

MICHIGAN ECONOMIC GROWTH AUTHORITY BOARD
March 15, 2011

ADOPTED MEETING MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) Board was held on Tuesday, March 15, 2011 at the Michigan Economic Development Corporation, Lake Michigan Conference Room, 300 North Washington Square, Lansing, Michigan.

MEMBERS PRESENT: Andy Dillon (Chairperson); Cullen DuBose; Douglas Buckler; Ruth Duquette (acting on behalf of John Nixon, authorization attached); Michael Finney (non-voting, ex-officio); Baldomero Garcia; Tim Herman (10:02); and Steve Hilfinger.

MEMBERS ABSENT: None

CALL TO ORDER: At 10:01 a.m. the meeting was called to order by Mr. Dillon.

APPROVAL OF MINUTES: Mr. Dillon asked for a motion to approve the February 15, 2011 meeting minutes. **Mr. Buckler motioned approval of the minutes. Mr. Garcia seconded the motion.** The motion carried unanimously – 6 ayes; 0 nays; 0 recused; 1 absent

Tim Herman arrived at 10:02 a.m.

PUBLIC COMMENT: Mr. Dillon asked if there was any public comment. There was none.

PROPOSED HIGH-TECH MEGA CREDITS

Resolution 2011-031: Atomic Object LLC

Matt Partridge, Business Development Manager, provided background information and introduced the guest presenters: Carl Erickson, President, Atomic Object, LLC; George Bosnjak, The Right Place; and Kara Wood, Economic Development Director, City of Grand Rapids.

Mr. Ericson said that Atomic Object LLC was a locally grown company. The area in which the company is at has seen growth due to a Renaissance Zone. The company currently has 30 employees with high education backgrounds. They are ready to launch software products.

Greg West, MEDC Capital Services Associate, provided additional information and recommendations.

Mr. West said that the company would invest approximately \$25 million and create up to 43 jobs over the next five years as a result of the project. The average weekly wage for the newly created jobs is anticipated to be \$1,128.

Recommendation: MEDC staff recommends a 75 percent high-technology employment tax credit for four years for up to 30 net new employees in excess of the company's established base of 26.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed High-Tech MEGA Credit and recommends approval. Ms. Campbell stated there was one contingency; that the City of Grand Rapids approves a tax abatement for new property related to the project. Mr. Dillon asked if there were any questions from the Board. Mr. Hilfinger asked if the company owned the intellectual property of the software or if they license the use out to the customers? Mr. Erickson indicated that the company owns the intellectual property and it is not external. **Mr. Garcia made a motion for approval of Resolution 2011-031. Mr. Herman seconded the motion.** The motion carried unanimously – 7 ayes; 0 nays; 0 recused; 0 absent.

Resolution 2011-032 Detroit Heavy Truck Engineering, LLC

David Kurtycz, MEDC Business Development Manager, provided background information and introduced the guest presenters: Donna Melonio, Director of Administrative Services, Detroit Heavy Truck Engineering, LLC, Chuck Holmes, Senior Business Development Representative, Oakland County and Ara Topouzlan, Economic Development Director, City of Novi.

Ms. Melonio said that Detroit Heavy Truck Engineering, LLC (“DHTE”) offers high mining dump trucks. They are used to work with Detroit Diesel systems to work 24/7 in open pit mines. The product is 98% American made and 100% sold outside of Michigan. Ms. Melonio thanked the MEDC and the City of Novi for assisting them in getting tax incentives that allows the company to stay in Michigan. Mr. Topouzlan said that he is happy that DHTE is locating in the City of Novi. Mr. Holmes said that Oakland County is happy that DHTE is taking talent and putting it into Oakland County.

Joe Quick, MEDC Project Specialist, provided additional information and recommendations.

Mr. Quick indicated that the company plans to invest approximately \$4.6 million and create 49 jobs over the next five years with 12 jobs projected in year one. The average weekly wage for the newly created jobs is anticipated to be \$1,139.

