ADOPTED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) board was held at the Michigan Economic Development Corporation, 300 N. Washington Square, on December 19, 2006, at 10:00 a.m.

Members Present
Cullen DuBose
Jim Epolito
Bo Garcia
Faye Nelson
Jackie Shinn (acting on behalf of Kirk Steudle, authorization attached)
Scott Schrager (acting on behalf of Robert Kleine, authorization attached)
Robert Swanson

Others Present
Karen Ammarman, Secretary to the Board, MEDC
Peter Anastor, MEDC
Tiffany Bloom, MEDC
Joe Borgstrom, MSHDA
Marcel Burgler, Studio One Apartments
John Byl, Warner, Norcross & Judd
Mark Chilcott, Kalwards, LLC
Lisa Dancsok, MEDC
Deb Dansby, MEDC
Dave Darita, The Roxbury Group
John Davis, CFO, Wayne State University
Jim Donaldson, MEDC
Bob Dykstra, Main Street Development
Lynn Gandhi, Miller, Canfield, Paddock and Stone
Bing Goei, Eastern Floral
Pat Greve, AKT Peerless
Marc Hatton, City of Kalamazoo
Mike Hidalgo, Book Tower
Forrest Hudson, 1200 Sixth Street
Carol Knobloch Johns, MEDC
David Kurtycz, MEDC
Corey Leon, AKT Peerless
Chris Loomis, LenderLive Network, Inc.
Leah Maher, MEDC
Kirk Meadows, Scripps Park Associates, LLC
Mark Mitchell, Alliance for World Class Communities
Michael Moidel, Bettis/Betters Development
Mark Morante, MEDC
Brian Murphy, City of Troy
Karen O'Donaghue, Taktik Solutions

Dan Oegema, City of Grand Rapids
Brian O'Mara, Bettis/Betters Development
Larry Osiecki, Grand Van Dyke LLC
Jennifer Owens, MEDC
Ricardo Pagan, The Pagan Organization, LLC
Art Papapanos, Detroit Economic Growth Corporation
Jim Paquet, MSHDA
Roger Parsons, LenderLive Network, Inc.
Nate Pilon, MEDC
Mariangela Pledl, City of Detroit BRA
Mike Pohnl, MEDC
Matthew Rick, Attorney General's Office
Mike Shore, MEDC
Vern Taylor, MEDC
James Van Dyke, V.P., The Roxbury Group

Call to Order

Jim Epolito called the meeting to order at 10:08 a.m.

Approval of Minutes from November 14, 2006

After review, a motion was made, supported and carried that board meeting minutes from the November 14, 2006 meeting be adopted

Public Comment

There was no public comment.

ACTION ITEM

LenderLive Network, Inc.
888 West Big Beaver Road
Troy, Michigan 48084

Founded in 1999, LenderLive operates and drives mortgage origination and fulfillment services enabling its clients to be the dominant mortgage lenders in their customer and affinity groups, enabling them to originate or acquire more loans more efficiently, at lower costs. Jim Donaldson introduced Roger Parsons and Chris Loomis with LenderLive Network. Mr. Parsons lead the presentation.

Over the last several years, LenderLive has experienced huge demand for its services and needs to expand. LenderLive currently operates the largest portion of its business out of Denver, Colorado, but would like to expand its operations with a facility in the Midwest or in the South. The company currently has 10 full time Michigan employees at its facility in Troy. Several locations have been considered for this expansion including sites in Michigan, Florida, and Texas. The company has also considered expanding its Denver facility. Because it already has a facility there, site costs would be lower. Wages in Colorado are also considerably lower.

Should LenderLive decide to locate in Michigan, it would require a facility with more than 30,000 square feet of office space and one that would allow for a secure and reliable data center to be built. The company has identified a potential facility in the City of Troy that would meet its needs.

Pending approval of the MEGA tax credit, LenderLive intends to begin hiring immediately. Over a five year period, LenderLive plans to add up to 350 employees at an average weekly wage of $807. The expected capital investment for this expansion into Michigan is $7.4 million.

It is estimated that this facility will generate a total of 847 jobs in the state by the year 2013. Total state government revenues through the year 2013 would be increased by $13 million due to the presence of this facility.

Brian Murphy from the City of Troy was introduced. Mr. Murphy discussed the City's support for this project. The City of Troy has proposed a package of incentives, which includes the hosting of a jobs fair for the company, paying all occupancy permit fees, providing community center membership passes for new employees of the company, and making landscape improvements to the new site chosen by the company. The estimated value of this package is $20,000. The proposed package will be presented at the December 20, 2006 Downtown Development Authority meeting.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for seven years, for up to 350 net new jobs.

Board Discussion

Faye Nelson gave the Executive Committee report. The Executive Committee recommends approval of the requested tax credit.

Hearing no further discussion, a motion was made and supported, and Resolution 2006-104, authorizing a MEGA tax credit for LenderLive Network, Inc., was adopted.

ACTION ITEM

Harbor Shores HV Construction, LLC
Harbor Shores Water Park, LLC
Harbor Shores BHBT Land Development, LLC
400 Riverview Drive, Suite 420
Benton Harbor, Michigan 49022

Harbor Shores Community Redevelopment, Inc. is a community-based, Michigan non-profit organization. The entities that comprise Harbor Shores include Whirlpool Foundation, Alliance for World Class Communities and Cornerstone Alliance, each of which is also a non-profit corporation and is governed by a board of directors from the communities of Benton Harbor, St. Joseph and Benton Charter Township. John Byl with Warner, Norcross & Judd, and Mark Mitchell from Alliance for World Class Communities, were introduced to the MEGA board.

The project is a mixed-use venture to develop property in the City of Benton Harbor and is part of a much larger area-wide project. A portion of the property will be developed as a hotel and indoor water park. Another area will contain both single family homes and residential town homes. Existing buildings on the property will be demolished and environmental contamination will be assessed and addressed before constructing the new buildings. The hotel/water park is anticipated to comprise approximately 16.4 acres and 90,000 square feet of space, at an estimated construction cost of $67 million. The single family housing component will include approximately 7.6 acres and will consist of 24 units, with anticipated sales prices of $550,000. It is estimated that this portion of the project will cost $7.8 million to construct. The residential town homes will consist of approximately 78 housing units on approximately nine acres, with sales prices estimated at $357,000. The anticipated construction cost of the town homes is $17.5 million.

Overall, the total capital investment is expected to be approximately $100 million for this portion of the much larger project.

The project is located within the boundaries of the City of Benton Harbor, a qualified local governmental unit. The property qualifies as a facility, as verified by the Department of Environmental Quality, and is the subject of a brownfield plan, duly approved by Berrien County on September 14, 2006 and concurred with by the City of Benton Harbor on September 25, 2006.

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

It is anticipated that the hotel/water park will generate approximately 118 new jobs at an average hourly wage ranging from $7 to $17 for hourly workers. Salaried workers will range from $45,000 to $100,000 annually. The construction of the hotel/water park buildings and residential structures will also provide many temporary construction jobs.

The unemployment rate (unadjusted) for Berrien County was 6.1% in October 2006. This compares to the statewide seasonally adjusted average of 6.9% in October 2006. Data specific to the City of Benton Harbor was not available.

