

## 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 17, 2004, at 10:00 a.m.

### Members Present

Cullen DuBose  
Bo Garcia  
David Hollister  
Donald Jakeway  
Faye Nelson (attending by telephone)  
Jay Rising  
Jackie Shinn (acting for and on behalf of Gloria Jeff, authorization attached)

### Others Present

Peter Anastor, MEDC  
Amy Banninga, MEDC  
Kathy Blake, Sr. V.P., MEDC  
Pat Burtch, Village of Dundee  
Rick Chapla, The Right Place Program  
Dave Custer, President, Custer Office Environments  
John Czarnecki, MEDC  
Jim Donaldson, MEDC  
Pat Greve, AKT Peerless  
Valerie Hoag, MEDC  
Fred Hoffman, DaimlerChrysler  
Michelle DeSchryver, DeLoitte & Touche  
Carol Knobloch Johns, MEDC  
Steve Luzkow, Standard Federal  
Jim McBryde, MEDC  
Susan McCormick, MEDC  
Mark Morante, MEDC  
William Morris, Monroe Co. Industrial Development Corp.  
Jim Paquet, Secretary to the Board  
Mike Pohnl, MEDC  
Al Pope, DaimlerChrysler  
Matthew Rick, Assistant Attorney General  
James Roe, Village President, Village of Dundee  
Tom Russow, Attorney (for Village of Dundee)  
Rick Schnieders, Mitsubishi  
Hajime Sugawara, Mitsubishi  
Vern Taylor, MEDC

### Call to Order

David Hollister called the meeting to order at 10:04 a.m.

### Approval of Minutes from January 20, 2004

A motion was made, supported and carried that the minutes from the January 20, 2004 meeting be adopted.

### Public Comment

There was no public comment.

### ACTION ITEM

*Mitsubishi Heavy Industries Climate Control, Inc.  
1200 North Mitsubishi Parkway  
Franklin, Indiana 46131*

Jim Donaldson began the presentation by introducing Hajime Sugawara and Rick Schnieders from Mitsubishi. Mr. Schnieders explained the transition being undertaken by the company and the expansion needed to facilitate this.

Mitsubishi Heavy Industries Climate Control, Inc. (MCC) is a wholly owned subsidiary of Mitsubishi Heavy Industries, Ltd. (MHI), Japan.

MCC manufactures and supplies automotive air-conditioning systems for original equipment manufacturers. MCC was founded in 1995 in Franklin, Indiana. MCC's Franklin location serves as the headquarters, manufacturing center, and engineering support for MCC in North America. MCC also maintains an Engineering Customer Support office in Southfield, Michigan and Sales/Service office in Rancho Dominguez, California.

Mitsubishi Climate Control plans to expand engineering, research and development, testing, and prototype capabilities in the United States to expand OEM contracts in the United States. Currently, research and development for MCC products originates in Japan.

If the project locates in Sterling Heights, an existing building will be retrofitted and leased to MCC. Approximately \$7.4 million will be invested in new test facilities and equipment, computer hardware and related software, and furniture and fixtures. The majority of the investment will take place by the end of 2005. The expansion would create 14 new jobs in the first year of the project and up to 75 new jobs over the first five years. The new positions will pay an average weekly wage of \$1,264.

It is estimated that this facility will generate a total of 115 jobs in the state by the year 2014. Total state government revenues through the year 2014, would be increased by \$4.4 million due to the presence of this facility.

MCC is also considering locating the expansion at their existing headquarters and manufacturing facility in Franklin, Indiana. The City of Franklin and the State of Indiana have offered a lucrative incentive package for this expansion, including the EDGE credit, employee recruitment and training assistance, and 100 percent property tax abatements.

Michigan is being considered for the research and development expansion project to accommodate existing customers and provide prospective customers ease of access to MCC product capabilities. Without incentives from Michigan, the project is not attractive. Because MCC's Indiana facility has established system test facilities and a wind tunnel, the Michigan location requires \$4.5 more capital investment than the Franklin location and would result in annual operation costs approximately \$1 million higher than the Indiana location.

The State of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$500 for up to 50 new employees, or up to \$25,000.

The City of Sterling Heights has proposed a 50 percent abatement of the company's new real and personal property taxes for nine years. The estimated value of this abatement is \$468,000. This abatement is expected to be finalized on February 17, 2004.

### **Recommendation**

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 10 years, for up to 75 net new employees.

### **Board Discussion**

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

Hearing no further discussion, a motion was made and supported and Resolution 2004-06, approving a MEGA tax credit for Mitsubishi Heavy Industries Climate Control, Inc., was adopted.

