

## **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 20, 2005, at 10:00 a.m.

### **Members Present**

Bo Garcia

David Hollister

Michael Kapp (acting for and on behalf of Gloria Jeff, authorization attached)

Sande MacLeod

Faye Nelson (participating by telephone)

Sandy Ring (acting for and on behalf of Jim Epolito, authorization attached)

Scott Schrage (acting for and on behalf of Jay Rising, authorization attached)

### **Others Present**

Karen Ammarman, MEDC

Ryan Adkins, Steketee-Van Huis

Peter Anastor, MEDC

Bruce Bos, City of Holland

Toni Brownfield, MEDC

John Byl, Warner, Norcross & Judd, LLP

Jill Ferrari, R&R Consultants

Ross Halloran, The Ferchill Group

Dale Inman, Centex Homes

Carol Knobloch Johns, MEDC

William McFarlane, Superior Township

Brenda McKinney, Superior Township

Tim Maher, Centex Homes

Mark Morante, MEDC

Susan Novakoski, MEDC

Art Papapanos, Detroit Economic Growth Corporation

Matthew Rick, Attorney General's Office

Dan Roof, Hyundai-Kia Motors

Vern Taylor, MEDC

Mark Torigian, Hyundai-Kia Motors

Kay Williams, Superior Township

### **Call to Order**

David Hollister called the meeting to order at 10:07 a.m.

### **Approval of Minutes from November 15, 2005**

After review, a motion was made, supported and carried that board meeting minutes from the November 15, 2005 meeting be adopted.

## **Public Comment**

There was no public comment.

## **ACTION ITEM**

*Hyundai America Technical Center, Inc.  
6800 Geddes Road  
Superior Township, Michigan 48198*

Hyundai America Technical Center conducts emissions testing, engineering, research, development and design for Hyundai and Kia automobiles. The company was awarded a MEGA tax credit in September 2003, for a new engineering center in Superior Township. That project celebrated a grand opening this past October and Hyundai currently has 116 employees at the site.

Hyundai is considering an expansion of their current engineering center in Superior Township. Peter Anastor introduced Mark Torigian from Hyundai and Bill McFarlane with Superior Township. Mr. Torigian discussed the expansion project. The current engineering center opened this past October and will eventually create 400 new jobs and include \$117 million of investment. The expansion being proposed will lead to a new design center, including a design studio, dyno-lab, evaluation road, climatic chamber and anechoic chamber. The project would lead to the construction of three buildings in a campus-style setting, totaling 150,000 to 200,000 square feet. Hyundai would add 129 new jobs in the first year of the project and 600 new jobs over five years, paying an average weekly wage of \$1,350. These jobs would be in addition to the 400 added for the initial MEGA project.

Capital investment for the project would total \$94 million, including \$54 million for land, site preparation and building costs and \$40 million for new machinery, test equipment and furniture and fixtures. Construction on the facility would begin in the summer of 2006.

It is estimated that this facility will generate a total of 1,014 jobs in the state by the year 2026. Total state government revenue through the year 2026, would be increased by \$103.5 million due to the presence of this facility.

Hyundai America Technical Center has the option of locating this expansion near its manufacturing facility in Alabama. Alabama has aggressively recruited this project offering numerous incentives, including free land and site preparation, property tax abatement, and tax credits, including the Investment Tax Credit. In addition, the company found that wage rates were about eight percent higher in Michigan, leading to a wage differential of more than \$4 million a year when the project is fully staffed.

Superior Township has proposed a 50 percent PA 198 tax abatement for 12 years for the new real and personal property related to this project. The estimated value of this abatement is \$12.1 million. Final tax abatement approval is expected on January 3, 2006.

### **Recommendation**

The Michigan Economic Development Corporation recommends a 100 percent high-technology employment credit for 20 years, for up to 600 net new jobs. The company will not be allowed to count jobs for this credit until there are 400 qualified new jobs for the initial MEGA Tax Credit approved in 2003.

### **Board Discussion**

Bo Garcia gave the report from the Executive Committee. The Executive Committee recommended support of the requested MEGA tax credit.