Brownfield TIF is also being supported for the entire project in the amount $125.8 million, including a $95.3 million MEGA TIF, which was approved by the MEGA Board on October 17th, and an estimated $30.5 million MEGA TIF request for the

Department of Environmental Quality. These funds will be used for public infrastructure improvements, including roads, utilities, public parks, pedestrian walks and boardwalks, demolition of existing buildings, as well as wetlands mitigation, dredging of contaminated soils from Ox Creek and remediation of numerous contaminated sites. In addition, a substantial portion of the town home and water park/hotel development will be within a designated Renaissance Zone, providing tax free status to those areas.

The eligible investment to be undertaken by the qualified taxpayers includes new construction costs of $92,300,000.

Recommendation

The Brownfield Redevelopment staff recommends approval of a MEGA SBT Brownfield Redevelopment Credit of 10% of the eligible investment not to exceed a $9,230,000 credit.

Board Discussion

Faye Nelson gave the Executive Committee report. The Executive Committee recommends approval of the requested brownfield redevelopment tax credit for this project.

Jim Epolito asked how much of the project will be residential and how much will be devoted to retail. Mr. Mitchell explained that they anticipate 850 residential units and approximately 75,000 square feet of commercial/retail space.

Hearing no further discussion, a motion was made and supported and Resolution 2006-105, authorizing a brownfield redevelopment tax credit for Harbor Shores Community Redevelopment, was adopted.

ACTION ITEM

Griswold Capitol Park, LLC
3115 David Stott Building
1150 Griswold Street
Detroit, Michigan 48226

Jim Paquet from MSHDA began the presentation by introducing Dave Darita and James Van Dyke with the Roxbury Group, Lynn Gandhi with Miller, Canfield, Paddock and Stone, Art Papapanos from the Detroit Economic Growth Corporation, and Mariangela Pledl from the City of Detroit Brownfield Redevelopment Authority. The project is a 13-story mixed-use redevelopment at the northwest corner of Michigan Avenue and Griswold Street in Detroit's Central Business District. It includes five floors of residential condominiums atop an eight-story parking ramp. Approximately 107,350 square feet of residential space will be divided into 80 units. Units will range in size from 700 to 1,500 square feet, with an average 1,340 square foot unit priced at $300,300. The first floor of the parking deck will provide 12,375 square feet of street-front retail space for lease and is expected to create 12 jobs paying $14.50 an hour. In addition to serving the residents and businesses in the new structure, the 500 space deck will be connected to, and provide parking for the Westin Book Cadillac and the Westin Cadillac Residences as well as the general public. The deck will be owned and operated by the Detroit DDA.

150 Michigan Avenue LLC will demolish a functionally obsolete building on the site, 20 years vacant, and construct the ramp and retail space. The principal member of the LLC is Walbridge Aldinger Company, one of the 50 largest construction companies in the country.

Griswold~Capitol Park will construct and manage the condominiums and retail space. Both of the qualified taxpayers are part of the Roxbury Group, an investment and development firm that specializes in complex real estate projects. The firm has been active in residential developments in the Lower Woodward area.

Combined investment in the project is expected to be $47.3 million.

The project is located within the boundaries of the City of Detroit, a qualified local governmental unit. The properties qualify as blighted and functionally obsolete and are the subject of a brownfield plan, duly approved by the City of Detroit on November 17, 2006.

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

Approximately 12 permanent retail/commercial and property management jobs paying an average of $14.50 per hour will be created by the project. Estimates of the number of construction jobs are not available, but the construction period will last 20 months and the wages will be subject to prevailing wage and living wage standards.

The unemployment rate (unadjusted) for the City of Detroit was 13.2% in June of 2006, more than double the statewide rate of 6.5% in the same period.

The project has strong community support. The Detroit DDA is demolishing the building on the site at a cost of $1.1 million. The project is in a Neighborhood Enterprise Zone. The Woodward Corridor Development Fund, the Lower Woodward Housing Fund, and the Detroit Investment Fund are expected to provide debt totaling of $3,175,000 for the project.

The eligible investment to be undertaken by the qualified taxpayers includes:

Site Improvements	$ 13,007,500
New Construction	23,477,299
Addition of Machinery & Equipment	+ 37,000
TOTAL	$ 36,521,799

Recommendation

The brownfield redevelopment staff recommends approval of a Brownfield SBT redevelopment credit of 10% of the eligible investment not to exceed a $3,652,179 credit.

Board Discussion

Faye Nelson gave the Executive Committee report. The Executive Committee recommended approval of the requested Brownfield SBT redevelopment credit for this project.

Hearing no further discussion, a motion was made and supported, and Resolution 2006-106, authorizing a brownfield redevelopment tax credit for The Griswold ~ Capitol Park redevelopment project, was adopted.

ACTION ITEM

Book Tower
Northeast Commercial Services Corporation
1249 Washington Blvd., Suite 2800
Detroit, Michigan 48226

Mike Hidalgo, representing the Book Tower redevelopment project, was introduced along with Ricardo Pagan, President of The Pagan Organization LLC, and John Byl from Warner, Norcross & Judd. Mr. Byl briefly discussed the project for the board. The board is not unfamiliar with the Book Building and Book Tower redevelopment project. The project is the mixed-use rehabilitation of two adjacent buildings on Michigan Avenue in downtown Detroit, the 13-story Book Building, built in 1918, and the 36-story Book Tower built in 1925. The properties are functionally obsolete. The first two floors of both buildings will be redeveloped into an atrium, a fitness facility, a signature restaurant, and similar uses providing 28,000 square feet of retail space.

Floors 3 through 13 of the Book Building will be converted to 155 condominiums ranging from 750 to 1200 square feet. Floors 3 through 29 of the Book Tower will be developed as 108,000 square feet of commercial office space, with floors 30 through 36 converted into 20 condominiums that are slightly larger than those in the low rise. Price points will range from $250,000 to $500,000.

In addition to construction employment, the project will create from 80 to 140 permanent, full time jobs. Of those, 15 to 27 are projected as building sales, maintenance and service staff; 15 to 20 as retail employees; and 50 to 100 as commercial/office jobs.

Total capital investment is estimated at $38.25 million.

The project is located within the boundaries of the City of Detroit, a qualified local governmental unit, and has been deemed functionally obsolete by a level III assessor. The property is the subject of a brownfield plan, duly approved by the City of Detroit on November 17, 2006.

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

The unemployment rate (unadjusted) for the City of Detroit was 13.2% in June of 2006, more than double the statewide rate of 6.5% in the same period.

The qualified taxpayer was formed for the purpose of developing the project and as such, has no operating history. The principals of the firm are Ricardo Pagan and The Pagan Organization, LLC which have been involved in numerous residential and mixed-use developments in Brooklyn, New York since early 2001.

The project is in a Neighborhood Enterprise Zone.

The cost of SBT eligible investments includes $35,000,000 for restoration, alteration, renovation, and improvement of buildings.