## ACTION ITEM

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

Global Engine Manufacturing Alliance, LLC was formed on March 31, 2003 by DaimlerChrysler Corporation, Hyundai Motor America and Mitsubishi Motors North America for the purpose of jointly producing 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. The MEGA Board approved a credit for the first phase of the joint venture on February 11, 2003.

Mr. Donaldson introduced Al Pope and Fred Hoffman from DaimlerChrysler. Mr. Hoffman explained the project in more detail.

This project involves the second phase of development for a joint manufacturing facility to produce 2.4L, 2.0L, and 1.8L, 4-cylinder aluminum engines. The project would focus on additional capacity for the manufacture of product for the NAFTA region and the engines would be installed in DaimlerChrysler, Hyundai and Mitsubishi vehicles. The company is considering their existing site in the Village of Dundee and other Midwest states. The project would lead to the construction of an additional 450,000 square foot manufacturing facility, as well as the headquarters of the company. The expansion is expected to generate 77 new jobs in the first year of operation and 300 new jobs over a five-year period, of which 250 would be direct employees of Global Engine Manufacturing Alliance. The new positions will pay an average weekly wage of \$1,041.

Total capital investment for the project would be approximately \$323.2 million over five years, including \$49.5 million for building costs, and \$273.7 million for new machinery and equipment. The project would begin construction in the spring of 2004, with operations starting in spring 2006.

It is estimated that this facility will generate a total of 842 jobs in the state by the year 2025, generating state government revenue increases of \$64.5 million due to the presence of this facility.

As part of the company's decision-making process, Global Engine Manufacturing Alliance compared the costs of the project in Dundee to Indiana. After a comprehensive analysis, the major cost gaps identified by the company were transportation costs and taxes. The company estimates a \$350,000 per year transportation differential once the facility is fully operational. The company would also see savings in property taxes, due to lower tax rates in Indiana and available property tax abatements. Additionally, the company is being offered an aggressive incentive package, including job creation tax credits, training funds and other incentives.

The State of Michigan will work with the company to develop a customized workforce training program. The grant will cover actual training costs, up to \$400,000 for eligible new employees. In addition, the Southeast Michigan Community Alliance (SEMCA) is willing to provide up to \$2.688 million for eligible new worker training. In addition, the State of Michigan will provide a 100 percent abatement of the six-mill State Education Tax for a period of time to match the local property tax abatement. This abatement is estimated to be worth \$4.85 million.

The state of Michigan will also provide the Village of Dundee a Community Development Block Grant worth \$5 million for pre-employment assessment and program specific training, and wastewater treatment facility upgrades. 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 \$800,000.

The Village of Dundee will provide a 50 percent abatement of the company's new real and personal property taxes for twelve years. The value of the local tax abatement is estimated to be \$22.8 million. It is expected that final tax abatement approval will be completed by April, 2004. In addition, the community will utilize the Local Development Finance Authority to capture taxes from this site for utility infrastructure improvements, sewer treatment facility upgrades and electrical upgrades.

### **Recommendation**

The Michigan Economic Development Corporation recommends a 25-year employment tax credit of 100 percent for up to 250 net 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**

Faye Nelson gave the report from the Executive Committee. The committee recommends board approval of the requested tax credits.

Discussion was heard regarding the community's anticipated approval of the local tax abatement. Jim Paquet mentioned that, in addition to the new jobs to be created during this phase, the company must maintain 150 jobs at the manufacturing facility in Dundee, that were the basis for the approval of phase I.

Hearing no further discussion, a motion was made and supported and Resolution 2004-07, approving MEGA tax credits for Global Engine Manufacturing Alliance, LLC, was adopted.

**ACTION ITEM**

City of Detroit Brownfield Redevelopment Authority  
211 West Fort Street, Suite 900  
Detroit, Michigan 48226

John Czarniecki began the presentation by introducing Steve Luzkow with Standard Federal Bank. Mr. Luzkow explained that Standard Federal Bank is considering building a new bank branch on Detroit's east side. The project would involve the construction of a new 5,000 square foot building and employ eight people. The total private investment is estimated to reach \$2 million.

Located across the street from Detroit City Airport at the corner of Gratiot and Conner, the property in question is part of a larger 17 acre parcel known as the former Airport Trailer Park. The property was developed as a mobile home park from 1937 to 1957. These mobile home trailers were demolished or removed in the early 1990's. Concrete foundations and debris associated with these former structures remain on the site. Two conditions have caused this property to remain undeveloped for over 10 years: the presence of arsenic, lead and at concentrations exceeding MDEQ criteria, and subsurface materials (a combination of clay and sand mixed with cracked and broken brick, wood and concrete) not suitable to support new construction.

