

## 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 February 14, 2006, at 10:00 a.m.

### Members Present

Jim Epolito

Bo Garcia

Sande-Bain MacLeod

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

Jackie Shinn (acting for and on behalf of Gloria Jeff, authorization attached)

Robert Swanson

### Others Present

Karen Ammarman, MEDC

Peter Anastor, MEDC

Jack Buchanan, Blue Bridge Ventures

John Cubba, Redford Township

Mike Dennis, Redford Township

Jim Donaldson, MEDC

Karl Dorshimer, City of Lansing

Tracy Freeman, MEDC

Pat Greve, AKT Peerless

Carol Knobloch Johns, MEDC

Bob Kramer, BioPort

Bill Lichwalla, Plante & Moran

Jim Linton, AKT Peerless

Kirk Meadows, Honigman, Miller, Schwartz & Cohn

Ray Micalff, Steel Industries

Mark Morante, MEDC

Susan Novakoski, MEDC

Mike Pohnl, MEDC

Ed Reed, MEDC

Matthew Rick, Attorney General's Office

Kim Brennen Root, BioPort

Susan Shannon, City of Grand Rapids

Vern Taylor, MEDC

John Tierney, Dow Corning

Doug Williams, Redford Township

Kara Wood, MSHDA

Keith Woodland, Steel Industries

### Call to Order

Robert Swanson called the meeting to order at 10:15 a.m.

## Approval of Minutes from January 17, 2006

After review, a motion was made, supported and carried that board meeting minutes from the January 17, 2006 meeting be adopted.

## Public Comment

There was no public comment.

## ACTION ITEM

*BioPort Corporation  
3500 North Martin Luther King Jr., Blvd.  
Lansing, Michigan 48906*

BioPort Corporation was founded in 1998 to acquire the assets of the Michigan Biologic Products Institute from the State of Michigan. After the purchase of the facility, BioPort signed a new contract with the Department of Defense to produce the anthrax vaccine. The facility gained FDA approval in late 2001. There are currently 322 employees at the Lansing facility. Jim Donaldson introducing Robert Kramer from BioPort Corporation, and Karl Dorshimer, with the City of Lansing. Mr. Kramer discussed the company and explained the need for expansion.

BioPort is proposing to construct a new 50,000 square foot manufacturing facility at its current campus in Lansing in order to develop and produce products for its life science initiatives. The new facility will allow BioPort to retain its 322 employees, although this number may decrease due to production efficiencies that will be gained by the new facility. Average wages for the retained workers will be \$1,058 per week. Without a new facility, all the work done at the Lansing facility would eventually be relocated to Frederick, Maryland.

The project would require an investment of \$72.5 million, including \$25 million for the new building, \$21 million for new machinery and equipment and \$29 million for facility validation costs in order to meet FDA requirements. The company would be required to make at least a \$27.5 million investment by the end of 2006.

It is estimated that that this facility will retain a total of 952 jobs in the state by the year 2015. We also estimate that the project would maintain total state government revenues through the year 2015, of \$38.2 million due to the retention of this facility.

BioPort is also considering Frederick, Maryland for the new production facility. A location in Frederick offers BioPort a significant salary and wage savings compared to Michigan due to fewer administrative employees being needed in Frederick for this project. It is estimated that if the project located in Maryland, the company would need approximately 40 to 50 fewer employees. The company is also being recruited by Maryland for this investment. The company is being offered training grants, tax increment financing, a forgivable loan and a financing enhancement which would allow the company to finance project costs at lower interest rates, potentially saving up to \$1 million per year.

The State of Michigan will provide a 100 percent abatement of the six-mill State Education Tax for a period of time to match the local real property tax abatement. The value of this abatement is estimated at \$915,000.

The City of Lansing has proposed a 100 percent PA 328 personal property tax abatement for 15 years, and a 50 percent PA 198 real property tax abatement for 12 years. The estimated value of the PA 328 abatement is \$4.7 million, and the estimated value of the PA 198 abatement is \$4.35 million. Final approval of the abatements is expected on March 27, 2006.

