

ADOPTED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Michigan Economic Development Corporation, 300 N. Washington Square, on February 11, 2003 at 8:30 a.m.

Members Present

Elizabeth Chappell (by telephone)
Craig DeNooyer
Sarah Deson-Fried
David Hollister (acting for and on behalf of Mitch Irwin, authorization attached)
Jay Rising
Jackie Shinn (acting for and on behalf of Gregory Rosine, authorization attached)
Tim Ward

Others Present

Peter Anastor, MEGA, MEDC
Kathy Blake, Sr. Vice President, Business Development, MEDC
Patrick Burtch, Village Manager, Village of Dundee
Jim Donaldson, Michigan Business Dev., MEDC
Valerie Hoag, MEDC
Fred Hoffman, Director of State Relations, DaimlerChrysler
Sabrina Keeley, COO, MEDC
Carol Knobloch Johns, MEDC
Paul Krepps, MEDC
Mark Morante, Vice President, Bus. Finance & Adv., MEDC
William Morris, President, Monroe County Industrial Development Corp.
Jim Paquet, Secretary to MEGA Board
Mike Pohnl, MEDC
Matthew Rick, Assistant Attorney General
James R. Roe, President, Village of Dundee
Thomas Russon, Attorney, Village of Dundee
Tom Schimpf, Assistant Attorney General

Call to Order

Jim Paquet called the meeting to order at 8:35 a.m.

Election of Presiding Officer

Tim Ward nominated David Hollister as presiding officer of the meeting. The motion was supported and carried.

Approval of Minutes from December 17, 2002

A motion was made, supported and carried that the minutes from the December 17, 2002 meeting be adopted.

Public Comment

There was no public comment.

ACTION ITEM

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

Global Engine Alliance, LLC was formed on June 7, 2002 by DaimlerChrysler, Hyundai and Mitsubishi for the purpose of jointly designing, developing and engineering a new family of in-line 4-cylinder gasoline engines to be used in future generations of vehicles of the three partners. The three partners equally own the joint venture company and currently there are no employees. Jim Donaldson began the presentation by introducing Fred Hoffman from DaimlerChrysler. Mr. Hoffman discussed the need for expansion and the selection of the site in Dundee and gratefully acknowledged the support that the project received from the local community. Pat Burtch from the Village of Dundee addressed the board and discussed the partnership between the community and the company, and the community's desire to have this expansion take place in Dundee. Jim Donaldson continued the presentation with an explanation of the project.

This project involves the development of a joint manufacturing facility to produce 2.4L, 2.0L, and 1.8L 4-cylinder aluminum engines. The project would focus on the manufacture of product for the NAFTA region and the engines would be installed in DaimlerChrysler, Hyundai and Mitsubishi vehicles. The project, and anticipated growth, would require 260 acres of land and would lead to the construction of a new 450,000 square foot manufacturing facility, as well as warehouse and office facilities. The expansion is expected to generate 172 new jobs in the first year of operation and 400 new jobs over a five-year period. The new positions will pay an average weekly wage of \$925.

Total capital investment for the project would be approximately \$374.9 million over five years, including \$88.4 million for site development, building and infrastructure costs, and \$286.5 million for new machinery and equipment. The project would begin construction in the spring of 2003, with operations starting in early 2005.

It is estimated that this facility will generate a total of 1,136 jobs in the state by the year 2023. Total state government revenues through the year 2023, would be increased by \$76.1 million due to the presence of this facility.

As part of the company's decision-making process, Global Engine Alliance compared the costs of the project in Dundee to Indiana. After a comprehensive analysis, the major cost gaps identified by the company included utilities, transportation costs, and

taxes. The company estimates that electrical costs will be approximately \$1.1 million per year higher in Michigan, once the facility is fully operational. The company is also anticipating a transportation cost differential of \$800,000 per year due to the location of the facility and the plants that will utilize the new engines. Additionally, the company is anticipating significantly higher tax costs in Michigan due to the SBT and property taxes.

The State of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$1,000 for each of the 400 new employees, or up to \$400,000. The company will also be eligible, based on the private investment numbers it provided, for an Investment Tax Credit worth approximately \$2.4 million. In addition, the State of Michigan will provide 100 percent abatement of the six-mill State Education Tax for a period of time to match the local property tax abatement. This abatement is estimated to be worth \$4.7 million.