Hearing no further discussion, a motion was made and supported, and Resolution 2005-94, authorizing a High-Tech MEGA tax credit for Hyundai America Technical Center, Inc., was adopted.

### **ACTION ITEM**

*Cobra Motorcycle Manufacturing, Inc.  
11511 Springfield Road  
North Lima, Ohio 44452*

Karen Ammarman discussed the need for an amendment for Cobra Motorcycle Manufacturing, Inc. Cobra Motorcycle Manufacturing, Inc. is a wholly owned subsidiary of Cobra Sport, Inc., which is headquartered in North Lima, Ohio. In November of 2005, the MEGA authorized an Employment Credit of 100 percent for seven years to Cobra Sport, Inc. to move its production facility from Ohio to the City of Hillsdale. Cobra Sport, Inc. is the parent company of Cobra Motorcycle Manufacturing, Inc. which manufactures mini motocross bikes. The company expects to create at least 70 jobs within five years.

Because the Michigan jobs will actually be created by Cobra Motorcycle Manufacturing, Inc. in Hillsdale rather than by the parent, the credit should have been granted to the operating company rather than the parent. Neither entity currently has any employees in Michigan.

This error was discovered prior to the execution of the tax credit agreement and, therefore, no changes in the terms of the Agreement are needed in connection with the correction.

### **Recommendation**

Staff recommends that the MEGA agree to correctly award the tax credit, and execute a written agreement, with Cobra Motorcycle Manufacturing, Inc.

### **Board Discussion**

Bo Garcia gave the report from the Executive Committee. The Executive Committee recommended support of the requested amendment.

Hearing no further discussion, a motion was made and supported, and Resolution 2005-95, awarding the tax credit that was previously awarded to Cobra Sport, Inc. (Resolution 2005-83) to Cobra Motorcycle Manufacturing, Inc., was adopted.

### **ACTION ITEM**

*Cadillac Residences Limited Dividend Housing Association, LLC  
1468 West 9<sup>th</sup> Street, Suite 135  
Cleveland, Ohio 44113*

Cadillac Development Company, LLC, received Michigan Economic Growth Authority (MEGA) Board approval for a \$10 million SBT Brownfield Redevelopment Credit on April 15, 2003. The original project was to completely renovate the former Book Cadillac Hotel, while preserving its historic significance. The original project included the renovation of 475 guest rooms and the creation of 84 residential units on the upper floors.

Mark Morante introduced Art Papapanos from Detroit Economic Growth Corporation and Ross Halloran from The Ferchill Group. Due to economic changes, the Cadillac Development Company, LLC, is requesting an amendment to their original project to include a change in developer from Kimberly-Clark Corporation to The Ferchill Group, removal of the residential portion of the original project, the construction of a three to four-story structure that will include parking and ancillary facilities, and a boundary change to include the square block surrounded by State Avenue, Shelby Street, Michigan Avenue and Washington Boulevard. The hotel portion of the project also includes up to the 23<sup>rd</sup> floor.

To make the entire Book Cadillac restoration project feasible, the residential portion of the project will be a separate project, requesting a Brownfield Redevelopment SBT credit in the amount of \$1,464,085 for eligible investment of \$14,640,847. Cadillac Residences Limited Dividend Housing Association, LLC, will renovate floors 24 through 32 of the historic Book Cadillac hotel into 67 market-rate residential condominium units.

The Book-Cadillac Hotel was the tallest building in Detroit and the world when it was built. In the late 1960s, it faced mounting vacancy and loss of profitability. It ceased operations in the mid-1980s. Since ceasing operations, it has been vacant. The roof needs extensive repair, all mechanical systems must be replaced, life safety and modern telecommunication systems need to be installed, and the floor plan of the building will be reconfigured.

The developer, an arm of Cleveland based Ferchill Group, has taken over this rehabilitation project from the original developers. The Ferchill Group is a real estate development firm active throughout the midwest. The firm concentrates on urban core communities, with a particular emphasis on redevelopment and adaptation of obsolete historic structures. In March 2004, the Ferchill Group completed the construction of the first new hotel in downtown Detroit in 15 years, the Hilton Garden Inn.