COST OF MEGA ELIGIBLE ACTIVITIES:

Demolition	$ 2,025,000
Infrastructure Improvements	1,000,000
Lead or Asbestos Abatement	+ 1,650,000
Sub-Total	$ 4,675,000
Work Plan Preparation & Review	+ 6,000
TOTAL	$ 4,681,000

For the residential portion of this project, there are 11.2382 mills available for capture, due to the designation of a neighborhood enterprise zone, with school millage equaling 1.5471 mills (14%) and local millage equaling 9.6911 mills (86%). The residential capture assumes all the residential properties are homestead properties. For the commercial portion of this project, there are 65.1069 mills available for capture, with school millage equaling 23.5536 mills (36%) and local millage equaling 41.5533 mills (64%). The recommended tax capture breaks down as follows:

RESIDENTIAL PORTION	
School tax capture (14%)	$ 132,533
Local tax capture (86%)	+ 830,194
TOTAL	$ 962,727

COMMERCIAL PORTION	
School tax capture (36%)	$ 1,345,153
Local tax capture (64%)	+ 2,373,120
TOTAL	$ 3,718,273

OVERALL	
School tax capture (32%)	$ 1,477,686
Local tax capture (68%)	+ 3,203,314
TOTAL	$ 4,681,000

Recommendation

The brownfield redevelopment staff recommends approval of a MEGA SBT Brownfield redevelopment credit of 10% of the eligible investment not to exceed a $3,500,000 credit.

The brownfield redevelopment staff also recommends approval of local and school tax capture for the eligible activities totaling $4,681,000 described above. Utilizing the state to local capture ratios described above, the amount of school tax capture for this project is estimated at $1,477,686.

Board Discussion

Faye Nelson gave the Executive Committee report. The Executive Committee recommended approval of the brownfield SBT redevelopment tax credit, along with approval of the requested tax capture.

Hearing no further discussion, a motion was made and supported, and Resolution 2006-107, authorizing a brownfield redevelopment tax credit for Northeast Commercial Services Corporation for the Book Tower redevelopment project, was adopted.

A motion was made and supported, and Resolution 2006-108, authorizing the capture of local and school operating taxes for the City of Detroit Brownfield Redevelopment Authority for the Book Tower/Book Building redevelopment project, was adopted.

ACTION ITEM

Studio One Apartments, LLC
825 Parchment SE
Grand Rapids, Michigan 49546

John Davis of Wayne State University was introduced, along with Karen O'Donoghue with Taktik Solutions and Marcel Burgler from Studio One Apartments. Mariangela Pledl from the City of Detroit's Brownfield Redevelopment Authority was also in attendance and expressed community support for the project.

The project is a mixed-use redevelopment of a former industrial site bounded by Woodward, Canfield, Cass and Forest streets in midtown Detroit. It is at the south edge of the main campus of Wayne State University and across Woodward from the Detroit Medical Center. The project is a partnership between Wayne State, which owns the land, and the applicant. Studio One will lease land and construct a five-story building with 24,000 square feet of retail/commercial space at street level and 130 one- and two-bedroom market rate apartments on floors two through five. The apartments will rent from $890 to $1,290 per month and will be marketed to midtown's 25,500 professionals. The commercial space is expected to include a bank, coffee shop, book store, galleries, and apparel stores, providing amenities to the new residents and within walking distance of the university and medical center.

The university will construct and operate a six-story, 800 space parking ramp, as well as interior roads and other infrastructure for the project. Combined investment in the project is expected to be $33 million. Investment eligible for the SBT credit is budgeted at $19,549,077. The applicant has requested a credit of $1,954,908.

The credit applicant is a single purpose, limited liability company formed to construct and operate the mixed-use building. The principals are a group of experienced commercial real estate developers who own and/or manage over 500,000 square feet of real estate.

The project is located within the boundaries of the City of Detroit, a qualified local governmental unit. The property qualifies as a facility, as verified by the Department of Environmental Quality and is the subject of a brownfield plan, duly approved by the City of Detroit on November 17, 2006.

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

Approximately 65 permanent retail/commercial jobs paying $10 to $45 per hour will be created by the project. Estimates of the number of construction jobs are not yet available, but the construction period will last 18 to 20 months and the wages will be subject to prevailing wage and living wage standards.

The unemployment rate (unadjusted) for the City of Detroit was 13.2% in June of 2006, more than double the statewide rate of 6.5% in the same period.

The Michigan Magnet Fund is providing $930,000 of New Markets Tax Credit equity and $3,600,000 in NMTC interest only debt.

The City of Detroit has authorized TIF for eligible activities and interest.

COST OF MEGA ELIGIBLE ACTIVITIES:

Site Preparation	$ 450,000
Infrastructure	+ 6,400,000
Sub-Total	$ 6,850,000

Contingency (10%)	+685,000
TOTAL	$ 7,535,000

The MEGA eligible activities being approved today do not include a requested $7,289,509 of interest expense related to the financing of eligible activities cost. Reimbursement of interest is not recommended because the project is not transformational and will be funded with local tax increment financing only.

There are 65.1069 mills available for capture on this project, with school millage equaling 23.5536 mills (36%) and local millage equaling 41.5533 mills (64%). The recommended tax capture breaks down as follows:

School tax capture (36%)	$ 2,727,670
Local tax capture (64%)	$ 4,807,330
TOTAL	$ 7,535,000

COST OF SBT ELIGIBLE INVESTMENTS:

New Construction	$19,549,077
TOTAL	$19,549,077

Recommendation

The brownfield redevelopment staff recommends approval of a MEGA SBT brownfield redevelopment credit of 10% of the eligible investment, not to exceed a $1,954,908 credit.

The brownfield redevelopment staff also recommends approval of local and school tax for the eligible activities totaling $7,535,000 described above. Utilizing the state to local capture ratio described above, the amount of school tax capture for this project is estimated at $2,727,670.

Board Discussion

Faye Nelson gave the Executive Committee report and, on behalf of the Executive Committee, recommended approval of the brownfield SBT redevelopment tax credit, along with approval of the requested tax capture.

Robert Swanson asked whether there will be a second phase to this redevelopment project. Mr. Burgler said that he is hoping for continuing development. He is awaiting the response to the planned redevelopment.

Hearing no further discussion, a motion was made and supported, and Resolution 2006-109, authorizing a brownfield redevelopment tax credit for the Studio One Apartments, LLC (South University Village) redevelopment project, was adopted.

A motion was made and supported, and Resolution 2006-110, authorizing the capture of local and school operating taxes for the City of Detroit Brownfield Redevelopment Authority for the South University Village redevelopment project, was adopted.

ACTION ITEM

Fox Creek I
415 Burns Street
Detroit, Michigan 48215

Jim Paquet from MSHDA introduced Corey Leon with AKT Peerless. He, along with Art Papapanos from Detroit Economic Growth Corporation and Mariangela Pledl from the City of Detroit's Brownfield Redevelopment Authority, discussed the project for the board. The overall project is part of a massive reclamation effort of a largely vacant and tax reverted area roughly bordered by Kercheval, Eastlawn, Jefferson and Alter. The City's master plan for the area involves planning, infrastructure repair and replacement, and eventual repopulation of a 140 acre area with a mix of 700 residential units and commercial development along arterial streets. Corey Leon discussed some of the infrastructure challenges in this area, attributed in part to the centennial farms in the area and the absence of east-west streets.

This application encompasses the site preparation and infrastructure improvements for the 140 acre Fox Creek Neighborhood as well as the SBT credits for construction of the first 185 residential units on approximately 20 acres in the southeast corner of the Master Plan area. The residences will be a mix of single family, multifamily, and townhouse units, ranging in price from $159,000 to $285,000.