The Work Plan request is designed to address these site preparation needs.

The cost of the eligible activities totals \$241,500. The tax breakdown is as follows:

\$ 89,355	State School Property Taxes (37%)
<u>\$152,145</u>	Local Property Taxes (63%)
\$241,500	

Site Preparation	\$205,000
Work Plan Preparation & MEGA Administration	<u>\$ 5,000</u>
Subtotal	\$210,000
Contingency (15%)	<u>\$ 31,500</u>
Total	\$241,500

The property is a facility 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 November 26, 2003, by the Detroit City Council. The required Brownfield Work Plan approval criteria were met, and no additional state or local assistance is associated with this project.

## **Recommendation**

The Michigan Economic Development Corporation recommends approval in the amount of \$241,500 for the site preparation activities described above.

## **Board Discussion**

The report of the Executive Committee was given by Faye Nelson, who, on behalf of the Executive Committee, recommended approval of this project.

Jay Rising requested clarification of the amount of money to be used for clean-up activities. John Czarniecki explained.

Hearing no further discussion, a motion was made and supported, and Resolution 2004-08, approving the capture of school operating taxes for the City of Detroit Brownfield Redevelopment Authority, Standard Federal Bank Redevelopment, was adopted.

## **ACTION ITEM**

*City of Grand Rapids Brownfield Redevelopment Authority  
111 Pearl Street NW  
Grand Rapids, Michigan 49503*

John Czarniecki discussed a proposed consolidation project by Custer Office Environments, and introduced Rick Chapla from The Right Place Program, and Dave Custer of Custer Office Environments. Mr. Chapla photographs of the new location while Mr. Custer explained the consolidation project.

Custer Office Environments, the West Michigan Steelcase dealer, is considering the consolidation of its three operational locations. The company has pursued two options: buy land from Steelcase fronting the new South Beltline to construct a new building, or acquire and renovate an underutilized building near downtown Grand Rapids. The work plan request is designed to address the unique brownfield costs associated with the Grand Rapids building, including internal demolition activities and public infrastructure improvements. If these issues are addressed, the company will invest \$2.5 million to completely rehabilitate the structure.

The building in question includes two distinct sections: a four-story brick structure with approximately 54,500 square feet built in 1910, and a single-story built in 1988 with approximately 31,200 square feet. Custer intends to renovate the four-story building into office and showroom space. An existing firm will lease the 31,200 square feet for the time being. The project will help Custer retain 58 full-time jobs and position the company for future growth.

The office and showroom building was originally designed as a warehouse for a printing company. The building has been vacant for many years.

The project is also seeking \$250,000 in Brownfield Single Business Tax Credit. Further, the initial \$20,000 environmental assessment was funded by the city with EPA funds.

The cost of the eligible activities totals \$395,220. The tax breakdown is as follows:

\$217,371	State School Property Taxes (55%)	
<u>\$177,849</u>	Local Property Taxes (45%)	
\$395,220		
Infrastructure—Street, Sidewalk		\$300,000
Demolition		\$ 42,800
MEGA Work Plan Review		<u>\$ 1,000</u>
Subtotal		\$343,800
Contingency (15%)		<u>\$ 51,420</u>
<b>TOTAL</b>		<b>\$395,220</b>

The property is contaminated and qualifies as a facility. The property is located within the boundaries of the City of Grand Rapids, a qualified local governmental unit. The project is the subject of a brownfield plan duly approved on January 20, 2004.

### **Recommendation**

The Michigan Economic Development Corporation recommends approval in the amount of \$395,220 for the infrastructure and demolition activities described above.

### **Board Discussion**

Faye Nelson gave the report of the Executive Committee. The Executive Committee recommends approval of the requested amount for the described eligible activities.

Hearing no further discussion, a motion was made and supported, and Resolution 2004-09, approving the capture of school operating taxes for the City of Grand Rapids Brownfield Redevelopment Authority for the Custer Office Environments consolidation project, was adopted.

### **ACTION ITEM**

*Saint-Gobain Sekurit U.S.A.  
725 Barclay Circle, Suite 215  
Rochester Hills, Michigan 48307*

Jim Paquet explained the reason for this requested amendment. On August 14, 2001, the MEGA adopted Resolution 2001-035 approving tax credits for Saint-Gobain Sekurit USA, Inc.'s first US manufacturing facility in Shelby Township, Macomb County, where it would make tempered and laminated glass for windshields. In its MEGA Agreement,



Saint-Gobain Sekurit committed to maintaining its base employment level of 15 and creating at least 75 new jobs paying an average weekly wage of \$623 by December 31, 2003.