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

The project is located in the heart of downtown Detroit. The rehabilitation of the Book-Cadillac will revitalize the downtown area and eliminate blighted conditions that have created a negative impact on the financial district.

The seasonal adjusted unemployment rate for September 2005 for the State of Michigan was 6.7%. The seasonal non-adjusted unemployment rates for September 2005 for the City of Detroit and Wayne County were 12.7% and 7.8% respectively.

The developer has a construction loan from National City.

The project has received a MSHDA grant for \$6 million, a Gap Fund loan of \$6 million, Brownfield Tax Credits, National City CDC equity for \$347 million, a federal Empowerment Zone, and a Neighborhood Enterprise Zone.

The eligible investment to be undertaken in Detroit by Cadillac Residences Limited Dividend Housing Association, LLC includes restoration, alteration, renovation, and improvement of buildings.

The project is the subject of a brownfield plan approved by the City of Detroit Council on December 1, 2005.

### **Recommendation**

The MEDC recommends approval of a MEGA SBT brownfield redevelopment credit for the residential portion of the project (floors 24 through 32) of 10% of the eligible investment not to exceed a \$1,464,085.

The MEDC also recommends approval of the request to amend the original project to include the removal of the residential portion of the project (floors 24 through 32), the addition of a three to four-story structure that includes parking and ancillary facilities, and the expansion of the project boundary to include the entire block bounded by State Avenue, Shelby Street, Michigan Avenue, and Washington Boulevard.

### **Board Discussion**

Bo Garcia gave the Executive Committee report. The Executive Committee has reviewed the request for amendment to the original project, along with the request for brownfield redevelopment credit for the residential portion of the project, and recommends approval of both.

Faye Nelson asked about timelines for completion of the project. Mr. Halloran stated that the project has been under way for one and one half years so far and that he anticipates closing on all financing at the end of January, 2006. Demolition is set to begin immediately afterward. The condominiums and Westin Hotel units could open at

the end of 2007. Mr. Papapanos explained that interior demolition was begun by former developers. The Ferchill Group will continue demolition.

A motion was made and supported, and Resolution 2005-96, authorizing a brownfield redevelopment credit for Cadillac Residences Limited Dividend Housing Association, LLC, was adopted.

Discussion was heard regarding the request for amendment for this project. Bo Garcia reiterated the Executive Committee's support for the requested amendment to the original project.

Hearing no further discussion, a motion was made and supported, and Resolution 2005-97, authorizing an amendment to the original project as discussed, for the Cadillac Development Company, LLC, was adopted.

### **ACTION ITEM**

*Redford Township Brownfield Redevelopment Authority  
15145 Beech Daly Road  
Redford, Michigan 48239*

The Redford Township Brownfield Redevelopment Authority has submitted a work plan request seeking approval of local and school tax capture for the Shamrock Village project. Vern Taylor explained the project to the board. Mr. Taylor also informed the Board that the developer and the Township of Redford would be requesting the authorization of additional eligible activities at a subsequent Board meeting.

The project involves the demolition of a vacant, functionally obsolete building that was used as a college preparatory high school and as residential dwellings for over 25 years. The project also involves the demolition of 28 properties on adjacent parcels. The project is located on 43.6 acres and is located in the Charter Township of Redford.

The project will involve construction of a large residential community to include 345 developed units by the construction of approximately 180 single-family homes and 155 attached residential units over a period of six years. The single family homes will be approximately 1,200-2,400 square feet each. The attached residential units will each be approximately 1,000-1,400 square feet.

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

The Township of Redford is not an area of high unemployment. There will be approximately 705 temporary construction jobs created by this project. After the project is completed, there will be additional jobs created of an unknown quantity for the repair and maintenance of the infrastructure, dwellings and public utilities in the development.

The developer will invest approximately \$47 million in the project. The developer has financing for the project and the Township is issuing bonds for certain eligible activities planned for the project.