### **Recommendation**

The Michigan Economic Development Corporation recommends a 100 percent retention employment tax credit for 10 years, for up to 322 retained employees.

### **Board Discussion**

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

Jackie Shinn asked about facility validation costs to meet FDA requirements. Mr. Kramer explained that BioPort is a federally regulated agency and as such, must comply with FDA and CBC standards. He projected that three years and as much as \$29 million dollars would be needed in order to comply.

Hearing no further discussion, a motion was made and supported, and Resolution 2006-04, authorizing a Retention employment tax credit for BioPort Corporation, was adopted.

### **ACTION ITEM**

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

Karen Ammarman explained the reason for this request to the board. On December 17, 2002, the MEGA board adopted Resolution 2002-56, approving tax credits for Royal Plastics Incorporated's expansion of its manufacturing operations in Jamestown Township, Ottawa County. Royal Plastics committed to maintaining its base employment level of 662, and creating at least 75 new jobs paying an average weekly wage of \$454 by January 31, 2004.

The company failed to create 75 new jobs by its anniversary date due to a general decline in the office furniture industry, delays in production of several programs, and the loss of anticipated programs to other suppliers. The company requested a 12-month extension of its anniversary date, to January 31, 2005, and the MEGA board adopted Resolution 2004-11 approving the extension.

Due to the relocation of Electrolux, one of the company's major customers, from Greenville, Michigan to Mexico, the company did not create the minimum number of jobs until October 31, 2005. Royal Plastics is requesting a nine-month extension of its anniversary date, from January 31 to October 31, 2005, so that it may qualify for the remaining 19 years of its credit. 75

### **Recommendation**

Staff recommends that the MEGA extend Royal Plastics, Inc.'s anniversary date by nine months, to October 31, 2005, but that the original schedule of the tax years in which the company is eligible for the credit remains unchanged.

### **Board Discussion**

Bo Garcia gave the report from the Executive Committee. The Executive Committee recommended support of the request for anniversary date extension.

Hearing no further discussion, a motion was made and supported, and Resolution 2006-05, authorizing the extension of Royal Plastics, Inc.'s anniversary date to October 31, 2005, was adopted.

### **ACTION ITEM**

*Dow Corning Corporation  
Tax Department, CO1112  
Post Office Box 994  
Midland, Michigan 48686-0994*

Karen Ammarman introduced John Tierney from Dow Corning Corporation. Mr. Tierney explained the need for an extension of the company's anniversary date. In October of 2003, the MEGA board approved a tax credit for Dow Corning Compound Semiconductor Solutions, LLC (CSS) to construct and equip a building to develop and produce compound semiconductor substrata in Williams Township, Bay County. In its MEGA Agreement, CSS committed to maintaining its base employment level of 2,573 and to creating at least five new jobs by September 30, 2005.

CSS has invested approximately \$18 million in manufacturing assets at the new facility and has created 39 new jobs. The company has not been able to maintain its base employment level due to Dow Corning's reduction of global employment levels and a significant number of retirements. With the overall increase in the global economy and potential investment opportunities at the various Michigan facilities, Dow Corning is optimistic that the base employment level will be met in the near future.

The company is requesting a two-year extension of its anniversary date, to September 30, 2007.

## **Recommendation**

In keeping with past practice, staff recommends that the MEGA extend Dow Corning Compound Semiconductor Solutions, LLC's anniversary date by one year, to September 30, 2006. The original schedule of the tax years in which the company is eligible for the credit will remain the same.

## **Board Discussion**

The report of the Executive Committee was given by Bo Garcia. Mr. Garcia mentioned that a part of the committee's discussion revolved around the fact that requests for extensions are and will continue to be reviewed on a case by case basis. The Executive Committee has recommended approval of an extension of the anniversary date for Dow Corning Compound Semiconductor Solutions, LLC.

Jackie Shinn asked what the short-term forecast is for the company. Mr. Tierney reiterated that in addition to capital investment, the company is anticipating significant growth. Karen Ammarman clarified that extending the date does not extend the length of the credit.