Recommendation: MEDC staff recommended a 50 percent high-technology employment tax credit for five years for up to 49 net new employees in excess of the company’s established base of 12.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed High-Tech MEGA Credit and recommends approval. Ms. Campbell stated there was one contingency related to the project; the City of Novi must pay the application fees for this project. Mr. Dillon asked Ms. Melonio if the project was assembled in China? Ms. Melonio responded that the product is too large to ship completed and must be transported in parts. Mr. Dillon asked if any assembly was done in the Novi? Mrs. Melonio responded that the Novi facility only does the engineering, sales and support of the trucks. **Mr. Buckler made a motion for approval of Resolution 2011-032. Mr. Herman seconded the motion.** The motion carried unanimously – 7 ayes; 0 nays; 0 recused; 0 absent.

Resolution 2011-033: Lakeside Software, Inc.

Christine Roeder, MEDC Business Development Manager, provided background information and introduced the guest presenters: Mike Schumacher, CEO Lakeside Software; Dan Salinas, Vice President Business Development, Lakeside Software; Jay Cravens, Bloomfield Hills City Manager; Jennifer Owens, Ann Arbor SPARK; Irene Spanos, Oakland County; and Andrea Duncan, Director of Member Services, Automation Alley.

Mr. Schumacher said that Lakeside Software, Inc. had been in business for 14 years. Their company develops software to understand how people use their computers. Changing technologies like portable computer devices and IPADS have changed the way people work. Their packaged software is the same software for every company that they sell to. The software is sold all over the world. Most of their employees are engineers and help build the product. Lakeside Software, Inc. also considered moving the operation to Palo Alto, California, but decided with the tax incentives to expand in Bloomfield Hills and open a facility in Ann Arbor. Jennifer Owens from Ann Arbor SPARK wanted to welcome Lakeside Software, Inc. to Ann Arbor and indicate that they are 1 of 300 technology companies currently in Ann Arbor. Ms. Spanos wanted to thank Mike Schumacher for choosing Oakland County. Ms. Spanos also indicated the Oakland County and committed \$1.9 million in job training funds to this project. Ms. Duncan wanted to congratulate and give her support on behalf of Automation Alley. Mr. Cravens said it was an honor to have Lakeside Software, Inc. in Bloomfield Hills where the city would provide office space and jobs to the community.

Marcia Gebarowski, MEDC Project Specialist, provided additional information and recommendations.

Ms. Gebarowski said the company plans to invest approximately \$6.1 million and create 198 jobs over the next five years, with the average weekly wage for the newly created jobs anticipated to be \$1,298.

Recommendation: MEDC staff recommended a 50 percent high-technology employment tax credit for five years for up to 198 net new employees in excess of the company's established base of 20.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed High-Tech MEGA Credit and recommends approval. Ms. Campbell said that there were no contingencies. Mr. Dillon asked what the outcome of the software was. Mr. Schumacher indicated that the software can figure out how the computer is used and can run anti-virus programs and even turn the computer off at night and turn it back on again in the morning giving the company energy saving. Mr. Finney asked if the software was consumer driven and Mr. Schumacher said that is was not meant for a single user but for a larger company with hundreds of users. **Mr. Hilfinger made a motion for approval of Resolution 2011-033. Mr. DuBose seconded the motion.** The motion carried unanimously – 7 ayes; 0 nays; 0 recused; 0 absent.

PROPOSED RURAL MEGA CREDITS

Resolution 2011-034: Michigan Iron Nugget, LLC

Cathi Cole, MEDC Business Development Manager, provided background information and introduced the guest presenters: Dana Byrne, Vice President Government & Public Affairs (Cliffs Natural Resources) and Amy Clickner, CEO (Lake Superior Community Partnership)

Mr. Byrne thanked the board for their consideration. He said that the company is moving from Indiana to Michigan and is a chemistry based plant that also exports. Ms. Clickner said that the company is taking over a vacant building and will create 30 jobs over the next five years. They are committed to a PA 198 abatement in the future. She thanked the board for their consideration.