The qualified taxpayer is comprised of numerous entities (all limited liability corporations) of Fox Creek Partners, LLC. The total investment for this first phase of redevelopment is $37,427,740.

The developer has assembled the land, and with the city, will complete the site preparation and infrastructure. It will then sell the improved lots to builders who will complete construction and sell the properties. Unsolicited letters of interest have already been received from several builders.

It is expected that the development will create three permanent jobs with average annual salaries of $40,000 in addition to construction jobs over the next two years.

The total capital investment is expected to exceed $75.6 million. Of that, eligible investments of $37.4 million are anticipated. The work plan approval that is being recommended today includes eligible activities totaling $25.2 million plus $29.7 million in interest reimbursement for this transformational project.

The project is located within the boundaries of the City of Detroit, a qualified local governmental unit, and has been deemed blighted. The property is the subject of a brownfield plan, duly approved by the City of Detroit on November 17, 2006.

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

When completed, the project will reclaim and re-populate a significant area on Detroit's eastside that has experienced the decades-long cycle of disinvestment, crime, physical decay, arson and demolition. Of the 169 parcels included in the project, 153 are tax reverted. Returning these parcels to the tax rolls will generate $3.6 million a year in incremental state and local property tax revenues. The few remaining residents will experience an increase in property values and improved infrastructure. The East Jefferson commercial corridor will gain residential neighborhoods to support and attract commercial activity.

The project will create three permanent jobs, and many construction jobs over a two year period.

The unemployment rate (unadjusted) for the City of Detroit was 13.2% in June of 2006, more than double the statewide rate of 6.5% in the same period.

Far East Side Development Company, LLC is the Master Developer. It has created the 19 affiliates that are the applicants for the SBT credit and will conduct or coordinate eligible activities to be reimbursed through the TIF. The qualified taxpayers are LLCs formed for the purpose of constructing portions of the project and as such, have no operating history. The project is speculative in that it depends on private builders to come forward to purchase the improved lots assembled by the development group. The Master Developer's financial statements have been reviewed and indicate that it has adequate resources to fund pre-development expenses.

The project is in a Neighborhood Enterprise Zone. The City of Detroit has approved TIF on eligible activities and interest totaling $55.2 million and will complete an additional $9.7 million of eligible activities in the project area.

<u>COST OF MEGA ELIGIBLE ACTIVITIES</u>:

Infrastructure Improvements	$17,391,175
Site Preparation	$ 7,806,466
Sub-Total	$ 25,197,641
Work Plan Preparation & Review	$ 6,000
Interest (6%)	$ 29,719,800
TOTAL	$ 54,923,441

Due to the approval of a Neighborhood Enterprise Zone, during the first 15 years there are 11.7726 mills available for capture, with school millage equaling 1.4846 (13%) and local millage equaling 10.2880 mills (87%). In the remaining 15 years of tax capture, there are 47.578 mills available for capture, with school millage equaling 6 mills (13%) and local millage equaling 41.578 mills (87%). All properties are assumed to be Homestead Properties. The recommended tax capture breaks down as follows:

School tax capture (13%)	$ 6,926,192
Local tax capture (87%)	$ 47,997,249
TOTAL	$ 54,923,441

The cost of eligible investments consists of new construction totaling $37,427,742.

Recommendation

The brownfield redevelopment staff recommends approval of a MEGA SBT Brownfield Redevelopment Credit of 10% of the eligible investment, not to exceed a $3,742,774 credit.

The brownfield redevelopment staff also recommends approval of local and school tax capture for the eligible activities totaling $54,923,441 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $6,926,192.

Board Discussion

Faye Nelson gave the report on behalf of the Executive Committee. The committee has recommended support of the requested redevelopment tax credit. The Executive Committee also recommended support of the tax capture for this project.

Peter Anastor briefly clarified the SBT resolution that is being offered for board action. There are nineteen phases to the project and these are outlined in the resolution.

Hearing no further discussion, a motion was made and supported and Resolution 2006-111, authorizing a brownfield redevelopment tax credit for the Fox Creek I redevelopment project, was adopted.

A motion was made and supported, and Resolution 2006-112, authorizing the capture of local and school operating taxes for the City of Detroit Brownfield Redevelopment Authority for the Fox Creek I redevelopment project, was adopted.

ACTION ITEM

East Jefferson at Belle Isle
Bettis/Betters Development, LLC
3468 Broadhead Rd, Suite 7
Manaca, Pennsylvania 15061

Michael Moidel with Bettis/Betters Development was introduced. He began the presentation by introducing Brian O'Mara, who explained the project to the board. Art Papapanos from the Detroit Economic Growth Corporation showed a large map and highlighted the location of this, the largest project along Detroit's riverfront.

The project is the mixed-use redevelopment of a 43-acre former industrial site on East Jefferson Avenue at the foot of the Belle Isle Bridge. The development will be the eastern terminus of the revitalized East Riverfront. The project will create a neighborhood of blocks surrounded by traditional streets ringed with four- to six-story residential developments. The residences will be a mix of condos, town homes and apartments totaling over 1000 units. Prices will range from $1 to $1.25 per square foot per month for rentals and $125 to $175 per square foot for purchase.

The Jefferson Avenue frontage will reflect the city's master plan. The corners of the development and the entrance to the central space will be delineated by higher building massing. The ground level retail along Jefferson Avenue will draw people down to the retail that will continue into the development along both sides of the central space.

Convenient parking will be located in structures in the blocks behind the central buildings.

The total capital investment is expected to exceed $506.7 million. Of that, eligible investments of $321.1 million are anticipated. Due to the scale of the project, the eligible investment has been divided roughly in half. This application applies to $160,548,497 of eligible investment on the eastern portion of the eligible property. Eligible investment on the eastern portion of the site includes the hotel, the signature office building, 400 residential units and approximately 150,000 square feet of retail space. About half of the total jobs will be created. A second SBT credit application may be submitted next year for the remaining amount of eligible investments that will be pursued simultaneously on the western half of the property. The work plan approval that is being recommended today includes the site preparation, infrastructure, and other eligible activities for the entire project.

The project is located within the boundaries of the City of Detroit, a qualified local governmental unit, and has been deemed a facility as verified by the Department of Environmental Quality. The property is the subject of a brownfield plan, duly approved by the City of Detroit on November 17, 2006.

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

It is expected that the development will create 1,000 commercial and retail jobs paying $11 to $27 per hour. An average of 1,000 construction jobs paying from $7.50 to $22 per hour will be created each year for a period of 10 years, with peak construction employment of 2,000. Remediation activities will employ from 10, to a peak of 100, over a two year period.

The unemployment rate (unadjusted) for the City of Detroit was 13.2% in June of 2006, more than double the statewide rate of 6.5% in the same period.

The level and extent of the contamination that will be alleviated by the eligible activities surpasses any project previously approved by the MEGA. It will include removal of 500,000 cubic yards of contaminated soils, installation of 2 million square feet of vapor barriers to prevent migration of contaminants, an active groundwater collection and treatment system, and long-term monitoring. The estimated cost of environmental response activities exceeds $53 million.