The State of Michigan will also provide the Village of Dundee a Community Development Block Grant worth \$5 million for land acquisition, site preparation and/or other infrastructure improvements, including water, sewer and road improvements. Finally, an application through the local community for a Transportation Economic Development Grant for road infrastructure improvements from the Michigan Department of Transportation will be supported. The approximate value of this grant is \$1.6 million.

The Village of Dundee will provide a 50 percent abatement of the company's new real and personal property for 12-years. The value of the local tax abatement is estimated to be \$21.9 million. It is expected that final tax abatement approval will be completed by April 2003. In addition, the community will create a Local Development Finance Authority to capture taxes from this site for road infrastructure improvements, sewer treatment facility upgrades, rail infrastructure, utility extension, and site preparation.

Recommendation

The Michigan Economic Development Corporation recommends a 20-year employment tax credit of 100 percent for the first 200 new employees, and a seven-year business activity credit of 100 percent for the initial six years and 60 percent for the final year.

Board Discussion

Craig DeNooyer asked whether any of the engines produced at the new plant will be used in vehicles produced in Michigan. Mr. Hoffman answered, saying that some of the engines will be used in vehicles produced at the Sterling Heights plant, as well as plants in Illinois and other states.

Tim Ward gave the report of the Executive Committee. After noting that the local community has yet to take action on the promised tax abatements, Mr. Ward indicated the support of the Executive Committee and recommended the support of the MEGA board for this project.

Jim Paquet pointed out two changes to be made to the draft of the resolution; at the third "Whereas", paragraph d should say "location" instead of "expansion", and the "Be It Resolved" section, sub-paragraph b) is not needed because the company has no employees in Michigan.

Hearing no further discussion, a motion was made and supported, and Resolution 2003-01 awarding MEGA tax credits to Global Engine Alliance, LLC was adopted.

Proposed Meeting Schedule for MEGA Board for 2003

The schedule for monthly MEGA board meetings adopted in December of 2002 was presented and discussed. Without objection, the schedule was reaffirmed.

Without objection, Tim Ward, Elizabeth Chappell, Jay Rising, and David Hollister were named as members of the MEGA Executive Committee.

The meeting was adjourned at 8:50 a.m.

ADOPTED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Michigan Economic Development Corporation, 300 N. Washington Square, on March 18, 2003 at 10:00 a.m.

Members Present

Craig DeNooyer
Sarah Deson-Fried
Mark Haas (acting for and on behalf of Jay Rising, authorization attached)
David Hollister (acting for and on behalf of Mitch Irwin, authorization attached)
Jackie Shinn (acting for and on behalf of Gloria Jeff, authorization attached)
Tim Ward

Members Absent

Elizabeth Chappell

Others Present

Kathy Blake, Sr. Vice President, Business Development, MEDC
John Byl, Warner, Norcross & Judd
Michael A. Curis, Mack-Alter LLC
John Czarnecki, MEDC
Maggie DeSantis, Exec. Director, Warren/Conner Development Coalition
Sabrina Keeley, COO, MEDC
Carol Knobloch Johns, MEDC
Paul Krepps, MEDC
Gregory McDuffee, McDuffee & Partners
Mark Morante, Vice President, Bus. Finance & Adv., MEDC
Jim Paquet, Secretary to MEGA Board
Mary Petrovich, CEO, AxleTech International
Mike Pohnl, MEDC
Matthew Rick, Assistant Attorney General
Gregory Ripley, Manager, Price Waterhouse Coopers
Tom Schimpf, Assistant Attorney General
Vern Taylor, MEDC
Mark A. Thomas, Mack-Alter LLC
Bob Winter, Fifth Street Partners, LLC

Call to Order

David Hollister called the meeting to order at 10:05 a.m.

Approval of Minutes from February 11, 2003

A motion was made, supported and carried that the minutes from the February 11, 2003 meeting be adopted.

Public Comment

There was no public comment.

Action Item, Cadillac Development Company, LLC, was tabled until a future date.

ACTION ITEM

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

John Czarnecki introduced John Byl, who introduced the developer, Bob Winter. Mr. Byl provided some further detail about the project, including a presentation of photographs accompanied by a diagram of the proposed project.