Stacy Bowerman, MEDC Project Specialist, provided additional information and recommendations.

Ms. Bowerman spoke about the company's plan to invest approximately \$20,000,000 and create 114 jobs over the next six years. The average weekly wage for the newly created jobs is anticipated to be \$1,160.

Recommendation: MEDC staff recommended a 100 percent rural employment tax credit for six years for up to 114 net new employees, provided that a minimum of 80 new jobs are created and maintained in years 3 through 6. Failure to do so would result in a forfeiture of the credit for that year.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed Rural MEGA Credit and recommends approval. Ms. Campbell pointed out that there was one contingency; that Tilden Township approves a tax abatement for new property related to the project. Mr. Dillon asked where the product was used and what is the life of the reserves. The response was 30 years. Mr. Hilfinger asked a question relating to supply. Mr. Dillon asked if there were any other questions from the Board. Being none, **Mr. Buckler made a motion for approval of Resolution 2011-034. Mr. Garcia seconded the motion.** The motion carried unanimously – 7 ayes; 0 nays; 0 recused; 0 absent.

PROPOSED STANDARD MEGA CREDITS

Resolution 2011-035: Dialogue Marketing, Inc.

Jerome Katz, MEDC Business Development Manager, provided background information and introduced the guest presenters: Patrick Murphy, CFO of Dialogue Marketing, Inc., Alejandro Vargas, President and CEO of Dialogue Marketing, Inc.; Peter D. Schmitt, Board Member of Dialogue Marketing, Inc.; Wyman Bolton, Board Member of Dialogue Marketing, Inc.; Mark Adams, Oakland County; and Mark Miller, City of Troy.

Mr. Vargas described his company as an outsource provider which and that he has spent 30 years in the business. His company supports Fortune 500 companies through sales and marketing support. They currently employ 200 people and expect further growth of up to 1,000 employees total with 600 based in Michigan. The company also considered Utah, but decided to stay in Michigan. Mr. Murphy stated that he expected 30-50 million in growth every year from this company. Dialogue Marketing, Inc. is creating 200 jobs in the City of Troy as well as increasing projects and equipment. Mr. Adams thanked Mike Finney and the MEDC for the joint effort and believes this project shows benefits to keep jobs here in Michigan. Mr. Miller added that he appreciated that Dialogue Marketing would be staying in Troy.

Joe Quick provided additional information and recommendations.

Mr. Quick said the company plans to invest approximately \$5 million and create up to 230 jobs over the next five years.

Recommendation: MEDC staff recommends a 100 percent standard employment tax credit for three years for up to 230 net new employees in excess of the company's established base of 409.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed Standard MEGA Credit and recommends approval. Ms. Campbell said that the City of Troy has to approve a tax abatement. Mr. Dillon asked if there were any questions from the Board. Being none, **Mr. Garcia made a motion for approval of Resolution 2011-035. Mr. DuBose seconded the motion.** The motion carried unanimously – 7 ayes; 0 nays; 0 recused; 0 absent.

Resolution 2011-036: Health Business Solutions, LLC

Aaron Young, MEDC Business Development Manager, provided background information and introduced the guest presenters: Jay Agemy, Chief Operating Officer of Health Business Solutions, LLC, and Barry Murray from the City of Dearborn.

Mr. Agemy stated the Health Business Solutions, LLL was headquartered in Florida. He stated that Health Business Solutions, LLC acquired the Dearborn, Michigan facility which was part of the project. He believes that Dearborn provides access to a highly skilled workforce and thanks the Board for its support. Mr. Murray wanted to welcome Health Business Solutions, LLC on behalf of the City of Dearborn and believes the project will grow business for Dearborn and provide local support.

Robert Wilson, MEDC Project Specialist, provided additional information and recommendations.