Hearing no further discussion, a motion was made and supported and Resolution 2006-06, authorizing a one-year extension of Dow Corning Compound Semiconductor Solutions' anniversary date, was adopted.

## **ACTION ITEM**

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

Peter Anastor introduced Keith Woodland and Ray Micallff from Steel Industries and John Cubba from Redford Township. Mr. Woodland introduced Kirk Meadows, legal counsel for the company, and ~~Doug Williams~~ from Redford Township. Mr. Woodland showed a site plan and artist's rendering of the project, and explained the project to the board.

Steel Industries, Inc. plans to expand its operations by acquiring the former J.L. Peters Company parcel in Redford Township, which is adjacent to its current facility. The site contains a 65,000 square foot building that is dilapidated and functionally obsolete. The project will include the demolition of this building and the construction of a new 61,000 square foot building and parking lot on the site. The new building will be house new machinery and equipment. Total investment for the project is approximately \$13 million. The expansion will lead to the creation of 20 new jobs, paying from \$12 to \$26 per hour. Forty-seven existing jobs will be retained.

Ameriforge Group, Inc., the Texas-based parent of Steel Industries, Inc., is also considering property in Texas for this project. Ameriforge owns a 30-acre "Greenfield" property in Texas that could accommodate this project. A Greenfield site would allow the company to avoid Brownfield costs estimated at \$1.5 million for the Michigan site. The

company also indicated that if the project were to locate in Texas, the company would see additional savings of \$500,000 on construction costs because neither heating nor insulation are needed in Texas and the company would not have land acquisition costs, since it already owns the site in Texas. In addition, the company indicates that operational costs would be approximately \$900,000 less in Texas, since wages are averaging about \$5 per hour less in Texas.

Steel Industries will also seek approval of a Brownfield Single Business Tax Credit not to exceed \$1 million for this project. Redford Township is expected to approve a 50 percent PA 198 tax abatement for the new real and personal property invested by Steel Industries at the site.

Assuming the approval of a PA 198 tax abatement, there are 27.6383 mills available for capture, with school millage equaling 15 mills (54%) and local millage equaling 12.6383 mills (46%). The recommended tax capture breaks down as follows:

School tax capture:	\$ 505,749 (54%)
Local tax capture:	<u>\$ 438,222 (46%)</u>
	\$ 943,971

**Project Costs:**

Demolition	\$ 110,000
Lead and Asbestos Abatement	\$ 100,000
Site Preparation	\$ 595,844
Public Infrastructure	\$ 10,000
Work Plan Preparation and Review	\$ 5,000
Contingency (15%)	<u>\$ 123,127</u>
Total	\$ 943,971

The project is located within the boundaries of the Charter Township of Redford, a qualified local governmental unit and has been deemed functionally obsolete by a qualified level 4 assessor. The property is the subject of a brownfield plan, duly approved by the Charter Township of Redford on February 6, 2006.

**Recommendation**

The Michigan Economic Development Corporation recommends approval of the school tax capture not to exceed \$505,749 based on eligible activities totaling \$943,971, described above.

**Board Discussion**

Bo Garcia gave the report from the Executive Committee. The Executive Committee recommended support of the request for tax capture.

Hearing no further discussion, a motion was made and supported and Resolution 2006-07, authorizing the capture of school operating taxes for the Charter Township of Redford for the Steel Industries expansion project, was adopted.

### **ACTION ITEM**

*City of Grand Rapids Brownfield Redevelopment Authority  
300 Monroe NW  
Grand Rapids, Michigan 49503*

Mark Morante introduced Pat Greve and Jim Linton from AKT Peerless and Jack Buchanan with Blue Bridge Ventures. Mr. Greve introduced Susan Shannon from the City of Grand Rapids. Mr. Greve presented the project to the board.

The project involves conversion and reuse of an existing manufacturing facility into a multi-use commercial brewery and entertainment facility and commercial office space. This project will also include 68 covered, semi-below parking spaces, an outdoor greenspace and plaza area centered between the office and commercial spaces. Approximately 60 to 70 percent of the existing building will be rehabilitated and the balance will be demolished and replaced. The redevelopment is being undertaken by Irish Twins Group, LLC, a group of experienced private developers and investors.