Bettis/Betters Development, LLC was formed for the purpose of developing the project, and as such, has no operating history. The LLC is owned and operated by C.J. Betters-Detroit, LLC and Abram Development, LLC. The financial statements of the principal investors Jerome Bettis and Charles J. Betters indicate that they have the capacity to provide the required equity capital. Pre-development activities are being funded, as needed, from the owner's capital contributions. Letters have been provided from three banks that have financed previous projects of the Betters' group of companies and currently provide credit facilities to them.

A work plan has been submitted to the DEQ requesting state tax capture for reimbursement of the cost of eligible activities of $55,204,500 and related interest expenses of $162,986,793.

COST OF MEGA ELIGIBLE ACTIVITIES:

Demolition	$	250,000
Infrastructure Improvements		17,447,500
Lead or Asbestos Abatement		2,000,000
Site Preparation	+	5,000,000
Sub-Total	$	24,697,500
MEGA Review Cost		3,500
Contingency (15%)		3,337,500
Debt Reserve Fund		32,108,333
Interest (6%)		+ 70,937,097
TOTAL	$	131,083,930

Interest cost reimbursement is being recommended for the project because it is part of the riverfront redevelopment that the MEGA Board has previously determined is transformational.

There are 65.1069 mills available for capture, with school millage equaling 23.5536 mills and local millage equaling 41.5533 mills. It is assumed that 20 percent of the project will be eligible for the Homestead Property Tax Exemption. Therefore, the combined tax capture ratio on the residential and commercial property is 34% State and 66% Local. The recommended tax capture breaks down as follows:

School tax capture (34%)	$ 44,568,536
Local tax capture (66%)	$ 86,515,394
TOTAL	$131,083,930

The total cost of eligible investments (for new construction) is $160,548,497.

Recommendation

The brownfield redevelopment staff recommends approval of local and school tax capture for the eligible activities totaling $131,083,930 described above. Utilizing the state to local capture ratios described above, the amount of school tax capture for this project is estimated at $44,568,536.

The brownfield redevelopment staff also recommends approval of a MEGA SBT Brownfield Redevelopment Credit of 10% of the eligible investment not to exceed a $10 million credit.

Board Discussion

Faye Nelson gave the Executive Committee report. The committee has recommended support of the requested redevelopment tax credit. The Executive Committee also recommended support of the tax capture for this project.

Faye Nelson asked about the timeline for completion of this project. Mr. Moidel believes that it will be 18-24 months. Jackie Shinn asked whether the City is committed to infrastructure improvements. Art Papapanos explained the City's support. Jim Paquet further clarified the City's support by explaining the percentage of tax capture that is locally supported.

Jim Epolito asked when the clean-up will begin. Mr. Moidel said that clean-up activities are anticipated to begin this spring.

Hearing no further discussion, a motion was made and supported and Resolution 2006-113, authorizing the capture of local and school operating taxes for the City of Detroit Brownfield Redevelopment Authority for the East Jefferson at Belle Isle redevelopment project, was adopted.

A motion was made and supported, and Resolution 2006-114, authorizing a brownfield redevelopment tax credit for the Bettis/Betters Development, LLC (former Uniroyal property) redevelopment project, was adopted.

ACTION ITEM

1200 Sixth Street Redevelopment
City of Detroit Brownfield Redevelopment Authority
Detroit, Michigan

Forrest Hudson with 1200 Sixth Street, was introduced, along with Corey Leon from AKT Peerless. Mr. Hudson presented the project and request for approval to the board.

The project is the demolition of the former State of Michigan office building at 6th and Howard Streets, the western edge of Detroit's Central Business District. The project will involve demolition of the long vacant office towers, lead and asbestos abatement, site preparation, including vacation of several streets and the relocation of utilities. The project will make way for an $80 to $100 million redevelopment of the site by a developer to be determined by the Federal GSA. The site will be developed with three privately owned structures; a five-six story office building, a parking structure, and a one-story auxiliary building, all to be leased to the FBI. The project will allow consolidation of FBI operations from multiple sites. Approximately 500 professional employees will be housed in the buildings. The size of the site is a critical factor in qualifying it for the proposed development because security considerations require deep setbacks. Funding for the project has been approved by the Congress.

The project is located within the boundaries of the City of Detroit, a qualified local governmental unit, and has been deemed a facility, as verified by the Department of Environmental Quality. The property is the subject of a brownfield plan, duly approved by the City of Detroit on November 17, 2006.

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

The project will allow the FBI to remain in downtown Detroit, contributing to the use of restaurants, hotels, and housing in the area. Construction of new mid-rise structures will contribute to the aesthetics of the area and will counter existing deterioration and blight. The project will generate an average of $1.2 million of new taxes per year.

The unemployment rate (unadjusted) for the City of Detroit was 13.2% in June of 2006, more than double the statewide rate of 6.5% in the same period.

A work plan will be submitted to the DEQ requesting state tax capture for reimbursement of $479,838 in environmental assessment and due care costs.

<u>COST OF MEGA ELIGIBLE ACTIVITIES</u>:

Demolition	$ 6,000,000
Infrastructure Improvements	5,225,000
Lead or Asbestos Abatement	3,460,000
Site Preparation	+ 1,750,000
Sub-Total	$ 16,435,000

Work Plan Preparation & Review	$ 3,500
Contingency (15%)	$ 2,465,250
TOTAL	$ 18,903,750

There are 64.5780 mills available for capture, with school millage equaling 24 mills (37.2%) and local millage equaling 40.5780 mills (62.8%). The recommended tax capture breaks down as follows:

School tax capture (37%)	$ 7,025,458
Local tax capture (63%)	$11,878,292
TOTAL	$18,903,750

Recommendation

The brownfield redevelopment staff recommends approval of local and school tax capture for the eligible activities totaling $18,903,750 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $7,025,458.

The brownfield redevelopment staff further recommends that the approval of school tax capture for this project be made with the understanding that no Brownfield Redevelopment SBT Credit will be sought for investment made on this project.

Board Discussion

Faye Nelson gave the Executive Committee report. The committee has recommended support of the tax capture for this project.

Hearing no further discussion, a motion was made and supported and Resolution 2006-115, authorizing the capture of local and school operating taxes for the City of Detroit Brownfield Redevelopment Authority for the 1200 Sixth Street Redevelopment project, was adopted.

ACTION ITEM

7811 Gratiot Avenue- Grand Van Dyke
City of Detroit Brownfield Redevelopment Authority
Detroit, Michigan

Jim Paquet introduced Larry Osiecki from Grand Van Dyke, LLC, and Kirk Meadows, an attorney representing Grand Van Dyke. Mariangela Pledl and Art Papapanos remained present to answer questions and express the community's support of the project.

The redevelopment of the Foodtown Plaza site at 7811 Gratiot Avenue in Detroit, Michigan, will create a neighborhood shopping area, with a new 26,000 square foot grocery store and 24,000 square feet of additional new retail space. Parking to accommodate 214 vehicles and improvements to the streetscape and landscaping will be completed as part of the project. The prominent anchor of the center will continue to be Foodtown Supermarkets, which will become a larger facility. Employment within the center will increase by more than 100 employees, and the tenant structure is intended to include a mixture of larger national tenants and smaller local business. Potential tenants already expressing an interest in the new center include a financial institution, woman's apparel shop, shoe store, wireless phone store, franchise restaurants and independent restaurants. The estimated average hourly wage of the new jobs will be approximately $10. The developer, Grand Van Dyke, LLC, intends to invest approximately $9 million in the project.