The project property is located on the northern edge of the downtown district. It has been difficult to redevelop because of the need to demolish blighted structures, the need to compensate for the poor soil conditions at the former landfill site, and the lack of adequate ingress/egress to the property.

Fifth Street Partners, LLC, is proposing to redevelop this site into a 28 unit, high-end residential complex with private investment estimated to reach \$5 million. The project will continue the expansion of the downtown and eliminate blight.

The Work Plan includes activities to demolish existing buildings and remove asbestos from the site. Site preparation activities will be undertaken to address the foundation problems. Fifth Street will be extended along with the associated water main, sanitary sewer, and sidewalk improvements to provide ingress and egress to replace access to the property via an easement across the rail line. For liability reasons, the rail company is unwilling to provide the same easement for a residential project.

Brownfield Work Plan approvals are granted based on several criteria outlined in the statute. The proposed development will redevelop and revitalize unused downtown property, and will promote residential growth in the downtown area. The project will result in a cap over a portion of the contamination on this property, which will prevent or minimize continued leaching of contaminants through the soil into the groundwater. Some contaminated soil removal and disposal is expected to occur. The developer has successfully developed other residential projects in the Holland area and has received financing approval for this project. The property represents one of the few remaining undeveloped properties in downtown Holland. The work plan will remove obstacles to its redevelopment.

The project is eligible to apply to Treasury for a Brownfield Single Business Tax Credit.

There are 45.7487 mills available for capture, with school millage equaling 24 mills (52.46%) and local millage equaling 21.7487 mills (47.54%). The tax capture breakdown will vary based on how many of the units are second homes. The distribution of tax capture is as follows:

Assuming all the property is treated as Non-Homestead:

School tax capture	\$314,917
Local tax capture	<u>\$285,383</u>
	\$600,300

Assuming all the property is Homestead (only 6 mills of State Education Tax):

School tax capture	\$129,785
Local tax capture	<u>\$470,515</u>
	\$600,300

Project Costs

Demolition	\$ 30,000
Site Preparation	\$258,000
Asbestos Removal	\$ 6,000
Infrastructure	\$220,000
Work Plan Preparation & MEDC Administration	<u>\$ 8,000</u>
Subtotal	\$522,000
Contingency (15%)	<u>\$ 78,300</u>
Total	\$600,300

The property, formerly used for commercial purposes, is a facility and is located within the boundaries of the City of Holland, a qualified local governmental unit. The project is the subject of a brownfield plan, duly approved on December 4, 2002, by the Holland City Council.

Recommendation

The Michigan Economic Development Corporation recommends approval in the amount of \$600,300 for the demolition, infrastructure and site preparation activities described above.

Board Discussion

Tim Ward gave the report of the Executive Committee. After noting that previous attempts to develop this project have failed, Mr. Ward indicated the support of the Executive Committee and recommended the support of the MEGA board for this project.

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

2003-02, approving school tax capture by the City of Holland Brownfield Redevelopment Authority for its Fifth Street Partners residential redevelopment project, was adopted.

ACTION ITEM

*City of Detroit Brownfield Redevelopment Authority
211 West Fort Street
Detroit, Michigan 48226*

John Czarnecki introduced Maggie DeSantis, of Warren/Conner Development Coalition. Ms. DeSantis introduced Mr. Curis and Mr. Thomas with Mack-Alter LLC, and Mr. McDuffee from McDuffee & Partners. Ms. DeSantis' presentation to the board included a large picture of the finished project.

Located at the northwest corner of Mack and Alter on Detroit's far-east side, the "Wow" site has been targeted for redevelopment for many years. The proposed project would convert the site into a neighborhood retail center, consisting of a retail store, deli and a gas station.

Historically, this area of Detroit has experienced deterioration in the surrounding neighborhoods and, as a result, a decline in commercial retail activity. The bulk of the project site and the overwhelming majority of the surrounding properties are tax-reverted.