It is anticipated that the developer, JNCC, LLC, will apply for a single business tax credit. In addition, a special assessment district will be created to allow the Charter Township of Redford to issue public bonds for the construction of sanitary and storm sewers on the eligible property.

There are 30.08 mills available for capture, with school millage equaling six mills (19.9%) and local millage equaling 24.08 mills (80.1%). The recommended tax capture breaks down as follows:

School tax capture	\$ 299,495 (20%)
Local tax capture	<u>\$ 1,205,505 (80%)</u>
	\$ 1,505,000

#### PROJECT COSTS

Demolition	\$ 450,000
Site Preparation	\$ 905,000
Contingency (10%)	<u>\$ 150,000</u>
Total	\$1,505,000

The property has been deemed functionally obsolete by Redford Township. The project is the subject of a brownfield plan approved by Redford Township on June 22, 2005.

#### **Recommendation**

The Michigan Economic Development Corporation recommends approval of the school tax capture not to exceed \$299,495 based on eligible activities totaling \$1,505,000, as described above.

#### **Board Discussion**

Bo Garcia gave the Executive Committee report. The Executive Committee reviewed the request for tax capture, and recommended approval.

Hearing no further discussion, a motion was made and supported and Resolution 2005-98, authorizing the capture of school operating taxes for the Redford Township Brownfield Redevelopment Authority for the Shamrock Village Development project, was adopted.

#### **ACTION ITEM**

*City of Holland Brownfield Redevelopment Authority  
270 South River  
Holland, Michigan 49423*

Steketee-Van Huis, Inc. (SVH) specializes in high-end commercial printing and packaging, as well as digital imaging technology. SVH intends to expand its manufacturing building onto a recently acquired adjacent property.

Mark Morante introduced John Byl, who explained the project to the board and introduced Bruce Bos from the City of Holland, and Ryan Adkins with Steketee-Van Huis. The project consists of demolishing two existing building walls and constructing a 12,000 square foot addition. SVH will invest \$1.2 million in the building portion of their expansion and \$2.9 million in machinery and equipment, and will create five to 10 new full-time manufacturing jobs paying an average of \$15 per hour.

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

The unemployment rate (unadjusted) for the City of Holland was 6.9% in September 2005. This compares to the statewide seasonally adjusted average of 6.5% for the same period.

SVH will take appropriate measures to assure that there is no human exposure to the various volatile organic compounds present at the site during redevelopment of the site. The eligible activities are intended to mitigate identified environmental conditions that present unacceptable risk of exposure to construction workers and/or users of the property.

The developers will invest over \$4.1 million in this redevelopment project. The developer received approval of a Brownfield Single Business Tax Credit in the amount of \$410,000 on December 8, 2005.

The company will request a 50 percent abatement on real and personal property for 12 years from the City of Holland. If the abatement is approved there will be 26.7659 mills available for capture, with school millage equaling 15.3684 mills (57%) and local millage equaling 11.3975 mills (43%). The recommended tax capture breaks down as follows:

School tax capture (57%)	\$ 66,120 *
Local tax capture (43%)	<u>\$ 49,880</u>
	\$116,000

\* If the abatement is not approved, the maximum school tax capture shall be \$60,320.

#### PROJECT COSTS

Demolition	\$ 25,000
Site Preparation	\$ 75,000
MEGA Review Cost	\$ 1,000
Contingency (15%)	<u>\$ 15,000</u>
Total	\$ 116,000



The project is located within the boundaries of the City of Holland, a qualified local governmental unit, and has been deemed a facility. The property is the subject of a brownfield plan, duly approved by the City of Holland on April 7, 2004.

### **Recommendation**

The Michigan Economic Development Corporation recommends approval of the school tax capture not to exceed \$66,120 based on eligible activities totaling \$116,000.

### **Board Discussion**

Bo Garcia gave the Executive Committee report. The Committee has recommended support of the work plan and school tax capture for this project.