Construction has been completed and the company has begun production as anticipated. Sekurit has maintained its base employment level, hired new employees and is paying at least the minimum average weekly wage as required. However, a substantial number of its new jobs are currently filled by people employed by a contract agency.

Saint-Gobain Sekurit has requested an extension of its anniversary date, from December 31, 2003 to May 31, 2004 to allow it time to perform the necessary review and execute the paperwork required to bring the contract employees onto Sekurit's payroll. Once those employees are on Sekurit's payroll, it will qualify for the MEGA credits.

### **Recommendation**

Staff recommends that the MEGA extend Saint-Gobain Sekurit USA, Inc.'s anniversary date for five months, to May 31, 2004, but that the original schedule of the tax years in which the company is eligible for the credit remains unchanged.

### **Board Discussion**

Faye Nelson gave the Executive Committee report and, on behalf of the committee, recommended approval of the amendment.

Hearing no further discussion, a motion was made and supported, and Resolution 2004-10, approving an amendment of Resolution 2001-035 for Saint-Gobain Sekurit U.S.A., Inc., was adopted.

### **ACTION ITEM**

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

Jim Paquet explained that on December 17, 2002, the MEGA 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 has increased its manufacturing capacity at its Jamestown Township facility. It has installed \$2.3 million in new equipment and has created 51 new jobs

paying an average weekly wage of \$454 while maintaining its base employment level of 662 jobs.

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 sourcing of anticipated programs from other suppliers.

The company believes that it can reach the required job creation level by January 31, 2005. It has a number of newly awarded programs that are currently being tooled and will start production in 2004. Additionally, a program that had been scheduled to begin production in late 2003 is now rescheduled for the first quarter of 2004. Finally, the Business and Institutional Furniture Manufacturer's Association forecasts a 5.6% growth in office furniture shipments for 2004 which should result in increased orders for Royal Plastics. The company has requested a one-year extension of its anniversary date.

### **Recommendation**

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

### **Board Discussion**

Faye Nelson gave the Executive Committee report. The Executive Committee concurs with staff recommendation to extend the anniversary date for this project.

Hearing no further discussion, a motion was made and supported, and Resolution 2004-11, approving an amendment of Resolution 2002-056 for Royal Plastics, Inc., was adopted.

### **ACTION ITEM**

*Johnson Controls, Inc.  
Automotive Systems Group  
49200 Halyard Drive  
Plymouth, Michigan 48170*

Jim Paquet explained the need for a location change for this project. In April 2001, the MEGA Board approved a tax credit for Johnson Controls Technology Company for construction of a technical center in Salem Township, Washtenaw County. The Company executed a MEGA Tax Credit Agreement on June 22, 2001.

Since the credit was authorized, the company has been unsuccessful in working through issues related to providing utilities to the project site in Salem Township.

The company has now chosen a site in Plymouth Township that has existing utilities and has received the local government's assurances that it will adopt a 12 year tax abatement for the project that is estimated to be worth \$6.8 million. Johnson Controls Technology Company is prepared to move expeditiously with the project if the location change is approved.

### **Recommendation**

Staff is recommending approval of the request to amend the project location. Consistent with past practice, the staff is recommending that the original schedule of the years of the credit remain unchanged.

### **Board Discussion**

The Executive Committee report was given by Faye Nelson. The Executive Committee recommends approval of the requested amendment.

Hearing no further discussion, a motion was made and supported, and Resolution 2004-12, approving an amendment of Resolution 2001-015 for Johnson Controls Technology Company, was adopted.

### **ACTION ITEM**

Jim Paquet discussed the need to appoint a board designee to review information and determine whether to grant confidentiality requests in relation to applications made for MEGA tax credits. A resolution was introduced that would designate and allow the Secretary to the Michigan Economic Growth Authority (MEGA) board, to review and grant or deny confidentiality to companies who make that request.

### **Board Discussion**

After board discussion, and review of the proposed resolution by Matthew Rick from the Attorney General's office, a motion was made and supported, and Resolution 2004-13, designating the Secretary to the MEGA board to review information submitted and approve or deny requests for confidentiality on behalf of the board, was adopted.

The meeting was adjourned at 10:40 a.m.

The next meeting of the MEGA board is scheduled for Tuesday, March 16, 2004.



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 with a long, sweeping underline.

Gloria J. Jeff  
Director