The property encompasses 2.2 acres and is located at 801-803 Ionia Street.

Brownfield Work Plans are based on several criteria outlined in the statute. These criteria have been met. It is estimated that the project will create up to 200 new jobs based on the commercial brewery, entertainment facility and office space.

The City of Grand Rapids unadjusted unemployment rate was 7.3% in December 2005. This compares to the statewide seasonally adjusted average of 6.4% in December 2005.

The project will be financed conventionally through a combination of investor equity and commercial loans.

The site is located in a qualified local unit of government and the City has committed to an Obsolete Property Rehabilitation Exemption Certificate (OPRA). The value of the OPRA is \$338,981, which consists of local tax capture only.

The developer is also seeking approval of a Brownfield Single Business Tax Credit, in the amount of \$1,000,000.

The project is in the City's North Monroe TIFA District and SmartZone boundaries. Accordingly, the total project will consist of only school tax capture. After the SmartZone and the OPRA tax capture expire, it will revert back to the TIFA. The recommended tax capture break down is as follows:

School Tax Capture (100%)	\$420,175
Local Tax Capture (0%)	<u>0</u>
Total	\$420,175

**Project Costs:**

Demolition	\$166,000
Lead/Asbestos Abatement	35,000
Site Preparation	120,000
Infrastructure Improvements	36,000
Work Plan Preparation	<u>7,500</u>
Sub-total	\$364,500
Contingency 15%	54,675
MEGA Work Plan Review	<u>1,000</u>
Total	\$420,175

The property has been declared a "facility" as defined in Section 2(m) of Act 381 and the project is located within the City of Grand Rapids, a qualified local governmental unit as defined in Section 2(v) of Act 381. The project is the subject of a brownfield plan approved by the City of Grand Rapids on January 9, 2006.

**Recommendation**

The Michigan Economic Development Corporation recommends approval of the school tax capture not to exceed \$420,175 based on the eligible activities described above.

**Board Discussion**

Bo Garcia gave the report from the Executive Committee. The committee recommended approval of the requested tax capture.

~~Hearing no further discussion, a motion was made and supported and Resolution 2006-08,~~ authorizing the capture of school operating taxes for the City of Grand Rapids Brownfield Redevelopment Authority for the Irish Twins Group, LLC redevelopment project, was adopted.

The meeting was adjourned at 10:55 a.m.

The next meeting of the MEGA board is scheduled for Tuesday, March 14, 2006.





STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

JENNIFER M. GRANHOLM  
GOVERNOR

JAY B. RISING  
STATE TREASURER

July 9, 2003

Mr. Jim Paquet  
Michigan Economic Growth Authority  
300 North Washington Square  
Lansing, MI 48913

Dear Mr. Paquet:

I hereby designate Scott Schrage, Special Assistant to the Treasurer, Department of Treasury, to represent me at the Michigan Economic Growth Authority Board meetings, which I am unable to attend.

Sincerely,

Jay B. Rising  
State Treasurer



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TRANSPORTATION  
LANSING

GLORIA J. JEFF  
DIRECTOR

February 10, 2003

Mr. Jim Paquet, Secretary  
Michigan Economic Growth Authority Board  
Michigan Economic Development Corporation  
300 North Washington Square  
Lansing, Michigan 48913

Dear Mr. Paquet:

As of January 31, 2003, I am appointing Jackie Shinn, Administrator, Office of Transportation Economic Development and Enhancement, to attend and act on my behalf at the Michigan Economic Growth Authority Board meetings as an alternate representative.

In case Ms. Shinn or I are unable to attend a particular board meeting due to scheduling conflicts, I am appointing Rob Abent, Bureau Director, Multi Modal Transportation Services Bureau, as my alternate representative to attend and act on my behalf.

If you have any questions regarding these appointments, please call me at 517-373-0718.

Sincerely,

A handwritten signature in black ink that reads "Gloria J. Jeff". The signature is written in a cursive style and is positioned above the printed name and title.

Gloria J. Jeff  
Director