The project is located within the boundaries of the City of Detroit, a qualified local governmental unit, and has been deemed functionally obsolete, blighted or a facility. The property is the subject of a brownfield plan, duly approved by the City of Detroit on July 12, 2006.

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

The unemployment rate (unadjusted) for the City of Detroit was 13.8% in August, 2006. This compares to the statewide unadjusted average of 6.7% in August 2006.

Two of the parcels involved with this project are contaminated. A Phase I Environmental Site Assessment conducted by the developer identified the presence of an underground storage tank associated with an auto service and repair garage formerly located on the property, which will require further investigation. A Phase II Environmental Site Assessment revealed the presence of chromium and polynuclear aromatic compounds (PNAs) at levels exceeding MDEQ Part 201 Generic Cleanup Criteria and Screening levels. A BEA will be conducted on the property and necessary remedial activities will be completed to alleviate contamination. Grand Van Dyke, LLC estimates that it will spend approximately $10,000 on the BEA and Due Care Plan and $100,000 on remedial activities. No responsible party will directly benefit from these activities.

The developer expects to apply for TIF reimbursement from the DEQ for approximately $131,500 in environmentally related activities. In addition, the developer will be seeking a small Brownfield SBT credit of $714,000 for this project.

There are 65.1069 mills available for capture, with school millage equaling 23.5536 mills (36%) and local millage equaling 41.5533 mills (64%). The recommended tax capture breaks down as follows:

School tax capture (36%)	$ 762,343
Local tax capture (64%)	+ 1,344,928
TOTAL	$ 2,107,271

COST OF MEGA ELIGIBLE ACTIVITIES:

Demolition	$ 289,197
Infrastructure Improvements	148,844
Site Preparation	+ 1,390,021
Sub-Total	$ 1,828,062
Work Plan Preparation	5,000
Contingency (15%)	+ 274,209
TOTAL	$ 2,107,271

Recommendation

The Brownfield Redevelopment staff recommends approval of local and school tax capture for the eligible activities totaling $2,107,271 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $762,343.

Board Discussion

Faye Nelson gave the Executive Committee report. The committee has recommended support of the tax capture for this project.

Hearing no further discussion, a motion was made and supported and Resolution 2006-116, authorizing the capture of local and school operating taxes for the City of Detroit Brownfield Redevelopment Authority for the 7811 Gratiot Avenue redevelopment project, was adopted.

ACTION ITEM

Neighborhood Development Corporation – Jefferson Village
City of Detroit Brownfield Redevelopment Authority
Detroit, Michigan

Art Papapanos and Mariangela Pledl from the City of Detroit led this presentation.

The Neighborhood Development Corporation (NDC) Project #1: Jefferson Village comprises the "Shops at Jefferson Village", which is a newly developed commercial/retail center on Jefferson Avenue in Detroit, and vacant parcels available for future development. The eligible property consists of 168 parcels and fronts on the southern side of East Jefferson Avenue between the east side of Montclair Street and the west side of St. Jean Street. It extends south to Edlie Street between St. Jean and the vacated alley between Beniteau and Lillibridge.

This project was originally approved by the City of Detroit in 2002 for the capture of local only TIF in the amount of $2.07 million. Since that time, the costs of the eligible activities have increased and the developer and City are now requesting school tax capture to assist with the project, due to those increases. The initial tax year for this project will remain 2002, however, if this project is approved, the Detroit BRA will now be able to capture school taxes to support the eligible activities related to this project.

The planned infrastructure improvements will consist of approximately 2,300 feet of new seawall constructed along the edge of Harding Canal. The eligible property and entire project area is threatened by flooding from the Harding Canal and improvements need to be made in order to protect this area from flooding. (Ms. Pledl and Mr. Papapanos discussed new FEMA regulations relative to the new flood plane requirements.) These infrastructure improvements will include the construction of a levee system or seawall, or elements of both. The "Shops at Jefferson Village", the commercial portion of the development will provide the tax-increment financing (TIF) for these infrastructure improvements.

The "Shops at Jefferson Village" created approximately 133,000 square feet of retail space and represents $10 million in private investment. Two hundred seventy (270) new permanent jobs in retail services and management have been created. The remainder of the project area will be residential construction once the flood hazard has been mitigated with 325 new residential units planned with a projected private sector investment of $81,250,000. The average unit price is projected at $250,000.

The project is located within the boundaries of the City of Detroit, a qualified local governmental unit. The eligible property is blighted due to its tax reverted status or is adjacent or contiguous to a tax reverted parcel. The property is the subject of an amended and restated brownfield plan, duly approved by the City of Detroit on May 10, 2006.

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

To preserve the development potential of the area and the associated economic benefits of the development, flood risk mitigation is imperative. FEMA has just recently issued its final findings and definitions of the area to the City of Detroit so that they can move forward with their TIF request. Because there are already many development risks associated with the area and Detroit in general, eliminating any development risk is important for the economic health of the project area.

The private developer would not build within the floodplain without commitment to remove the area from any future floodplain map revisions as proscribed by FEMA. The private sector investment as a direct result of removing the Project Area from any future floodplain map revisions is approximately $81,250,000. Approximately 325 new residential units are planned for the project area with the average unit price of $250,000.

There are 64.5780 mills available for capture, with school millage equaling 24 mills (37%) and local millage equaling 40.5780 mills (63%). The recommended tax capture breaks down as follows:

School tax capture (37%)	$ 1,314,347
Local tax capture (63%)	$ 2,218,844
TOTAL	$ 3,533,191

COST OF MEGA ELIGIBLE ACTIVITIES:

Infrastructure Improvements	$ 3,067,123
Sub-Total	$ 3,067,123
Work Plan Preparation & Review	6,000
Contingency (15%)	+ 460,068
TOTAL	$ 3,533,191

Recommendation

The brownfield redevelopment staff recommends approval of local and school tax capture for the eligible activities totaling $3,533,191 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $1,314,347.

Board Discussion

Faye Nelson gave the Executive Committee report and, on behalf of the committee, has recommended support of the tax capture for this project.

Hearing no further discussion, a motion was made and supported and Resolution 2006-117, authorizing the capture of local and school operating taxes for the City of Detroit Brownfield Redevelopment Authority for the Neighborhood Development Corporation redevelopment project (Jefferson Village), was adopted.

ACTION ITEM

Eastern Floral (BSG Group, LLC)
City of Grand Rapids Brownfield Redevelopment Authority
Grand Rapids, Michigan

Mr. Bing Goei from Eastern Floral was introduced, along with Dan Oegema from the City of Grand Rapids. Mr. Goei presented this project to the board.

BSG Group, LLC will invest approximately $2 million to demolish the main portion of an existing building at 818 Butterworth Street in the City of Grand Rapids and construct a new building for use by BSG Group, LLC and Eastern Floral as their corporate offices, production center and retail showroom.

The new building will contain approximately 23,000 square feet of space. The remaining 22,000 square feet of the existing building that will not be demolished will be renovated and leased to third parties. Eastern Floral plans to move approximately

40 employees to this location and will create approximately 8 to 12 permanent full-time jobs at an average hourly wage of $10 as a result of the new construction. Additional jobs are likely to be created as tenants for the leased space are identified. Total capital investment for the project may reach approximately $5 million.