Mr. Wilson said the project plans to invest approximately \$2.6 million and create 206 jobs over the next five years, with an average weekly wage of \$804.

Recommendation: MEDC staff recommends a 50 percent standard employment tax credit for five years for up to 206 net new employees.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed Standard MEGA Credit and recommends approval. Ms. Campbell said that there was one contingency: that the City of Dearborn approves tax abatements for new property related to the project. Mr. Finney asked a question relating to the benchmark that must be accomplished by the hospital in order to be paid by the insurance company. In response to a question relating to market, the company confirmed they currently have no business with Michigan hospitals. Mr. Finney offered assistance. Mr. Dillon asked if there were any additional questions from the Board. Being none, **Mr. Herman made a motion for approval of Resolution 2011-036. Mr. Hilfinger seconded the motion.** The motion carried unanimously – 7 ayes; 0 nays; 0 recused; 0 absent.

Resolution 2011-037: Key Plastics, L.L.C.

Tom Durkee, MEDC Project Manager, provided background information for the project and introduced the participants: Terry Gohl, CEO of Key Plastics, L.L.C.; Charlie Pear, CFO of Key Plastics, L.L.C.; and Shea Charles, City Manager of Howell.

Mr. Gohl said that Key Plastics, L.L.C. is a growing automotive company with a presence around the globe. The company has grown to \$550 million in sales. It has also grown 30% due to operating efficiency. Mr. Gohl also provided some background on Key Plastics, L.L.C. Key Plastics, L.L.C. is a growing entity that has generated 300 jobs on the front end to create a better company position. Mr. Shea indicated that the project was excellent and that the City of Howell was excited to reinvest in a 12 year tax abatement.

Joe Quick provided additional information and recommendations.

Mr. Quick said the company plans to invest approximately \$10.3 million and create up to 297 jobs over the next five years with the average weekly wage of \$472.

Recommendation: MEDC staff recommends approval of a 100 percent standard employment tax credit for four years for up to 297 net new employees, in excess of the company's established base of 480. Additionally the company must create and maintain a minimum of 200 jobs by the end of year three, or the fourth credit year will be forfeited.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed Standard MEGA Credit and recommends approval. Ms. Campbell said that there were no contingencies. Mr. Dillon asked if there were any questions from the Board. Mr. Hilfinger asked Mr. Gohl is there was OEM work. Mr. Gohl explained that most of their work came from the Big Three and BMW with 50% being Tier 1 and 50% OEM. **Mr. Hilfinger made a motion for approval of Resolution 2011-037. Mr. Herman seconded the motion.** The motion carried unanimously – 7 ayes; 0 nays; 0 recused; 0 absent.

Resolution 2011-038: Knape & Vogt Manufacturing Company

Matt Partridge, MEDC Business Development Manager, provided background information for the project and introduced the participants: Peter Martin, President and CEO of Knape & Vogt Manufacturing Company; Rick McQuigg, CFO of Knape & Vogt Manufacturing Company; Jeff Kooiker, Plant Controller for Knape & Vogt Manufacturing Company; Matt Seyffert, Financial Analyst for Knape & Vogt Manufacturing Company; George Bosnjak, The Right Place; and Kara Wood, City of Grand Rapids.

Mr. Martin indicated the Knape & Vogt Manufacturing Company has been in Grand Rapids for over 100 years. The company makes door slides, inside caddies, shelving products and ergonomic products. They have two facilities in Grand Rapids and one in California and one in Taiwan. They are the only company in the United States that manufactures door slides. This project stems from the acquisition of the John Sterling Corporation. John Sterling overlapped services with Knape & Vogt and so they consolidated their services and combined a facility in Grand Rapids. The project will bring jobs to Grand Rapids

through growth opportunities that have been identified. Mr. Bosnjak indicated that Knape & Vogt Manufacturing Company is innovative and that West Michigan is happy to have them move there. Ms. Wood stated that the City of Grand Rapids has approved the PA 198 tax abatement and that the city is thrilled for the growth of this company.