Hearing no further discussion, a motion was made and supported, and Resolution 2005-99, authorizing the approval of school tax capture for the City of Holland Brownfield Redevelopment Authority for the Steketee-Van Huis redevelopment project, was adopted.

### **ACTION ITEM**

*City of Southfield Brownfield Redevelopment Authority  
26000 Evergreen Road  
Southfield,, Michigan 48037*

This project involves the redevelopment of a former mobile home park. Mark Morante introduced Jill Ferrari with Redevelopment and Restoration Consultants, along with Tim Maher and Dale Inman from Centex Homes. The redevelopment of this site will involve the construction of approximately 10,500 square feet of commercial buildings, 170 attached condominium units and 57 single-family residential units. The anticipated sale range for the condominiums and single family residential units is between \$190,000 and \$320,000. The total private investment for this project is \$62 million. It is estimated that the project will create 50 new jobs.

The eligible property was first developed as a recreation area back in the 1940s. Several hundred cubic yards of fill were deposited at the site, comprised mostly of municipal solid waste, debris, and organic material. Subsequently, the site was developed for use as a mobile home park between the years 1958 and 2004.

The project will involve the demolition of all existing buildings, including the removal of existing dilapidated mobile homes. The existing utilities will be removed and replaced. The site will also need to be graded and prepared for the new construction. To address the environmental issues, shallow level soils will have to be removed to eliminate the identified contaminants of benzo(a)pyrene, lead, and arsenic. The contamination reportedly resulted from the staging of the Lodge Freeway.

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

The property currently has a combined taxable value of roughly \$1.7 million. It is anticipated that the taxable value after improvements will be over \$15 million. After the reimbursement to developer, the community will directly benefit from this significant increase in the tax base.

The City of Southfield's unemployment rate was 6% in October, 2005. This compares to the statewide seasonally adjusted average of 7.2% in October, 2005.

The project will be financed 100% by Centex Homes. The total cost of the project is expected to be approximately \$62 million. Centex Homes is one of the nation's leading home building companies, and operates in major U.S. markets in 25 states.

The only assistance that is being pursued for this project is reimbursement of state and local taxes for MEGA eligible activities. Centex Homes will not apply for a Brownfield Single Business Tax Credit related to this project.

Tax capture for the project will be split three ways as follows:

Residential portion = 96% of total project:

School tax capture	\$ 728,357 (18%)
Local tax capture	<u>\$ 3,257,271 (82%)</u>
	\$ 3,985,628

Commercial portion = 4% of the total project:

School tax capture	\$ 71,060 (43%)
Local tax capture	<u>\$ 95,008 (57%)</u>
	\$ 166,068

Total tax capture:

Total School tax capture	\$ 799,417 (19%)
Total Local Tax capture	<u>\$ 3,352,279 (81%)</u>
	\$ 4,151,696

Project Costs

Demolition	\$ 750,000
Site Preparation	\$2,859,301
Work Plan Preparation	\$ 1,000
Contingency (15%)	<u>\$ 541,395</u>
Total	\$4,151,696

The property has been deemed functionally obsolete by the City of Southfield. The project is the subject of a brownfield plan approved by the City of Southfield on July 18, 2005.

### **Recommendation**

The Michigan Economic Development Corporation recommends approval of the school tax capture not to exceed \$799,417 based on eligible activities totaling \$4,151,696, described above.

### **Board Discussion**

The report of the Executive Committee was given by Bo Garcia. Mr. Garcia expressed the Committee's recommendation for approval of this work plan and tax capture.

Hearing no further discussion, a motion was made and supported and Resolution 2005-100, authorizing the capture of school operating taxes for the City of Southfield for the Southfield Downs Mobile Home Park redevelopment project, was adopted.

### **ACTION ITEM**

*Board Action to approve 2006 meeting schedule.*

Karen Ammarman presented a proposed schedule of board meetings for the Michigan Economic Growth Authority for 2006. After discussion, a motion was made and supported, and the 2006 meeting schedule was adopted.

The meeting was adjourned at 10:45 a.m.

The next meeting of the MEGA board is scheduled for Tuesday, January 17, 2006.