The project is located within the boundaries of the City of Grand Rapids, a qualified local governmental unit. The property qualifies as a facility, as verified by the Department of Environmental Quality, and is the subject of a Brownfield plan duly approved by the City of Grand Rapids on October 31, 2006.

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

The City of Grand Rapids' unadjusted unemployment rate was 7.3% in October 2006. This compares to the statewide seasonally adjusted average of 6.9% in October 2006.

The applicant submitted a request for SBT Brownfield tax credit in the amount of $200,000. The applicant will be reimbursed for interest of $126,141 through Local Tax Capture.

There are 44.6889 mills available for capture, with school millage equaling 23.8258 mills (53%) and local millage equaling 20.8631 mills (47%). The recommended tax capture breaks down as follows:

School tax capture (53%)	$ 215,286
Local tax capture (47%)	$ 190,914
TOTAL	$ 406,200

COST OF MEGA ELIGIBLE ACTIVITIES:

Demolition	$ 200,000
Public Infrastructure	28,000
Site Preparation	+ 120,000
Sub-Total	$ 348,000
Work Plan Preparation	5,000
MEGA Review Cost	1,000
Contingency (15%)	+ 52,200
TOTAL	$ 406,200

Recommendation

The Brownfield Redevelopment staff recommends approval of local and school tax capture for the eligible activities totaling $406,200, described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $215,286.

Board Discussion

Faye Nelson gave the Executive Committee report and, on behalf of the committee, has recommended support of the tax capture for this project.

Hearing no further discussion, a motion was made and supported and Resolution 2006-118 authorizing the capture of local and school operating taxes for the City of Grand Rapids Brownfield Redevelopment Authority for the Eastern Floral (BSG Group, LLC) redevelopment project, was adopted.

ACTION ITEM

Kalwards, LLC
City of Kalamazoo Brownfield Redevelopment Authority
Kalamazoo, Michigan

Joe Borgstrom from MSHDA introduced Patrick Greve from AKT Peerless and Mark Chilcott from Kalwards, LLC. Mark Hatton from the City of Kalamazoo was also in attendance.

The property to be developed is located in the City of Kalamazoo and currently consists of a vacant 19,650 square foot single-story brick structure with a partial basement. Kalwards, LLC, plans to renovate the existing building for future use as a commercial and retail building. This redevelopment of the former Neil's Automotive will put the finishing touches on the redevelopment of a three to four city block area, which includes Kalamazoo, Water, Edwards and Pitcher Streets. The property is adjacent to Kalamazoo Gospel Mission, railroad tracks, the Arcadia Festival site, the Shakespeare block and the Globe/United block.

Initial building construction will include façade improvement, interior demolition, and new electric and mechanical elements. Site improvements will include upgrading existing parking facility and limited streetscape and public improvements. The project will create space for 20 new jobs. Total private investment is approximately $2,353,580. Total eligible investment for the project is $1,962,000.

The project is located within the boundaries of the City of Kalamazoo, a qualified local governmental unit and has been deemed a facility, as verified by the Department of Environmental Quality. The property is the subject of a brownfield plan, duly approved by the City of Kalamazoo on November 6, 2006.

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

The unemployment rate (unadjusted) for the City of Kalamazoo was 5.4% in September 2006. This compares to the statewide seasonally adjusted average of 7.1% in September 2006.

The developer intends to submit an application requesting $196,200 in Single Business Tax credits. The DDA will provide three grants totaling $117,500 for streetscape, façade and rehabilitation improvements. In addition, a work plan is being submitted to the MDEQ in the amount of $45,000 for due care activities.

COST OF MEGA ELIGIBLE ACTIVITIES:

Demolition	$	37,700
Site Preparation	+	32,000
TOTAL	$	69,700

There are 34.3969 mills available for capture, with school millage equaling 24 mills (70%) and local millage equaling 10.3969 mills (30%). The local millage is reduced due to the property being located in a Downtown Development Authority which captures a substantial portion of the local millage. The recommended tax capture breaks down as follows:

School tax capture (70%)	$	48,650
Local tax capture (30%)	$	21,050
TOTAL	$	69,700

Recommendation

The brownfield redevelopment staff recommends approval of local and school tax capture for the eligible activities totaling $69,700 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $48,650.

Board Discussion

Faye Nelson gave the Executive Committee report. The Executive Committee has recommended support of the tax capture for this project.

Hearing no further discussion, a motion was made and supported and Resolution 2006-119, authorizing the capture of local and school operating taxes for the City of Kalamazoo Brownfield Redevelopment Authority for the Kalwards, LLC redevelopment project, was adopted.

ACTION ITEM

Eastowne One, LLC
Eastowne Two, LLC
Eastowne Three, LLC

Peter Anastor introduced Bob Dykstra from Main Street Development. Mr. Dykstra explained the need for the requested amendments.

The MEGA Board approved three SBT Brownfield Redevelopment tax credits for these projects on December 14, 2004. The applicants are now requesting that the projects be amended to change the development mix, to add qualified taxpayers and to change the status of the projects to multi-phase. At the time of the original application, multi-phase projects were limited to commercial and industrial projects. With changes to the SBT Act (PA 112 of 2006), this project would now qualify as a multi-phase project.

The amendment would not change the original five year time period to complete the projects.

<u>Eastowne One-</u>
The applicant is requesting an amendment to change the project to a multi-phase project, which would include three phases of development, including the construction of two, three-story, 9-unit townhouses and one four- or five-story building which could include condominiums or a mix of retail, office and condominiums. Total investment for the project is estimated at $12.44 million.

<u>Eastowne Two-</u>
The applicant is requesting an amendment to add a qualified taxpayer and to change the project to a multi-phase project, which would include three phases of development, including the construction of a two story retail and office building, two, two-story office or retail condominiums and one four-story retail, office and hotel or apartment building. The investment for this project is estimated at $11.29 million.

<u>Eastowne Three-</u>
The applicant is requesting an amendment to add a qualified taxpayer and to change the project to a multi-phase project, which would include three phases of development, including the construction of a restaurant, a two-story office building, and three, two-story retail and office buildings ranging from 19,200 square feet to 60,000 square feet. The investment for this project is estimated at $17.6 million.

Eligible investment to be undertaken by Eastowne One, LLC:

New Construction (Phase I)	$ 1,840,000
New Construction (Phase II)	$ 1,600,000
New Construction (Phase III)	$ 9,000,000
TOTAL	$ 12,440,000

Eligible investment to be undertaken by Eastowne Two, LLC and Eastowne Five, LLC:

New Construction (Phase I- Eastowne Two)	$ 3,290,000
New Construction (Phase II- Eastowne Two)	$ 3,000,000
New Construction (Phase III- Eastowne Five)	$ 5,000,000
TOTAL	$ 11,290,000

Eligible investment to be undertaken by Eastowne Three, LLC and Eastowne Ten, LLC:

New Construction (Phase I- Eastowne Three)	$	4,100,000
New Construction (Phase II- Eastowne Three)	$	7,500,000
New Construction (Phase III- Eastowne Ten)	$	5,710,000
Demolition (Phase III- Eastowne Ten)	$	290,000
TOTAL	$	17,600,000

Recommendation

The MEDC recommends approval of the amendments to change the development mix, add qualified taxpayers and amend to a multi-phase designation for these projects while maintaining the MEGA SBT Brownfield Redevelopment Credit of 10% of the eligible investment not to exceed a $1,244,000 credit for Eastowne One, a $1,129,000 credit for Eastowne Two and Eastowne Five, and a $1,760,000 credit for Eastowne Three and Eastowne Ten.