Robert Wilson provided additional information and recommendations.

Mr. Wilson said the company plans to invest \$1.24 million and create 122 jobs, with an average weekly wage anticipated at \$491.

Recommendation: MEDC Staff recommends a 50 percent standard employment tax credit for five years for up to 122 net new employees in excess of the company's established base of 456.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed Standard MEGA Credit and recommends approval. Ms. Campbell pointed out that the only contingency was that the City of Grand Rapids approves a tax abatement related to the project. Mr. Dillon asked if the company only manufactures in the United States. Mr. Martin indicated about 30% of the manufacturing occurred in the United States. Mr. Dillon asked if that presented challenges on the labor side due to the direct competition of the Asian based companies. Mr. Martin said that that with the out of state sales, 60% required some assembly and 70% were domestic. That the company's primary focus was to have 95% domestic sales. **Mr. Garcia made a motion for approval of Resolution 2011-038 Mr. Herman seconded the motion.** The motion carried unanimously – 7 ayes; 0 nays; 0 recused; 0 absent.

Resolution 2011-039: Spartan Motors Chassis, Inc.

Tom Durkee, MEDC Project Manager, provided background information for the project and introduced the participants: Randy Thayer, Launch Director for Spartan Motors Chassis, Inc.; Tom Kivell, Vice President of Spartan Motors Chassis, Inc.; and Brian Myrkle, Director of Community & Economic Development for the City of Charlotte.

Mr. Kivell stated that he was excited about this project and the acquisition of Utlis Motors. This acquisition can spur additional products including two chassis and one full body program. Spartan Motors Chassis, Inc. will also acquire an obsolete facility. Mr. Myrkle wanted to show his support for the Spartan Motors project. The City of Charlotte is expected to pass a PA 198 tax abatement in addition to a Brownfield project which is being considered. Spartan Motors Chassis, Inc. is the largest employer in Charlotte and the company is home grown and a good corporate citizen. This project is a great opportunity. Mr. Kivell also wanted to comment that last June the company received jobs training funds from Lansing Community College.

Marcia Gebarowski provided additional information and recommendations.

Ms. Gebarowski said that the company plans to invest \$5.4 million and create 450 jobs over the next five years, with an average weekly wage of \$701.

Recommendation: MEDC staff recommends a 100 percent standard employment tax credit for ten years for up to 450 net new employees in excess of the company's established base of 673. The company agrees to set aside its existing MEGA credit upon activation of the MEGA credit for the described project. The company must create and maintain 400 qualified new jobs by the end of the fifth year. Failure to do so will result in the forfeiture of the remaining credit years.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed Standard MEGA Credit and recommends approval. Ms. Campbell pointed out that the only contingency was that the City of Charlotte approves a tax abatement related to the project. Mr. Dillon asked if there were any questions from the Board. Being none, **Mr. Buckler made a motion for approval of Resolution 2011-039. Mr. Garcia seconded the motion.** The motion carried unanimously – 7 ayes; 0 nays; 0 recused; 0 absent.

Resolution 2011-040: Steketee-Van Huis, Inc.

William Kratz, MEDC Business Development Manager, provided background information for the project and introduced the participants: Ed Gasper, Treasurer of Steketee-Van Huis, Inc.; Robert Hillard, City Manager for the City of Allegan; and Christine Powers, Lakeshore Advantage.

Mr. Gasper thanked Stacy Bowerman, Bill Kratz Christine Powers, and the MEGA Board for the help and support he has received on the project. The company is located in Holland, Michigan. The company has 11 facilities in the United States. There is much growth in the pharmaceutical area and great opportunity for expansion. The company plans to invest \$500 million in equipment to be divided equally among the Holland, Allegan and Lansing facilities. Mr. Hillard wanted to give his support for the project and indicate that the City of Allegan was in support of passing the tax abatement for this project. Ms. Powers wanted to indicate that Lakeshore Advantage was in support of the tax abatement approval.

