the Executive Committee report and recommended approval of the work plan and request for tax capture.

Hearing no questions from the Board, it was moved and supported and Resolution 2001-064 approving school operating tax capture for the Woodward Millennium Project through the Detroit Economic Growth Authority was adopted.

**ACTION ITEM**

*Ferndale Brownfield Redevelopment Authority  
Pontiac, Michigan*

John Czarnecki provided the Board with a description of this project. The project is the private redevelopment of two parcels of property, 181 and 227 West Marshall Avenue. The property currently has one building that spans both parcels. The building was formerly used as an auto polish factory on one end and a small auto painting shop on the other. The project entails the demolition of the existing building, remediation, and construction of a new 44,000 square foot multi-level high-end self-storage facility. The total project cost is approximately \$5,070,000 including land purchase.

The project will provide the City of Ferndale with a significant increase in taxable value for the redeveloped property. The current taxable value of the property, \$540,460, is expected to increase to \$2,535,000. In addition, two full time jobs would be created while vastly improving the esthetic appeal of the corner of Marshall and Woodward Avenues.

The City and County, as well as all other taxing jurisdictions, have committed local tax capture from this property to the project. In addition, a P.A. 381 plan has been submitted to the Michigan Department of Environmental Quality for approval of tax capture for environmental response activities.

The project is expected to generate \$103,108 in new property taxes in the first year. The total property tax revenue includes \$55,240 in local taxes and \$47,868 in state school taxes. The property taxes will be captured to fund both environmental cleanup and demolition.

Estimated Property Taxes in Year One:

\$55,240 Local	(\$11,049 for MEGA activities; \$44,191 for MDEQ activities)
<u>\$47,868 School</u>	(\$9,573 for MEGA activities; \$38,295 for MDEQ activities)
103,108 total	

The project site is a "facility" based on environmental assessment and is the subject of a brownfield plan duly approved by the City of Ferndale City Council.

Approval has been requested for the following costs:

Demolition	\$100,000
Subtotal	\$100,000
Contingency @ 10%	<u>10,000</u>
<b>Total</b>	<b>\$110,000</b>

**Recommendation:**

The MEDC recommends approval of the City of Ferndale's work plan. The project will result in the redevelopment of a contaminated site, which is important to the overall esthetic image and physical well being of the community. In addition to construction jobs, the project will result in two new service jobs.

**Board Discussion:**

Tim Ward gave the Executive Committee report. The Executive committee recommends approval of the work plan and the request for tax capture.

Hearing no questions from the Board, it was moved and supported and Resolution 2001-065 approving school operating tax capture for the Ferndale Brownfield Redevelopment Authority for the Ferndale E-Z Mini Storage Project was adopted.

The meeting was adjourned at 12:30 p.m.







STATE OF MICHIGAN  
DEPARTMENT OF MANAGEMENT & BUDGET  
LANSING  
December 17, 2001

JOHN ENGLER  
GOVERNOR

DUANE E. BERGER  
DIRECTOR

Mr. Doug Rothwell  
President and CEO  
Michigan Economic Development Corporation  
Victor Center Office Building, 4<sup>th</sup> Floor  
201 N. Washington Square  
Lansing, Michigan 48913

Dear Mr. Rothwell:

I hereby designate Leon Hank, Department of Management and Budget, Office of Financial Management, to be the representative at the Michigan Economic Growth Authority.

If you have questions, please feel free to contact me at 373-0666.

Sincerely,

*for Duane E. Berger*

Duane E. Berger  
Director

cc: Don Gilmer  
Nancy Duncan

TRANSPORTATION  
COMMISSION

BARTON W. LaBELLE, Chairman  
JACK L. GINGRASS, Vice Chairman  
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BETTY JEAN AWREY  
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LH 0-0 (4/99)

STATE OF MICHIGAN



JOHN ENGLER, GOVERNOR

DEPARTMENT OF TRANSPORTATION

TRANSPORTATION BUILDING, 425 WEST OTTAWA POST OFFICE BOX 30050, LANSING, MICHIGAN 48909

PHONE: (517) 373-2090 FAX: (517) 373-0167 WEB SITE: <http://www.mdot.state.mi.us>

GREGORY J. ROSINE, DIRECTOR

January 8, 2001

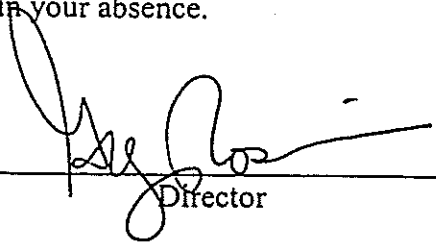
**TO:** Philip F. Kazmierski, Deputy Director  
Bureau of Urban and Public Transportation

**FROM:** Gregory J. Rosine  
Director

**RE:** Michigan Economic Growth Authority (MEGA) Board

I hereby appoint you to attend and act on my behalf at the MEGA board meetings when I am unable to attend.

I appoint Jackie Shinn to assume these responsibilities in your absence.

  
\_\_\_\_\_  
Director

cc: Doug Rothwell, Director  
Michigan Economic Development Corporation  
Jackie Shinn