Board Discussion

Faye Nelson gave the Executive Committee report. The Executive Committee has considered this request for amendment and recommended support of requested amendments.

Hearing no further discussion, a motion was made and supported and Resolution 2006-120, authorizing an amendment to the Eastowne One, LLC redevelopment project, as described above, was adopted.

A motion was made and supported and Resolution 2006-121, authorizing an amendment to the Eastowne Two, LLC; Eastowne Five, LLC redevelopment project, as described above, was adopted.

A motion was then made and supported and Resolution 2006-122, authorizing an amendment to the Eastowne Three, LLC; Eastowne Ten, LLC redevelopment project, as described above, was adopted.

ACTION ITEM

Brownfield Administrative Items
Administrative Fees

Mark Morante provided background discussion with regard to this item. In the summer of 2000, the state's Brownfield SBT and TIF programs were dramatically altered by expanding the scope and mission of the programs to address not only environmentally challenged properties but also functionally obsolete and blighted properties in core communities. Both the Brownfield SBT credit and TIF components were expanded and significant new decision making powers were granted to the MEGA to administer the programs. It is almost universally agreed upon that Michigan now has the nation's best brownfield redevelopment tools. However, due to the nature of the programs, the MEDC, and now MSHDA, have been spending a great deal of staff time and cost on these efforts that have not been fully supported by the current fee structure. The MEDC believes that a long term goal of the program should be for brownfield fees to cover the full cost of running this program. Historically, the MEDC has heavily subsidized the program; however, given scarce resources, the MEDC no longer has the ability to do this. In 2006, the MEDC partnered with MSHDA to process requests and applications for community development uses of the program.

Over the past several fiscal years, the MEDC has received the following fees under the brownfield program:

2002	2003	2004	2005	2006
$360k	$254k	$290k	$600k	$540k

Administration of the program has grown substantially over the years as functions have been transferred from the Department of Treasury to the MEDC, the Legislature has added additional features to the program, and our portfolio of open projects grows. For Fiscal Year 2006 alone, we estimate the full cost of running the program was over $1.3 million.

The current fee structure was discussed in some detail with the board.

Recommendation

Staff recommends that the Board take the following actions, effective January 1, 2007:

(a) Increase the Administrative fee for small brownfield credit requests from 1% of the face value of the credit to 1.4% of the face value of the credit, net of the application fee.

(b) Increase the Administrative fee for large credit requests from 0.5% to 0.7%, but no more than $100,000.

(c) Increase the Application fee for the "Small" SBT credits from $2,500 to $5,000.

(d) Increase the Application fee for the "Large" SBT credits from $5,000 to $10,000.

Board Discussion

The Executive Committee reviewed the recommended increase in administrative fees and application fees for the brownfield redevelopment program. Faye Nelson gave the report of the Executive Committee and recommended approval of the requested increase in brownfield fees.

Jackie Shinn asked whether these fees are tax deductible. Mark Morante explained that they are, to some extent, deductible.

Hearing no further discussion, a motion was made and supported, and Resolution 2006-123, approving an increase in brownfield administrative fees, was adopted.

Brownfield Administrative Items
Eligible Investment Policy

Peter Anastor provided discussion and clarification of this issue. As part of the Brownfield SBT Tax Credit program, the MEDC is responsible for making sure qualified taxpayers which have been awarded tax credits, claim those credits on the actual and appropriate investment made on the eligible property. This investment is defined as "eligible investment" under section 38g of the Single Business Tax Act. The process for evaluation is fairly straight-forward when dealing with project hard costs. However, over the years a significant grey area has developed when dealing with soft costs related to a project.

The MEGA staff believes it is necessary to adopt a policy to help define what soft costs will be considered "eligible investment". This should improve the Brownfield process for qualified taxpayers, as well as MEGA staff who are evaluating requests for Certificates of Completion.

MEGA staff is recommending a policy that would consider the following items as "eligible investment":

(a) hard costs
(b) machinery and equipment (including installation costs)
(c) architecture and engineering
(d) construction period utilities
(e) construction period interest (including bank inspection fees)
(f) building permit fees and utility tap fees
(g) surveys
(h) geotechnical soil testing
(i) environmental costs which are not otherwise reimbursed
(j) project general liability insurance and builder risk insurance
(k) developers fees/project management fees/construction management fees

In order for these costs to be considered as "eligible investment", they would need to be reasonable and verifiable, and the activity related to the cost must occur after the date of the project pre-approval letter.

Any cost that is not listed above would not be considered as "eligible investment". Ineligible costs would include, but are not limited to:

appraisals; performance bonds; closing costs; bank fees and loan fees; risk contingencies; financing costs; interest on permanent loans; legal expenses; professional fees; leasing or sales commissions; marketing costs; shared savings; taxes (including property taxes); and title insurance.

These changes would provide clear guidance to those participating in the Brownfield Redevelopment program, which will make the program more efficient and better defined. It would also allow MEGA staff to review and finalize Certificate of Completion requests in a more timely manner.

Recommendation

Brownfield redevelopment staff recommends that the Board adopt a policy on "eligible investments" as outlined above. Staff further recommends that the policy be made effective for projects approved and Certificates of Completion requested on or after January 1, 2007.

Board Discussion

Matthew Rick, assistant Attorney General, provided additional clarification on the issue of Certificates of Completion requested *on or after January 1, 2007.*

Faye Nelson gave the report of the Executive Committee and recommended approval of the requested policy to outline eligible investments relative to brownfield redevelopment.

Hearing no further discussion, a motion was made and supported and Resolution 2006-124, setting a policy on eligible investments as outlined above, was adopted.

Brownfield Administrative Items
Signatory Authority

Due to staff changes in MEDC, Resolution 2004-20, as adopted by this board in April of 2004, is in need of replacement. A new resolution was presented for board action. The new resolution allows Peter Anastor, serving as Program Manager of the Brownfield Redevelopment program, authority to administratively approve, deny, and sign documents related to the administration of the brownfield redevelopment program. Also, Mr. Anastor will be able to approve project amendments that do not materially affect the redevelopment impacts of projects approved by the Board, and perform other duties as necessary in the statutory administration of the brownfield redevelopment program.

Board Discussion

Faye Nelson gave the Executive Committee report and indicated that the Executive Committee is in favor of this new resolution.

Hearing no further discussion, a motion was made and supported, and Resolution 2006-125, which replaces Resolution 2004-20 and authorizes specific administrative authority to Peter Anastor as Program Manager for the brownfield redevelopment program, be adopted.

ACTION ITEM

Proposed 2007 Meeting Schedule

A proposed monthly meeting schedule for MEGA Board meetings in 2007 was presented to the board. The monthly structure and frequency of board meetings is unchanged from previous years.

A motion was made and supported and the 2007 MEGA Board meeting schedule was passed unanimously.

The meeting was adjourned at 12:15 p.m.

The next board meeting is scheduled to take place on January 16, 2007.