Eastside Land, Inc., a non-profit community-based organization formed to facilitate commercial development on Detroit's east side, has worked to assemble the property. It has partnered with The Curis Group, a local developer who has successfully completed similar projects in Detroit. The Curis Group will invest \$1.5 million in the site, which is the first phase of Eastside Land, Inc.'s long-term plan for this area. The purpose of the Work Plan is to address the demolition and site preparation costs of the project. Two homes must be demolished and the foundations eight previously demolished homes must be removed.

Brownfield Work Plan approvals are granted based on several criteria outlined in the statute. The Mack-Alter intersection is surrounded by hundreds of tax-reverted parcels. The remaining households do not have immediate access to the retail options that most Michigan citizens take for granted. This project represents an incremental step in the community's plan to revitalize the neighborhood. Of the 15 parcels comprising the project site, 10 are tax-reverted parcels that have had homes demolished in place. In order for any new construction to occur, the building materials must be removed and back-filled with engineered fill. Job creation is expected to be 10 new jobs in an area with unemployment 85 percent greater than the statewide average. Private investment in the project is expected to be \$1.5 million and the Curis Group has a proven track record of success with redeveloping Detroit properties.

The project is eligible to apply to Treasury for a Brownfield Single Business Tax Credit, which could total \$150,000. The project site was also part of the Detroit Title Clearance project, which is designed to clear title of tax-reverted parcels.

Locally, the Brownfield Redevelopment Authority has authorized the local tax capture of \$204,474 for additional eligible activities.

There is also an adjacent project, known as the "Spec" Site, that is part of the second phase of this development. The Department of Environmental Quality has approved an environmental Work Plan for \$56,500.

The total millage available for capture is 63.1289, which is broken down as follows: schools, 24 mills (38%); local, 39.1289 mills (62%). Because certain approvals have been made locally that commit the local tax capture, the \$115,000 request would be funded entirely with school tax capture.

Although the work plan only covers the "Wow" site, staff position included activities planned for the "Spec" site in its analysis. By incorporating eligible activities on both sites in the review, staff has identified a level of school tax capture on the "Wow" site, \$100,993, that would allow pro rata local and school tax capture for the combined projects.

Project Costs

Demolition	\$ 22,000
Site Preparation	\$ 88,000
Work Plan Preparation	<u>\$ 5,000</u>
	\$115,000

The property, formerly used for commercial purposes, is blighted and is located within the boundaries of the City of Detroit, a qualified local governmental unit. The project is the subject of a brownfield plan duly approved on September 11, 2002, by the Detroit City Council.

Recommendation

The Michigan Economic Development Corporation recommends approval in the amount of \$100,993 for the demolition and site preparation activities.

Board Discussion

Tim Ward gave the Executive Committee report. The Executive Committee recommends approval of this work plan by the MEGA board.

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

2003-03, awarding school tax capture to the City of Detroit Brownfield Redevelopment Authority for its Mack-Alter "Wow Site" redevelopment project, was adopted.

ACTION ITEM

*AxleTech International
2135 West Maple Road
Troy, Michigan 48084*

AxleTech, LLC (the "Company") designs, develops, and produces axles for heavy-duty off-road vehicles. Jim Paquet explained the Company's request for a change in the base employment level.

In July of 2002, the MEGA adopted a resolution awarding AxleTech a high tech credit for expansion of its operations in Troy. AxleTech was created in connection with an acquisition of a portion of the heavy axle business of ArvinMeritor. At the time of the MEGA award, the acquisition negotiations between AxleTech and ArvinMeritor were incomplete. It was believed then, that the acquisition would involve the transfer of 34 employees to AxleTech and the base employment level for the tax credit was set at 34.

By the time acquisition was finalized on December 30, 2002, the number of jobs to be transferred to AxleTech was reduced to 24. AxleTech is requesting an amendment to the terms of its tax credit to reduce the base employment level from 34 to the 24 jobs that were actually transferred as a part of the acquisition.

The MEDC staff is recommending that the MEGA agree to the company's request and that AxleTech, LLC's base employment level be adjusted to 24.

Tim Ward gave the Executive Committee report. Mr. Ward, on behalf of the committee, recommended approval of the requested amendment.

Hearing no further discussion, a motion was made and supported, and Resolution 2003-04, amending Resolution 2002-25 to lower the base employment level for AxleTech, LLC, was adopted.

The meeting was adjourned at 10:25 a.m.