Stacy Bowerman provided additional information and recommendations. Ms. Bowerman stated that the company plans to invest approximately \$5.3 million and create 180 jobs over the next five years, with 63 jobs projected in year one and pay an average weekly wage of \$621.

Recommendation: MEDC staff recommends a 100 percent standard employment tax credit for four years for up to 180 net new employees in excess of the company's established base of 865.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed Standard MEGA Credit and recommends approval. Ms. Campbell pointed out that there were two contingencies for the City of Holland and the City of Allegan to approve a tax abatement related to the project. Mr. Dillon asked if there were any questions from the Board. Mr. Hilfinger wanted to know who the parent company of Steketee-Van Huis, Inc. was. Mr. Gasper indicated that Irving Place Corporation acquired Steketee. **Mr. Herman made a motion for approval of Resolution 2011-040. Mr. DuBose seconded the motion.** The motion carried unanimously – 7 ayes; 0 nays; 0 recused; 0 absent.

PROPOSED WORK PLANS

Resolution 2011-041: Grand Traverse County – Grand Traverse County Land Bank

Eric Helzer, Brownfield Program Analyst, provided background information and introduced the guest presenter, Tino Breithaupt, Senior Vice President of Economic Development for Traverse City Area Chamber of Commerce.

Mr. Breithaupt stated that he was there to show support for the project.

Mr. Helzer indicated that the properties in question were currently owned by the Grand Traverse County Land Bank Authority and located in Green Lake Township and Blair Township. Currently the property is vacant. Three other tax-reverted properties have been included in the project. The eligible property are afforded the opportunity to conduct the following activities: infrastructure improvements, site preparation and title clearance in addition to demolition and lead or asbestos abatement because they are blighted due to their tax reverted status and are under the control the Grand Traverse Land Bank Authority

Recommendation: MEDC staff recommends approval of local and school tax capture for the MEGA eligible activities totaling \$50,537 described above. Utilizing the current state to local capture ratio, the amount of school tax capture is estimated at \$29,311.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed Brownfield Work Plan and recommends approval. Ms. Campbell stated there were no contingencies. Mr. Dillon asked Mr. Helzer for further explanation of eligible activities of the work plan, e.g., why the project includes residential homes. Mr. Helzer indicated that this project fell into a special part of the Brownfield Act for land bank control. Only two other plans have previously been awarded under this provision. Mostly rural communities fall under this act, but there have been projects in Ingham and Genessee Counties. Mr. Hilfinger asked if the properties needed to be contiguous. The response was no. Mr. Dillon then asked if Detroit was eligible. Mr. Helzer responded that Detroit was eligible. **Mr. Buckler made a motion for approval of Resolution 2011-041. Mr. Garcia seconded the motion.** The motion carried unanimously – 7 ayes; 0 nays; 0 recused; 0 absent.

PROPOSED BROWNFIELD MBT CREDIT AMENDMENTS

Resolution 2011-042 – 2011-043: Severstal Dearborn, LLC

Eric Helzer provided background on the project.

Mr. Helzer said that the MEGA Board approved a Jumbo Brownfield MBT Credit for the Hot Dip Galvanizing Line Project A and a Large Brownfield MBT Credit for the Pickle Line Tandem Cold Project B in Dearborn on December 15, 2008. As approved, the Eligible MBT project area for Project A and B was inaccurately defined within two parcel numbers. The actual Eligible MBT Property is within a single parcel number but it does not encompass the entire parcel nor does it cross into the former parcel number.

Recommendation: MEDC staff recommends approval of the Amendment request to add Severstal Dearborn, LLC as a qualified taxpayer and to define the Brownfield MBT Eligible Property area for Project A and B as it was legally described in Brownfield Plan #9 submitted by the City of Dearborn.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed Brownfield Work Plan Amendment for Project A and recommends approval. Ms. Campbell, stated there were no contingencies regarding this project. Mr. Dillon asked if there were any questions from the Board. Being none, **Mr. Buckler made a motion for approval of Resolution 2011-042, Mr. Herman seconded the motion.** The motion carried unanimously – 7 ayes; 0 nays; 0 recused; 0 absent.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed Brownfield Work Plan Amendment for Project B and recommends approval. Karla Campbell, stated there were no contingencies regarding this project. Mr. Dillon asked if there were any questions from the Board. Being none, **Mr. Buckler made a motion for approval of Resolution 2011-043 Ms. Duquette seconded the motion.** The motion carried unanimously – 7 ayes; 0 nays; 0 recused; 0 absent.

PROPOSED BROWNFIELD MBT CREDITS AND WORK PLAN APPROVAL

Resolution 2011-044 – 2011-045: Severstal Dearborn, LLC

Aaron Young, MEDC Business Development Manager, provided background information and introduced the guest presenters: Bill Wednieski, Director of Corporate Taxation for Severstal Dearborn, LLC and Bruce Black, General Manager and Senior Vice President of Severstal Dearborn, LLC.

Mr. Wednieski wanted to thank everyone for their assistance with this project. Thank you to the City of Dearborn, the MEDC, Maria Gebarowski, Aaron Young, Eric Helzer, Amy Deprez and Peter Anastor for their past assistance. Severstal Dearborn, LLC does \$280 million in the stripped steel business. The company employs 70 people. The company was looked at a location in Ohio to locate this project, but the Brownfield project really tipped the scale in Michigan's favor. The project will create approximately 500

construction jobs and be the first of its kind facility in the United States. The project will make vehicle lighter and stronger while meeting crash standards in the United States. Severstal North America, Inc. already has two brownfield redevelopment MBTs. For each Brownfield Redevelopment MBT Credit awarded to Severstal North America, this is a request to correct the boundaries of the projects and to add Severstal Dearborn LLC as a qualified taxpayer.

Recommendation: MEDC staff recommends approval of the requested amendments.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed Brownfield MBT Credit and recommends approval. Ms. Campbell stated there were no contingencies regarding this project. Mr. Dillon asked if there were any questions from the Board. Being none, **Mr. Buckler made a motion for approval of Resolution 2011-044 Mr. Herman seconded the motion.** The motion carried unanimously – 7 ayes; 0 nays; 0 recused; 0 absent.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed Brownfield Work Plan and recommends approval. Ms. Campbell stated there were no contingencies regarding this project. Mr. Dillon asked if there were any questions from the Board. Being none, **Mr. Garcia made a motion for approval of Resolution 2011-045 Mr. Herman seconded the motion.** The motion carried unanimously – 7 ayes; 0 nays; 0 recused; 0 absent.

PROPOSED BROWNFIELD MBT CREDIT AMENDMENTS

Resolution 2011-046: General Motors Corporation

Eric Helzer, provided background information.

In 2001 the MEGA Board approved a multi-phased Brownfield Credit at Delphi Automotive Systems' Wyoming site. In 2008 the project was amended to add an additional five year to the investment timeline. In December of 2010, the project was further amended to add GM Components Holdings, LLC as a Qualified Taxpayer. The original project approved in 2001 required that at least 650 full-time permanent Delphi jobs must be retained at the site prior to the issuance of a Certificate of Completion. Since that time the automotive industry economic conditions, and control over these employees has changed. The employment levels at the plant have declined as demand for vehicles and revenues has decreased.

Recommendation: The MEDC recommends adjusting the project contingencies to require the retention of 430 full-time permanent jobs at the Project site prior to issuance of a Certificate of Completion.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed Brownfield MBT Credit Amendment and recommends approval. Ms. Campbell stated there were no contingencies regarding this project. Mr. Dillon asked if there were any questions from the Board. Being none, **Mr. Buckler made a motion for approval of Resolution 2011-046. Mr. DuBose seconded the motion.** The motion carried unanimously – 7 ayes; 0 nays; 0 recused; 0 absent.

Resolution 2011-047-050: Rescinding Brownfield Credits

Karla Campbell provided information on the project.

Ms. Campbell stated that the MEGA Board approved four large Brownfield credits that have not paid their administrative fees. These fees are .7% of the total project not to exceed \$1,000,000 less the original application fee. In the past, Qualified Taxpayers paid these fees in two installments. The first installment was due when the project began accruing eligible investment and the second half was the one year after the date of the pre-approval letter. Currently, the first half of the administrative fee is due within six months from approval.

Recommendation: The MEDC recommends that the following projects be rescinded in their entirety if the first half of the administrative fee is not received by May 15, 2011: City Center Two Project, LLC (City Center Two #1); Conner Creek Village Development; Dearborn Village Partners, LLC; and GlobalWatt, Inc. (Project Infinity).

Board Discussion: Mr. Herman asked if any companies had failed to pay the second half of the application fee. Ms. Campbell explained that in the past the MEGA Board has not rescinded awards for nonpayment of the fee, just did not issue the tax credit certificate. Mr. Dillon asked if there were any other questions from the Board. Being none,

Mr. Garcia made a motion for approval of Resolution 2011-047 (Dearborn Village North) and Mr. Hilfinger seconded the motion. The motion carried unanimously – 7 ayes; 0 nays; 0 recused; 0 absent.

Mr. Buckler made a motion for approval of Resolution 2011-048 (City Center Two #1) and Mr. Herman seconded the motion. The motion carried unanimously – 7 ayes; 0 nays; 0 recused; 0 absent.

Mr. Garcia made a motion for approval of Resolution 2011-049 (Conner Creek Village Development) and Mr. Hilfinger seconded the motion. The motion carried unanimously – 7 ayes; 0 nays; 0 recused; 0 absent.

Mr. Herman made a motion for approval of Resolution 2011-050 (GlobalWatt Incorporated) and Mr. Garcia seconded the motion. The motion carried unanimously – 7 ayes; 0 nays; 0 recused; 0 absent.

PROPOSED MEGA CREDIT AMENDMENTS

Resolution 2011-051: ConAgra Foods Packaged Foods, LLC

Ms. Gebarowski provided information and recommendations.

A 100 percent Standard MEGA Credit for five years was awarded to ConAgra Foods Packaged Foods, LLC on May 18, 2010. Currently ConAgra has an opportunity to place 102 additional new jobs at the Kentwood facility as a result in an increased demand for their snackbar products. After the MEGA Credit was awarded, ConAgra completed the sale of Elan Nutrition. After the transaction was complete, ConAgra realized their estimates on the MEGA application for new employee ramp-up and wages were inaccurate. The ConAgra team also quickly realized that the local wage rate in Kentwood, specifically for laborers is lower than company standards. ConAgra is currently implementing wage increases every six months for at least the first two year for every job classification at the Kentwood facility.

Recommendation: MEDC staff recommends amending the 5 year 100% Standard Mega Credit to reduce the average weekly wage to \$459 and increase the number of qualified new jobs from 205 to 307, over the company's employment base of 531. The company must create and maintain at least 300 Qualified New Jobs above the statewide employment base by the end of year four of the credit. Failure to do so will result in the forfeiture of remaining years of the credit.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed MEGA Credit Amendment and recommends approval. Ms. Campbell said that there were no contingencies for the project. Mr. Dillon asked if there were any questions from the Board. Being none, **Mr. Buckler made a motion for approval of Resolution 2011-051. Mr. Garcia seconded the motion.** The motion carried unanimously – 7 ayes; 0 nays; 0 recused; 2 absent.

ADJOURNMENT: The meeting was adjourned by Mr. Dillon at 11:45 a.m.